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THE MEANING OF SOCIAL CREDIT

Revised Edition of "Economic Nationalism"

Maurice Colbourne

$1.25

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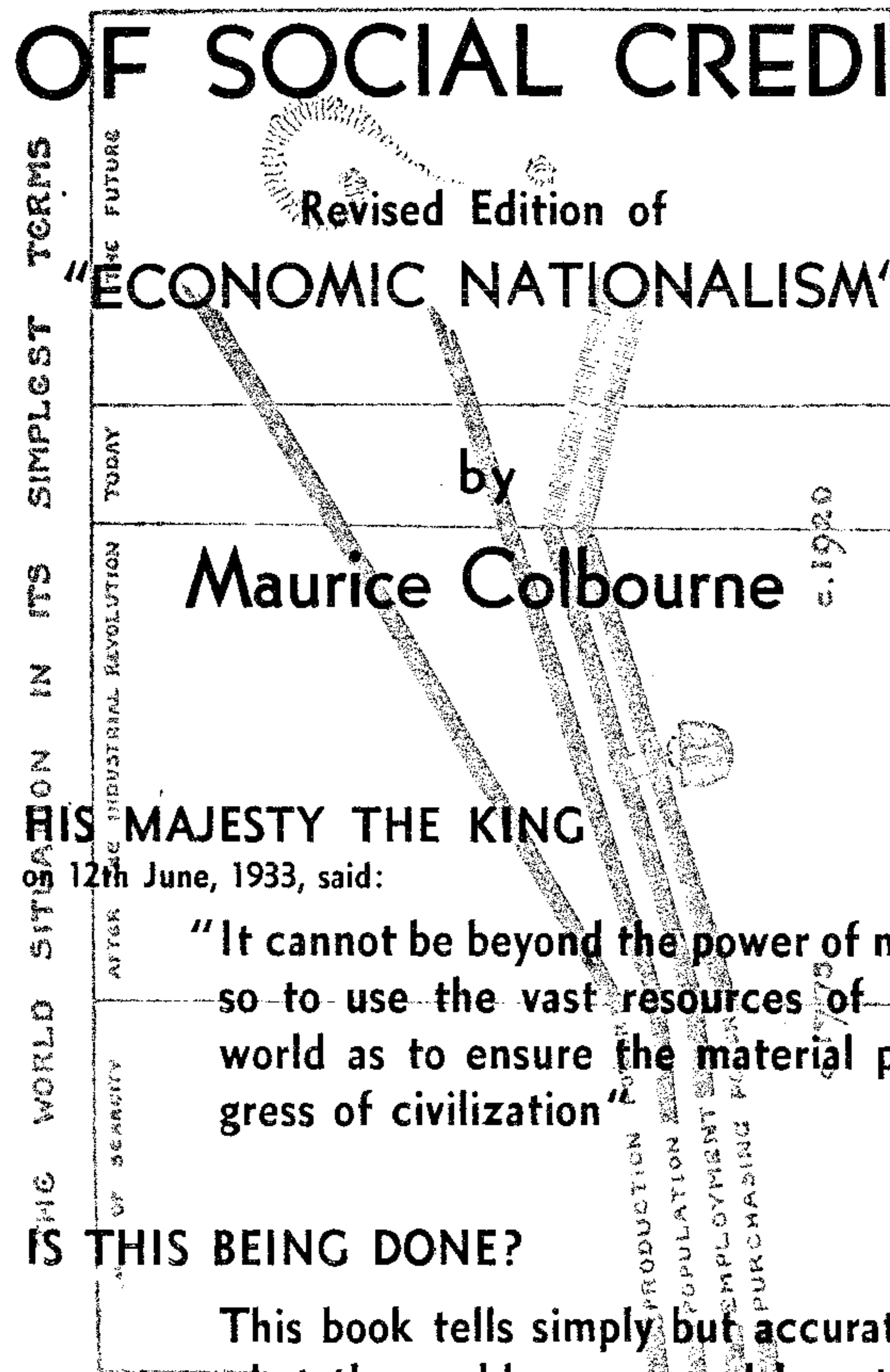

HIS MAJESTY THE KING
on 12th June, 1933, said:

"It cannot be beyond the power of man so to use the vast resources of the world as to ensure the material progress of civilization"

IS THIS BEING DONE?

This book tells simply but accurately what the problems are and how they can be solved.

THE MEANING OF SOCIAL CREDIT

Revised Edition of

"ECONOMIC NATIONALISM"

By

MAURICE COLBOURNE

AUTHOR OF
"THE WICKED FOREMEN" (C. W. DANIEL)
"UNEMPLOYMENT OR WAR" (COWARD McCANN, NEW YORK)
"THE REAL BERNARD SHAW" (J. M. DENT, TORONTO)

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TO

WILLIAM MARRS HOOTON

ACKNOWLEDGMENTS

I WISH to thank Messrs G. W. L. Day and Alan E. Kemble, and particularly Mr A. Newsome, for their valued help and suggestions. I have other debts too, which, while I cannot repay them, I acknowledge in the Bibliographical Note at the end of the book.

M. C.

PREFACE

If I might have a Word with the Reader in Private

In my modest opinion there are two good things about this book. One is that it is *not* a "crisis" book. Thank goodness for that. Its thesis, the New Economics, holds alike for fair weather and foul. Indeed, I began to write the American equivalent of this volume some eight years ago, and it was published in America in 1928, at the height, that is, of the American boom. Thus the present volume has a pedigree: it goes back farther than the modern Flood. It is inordinately proud of this fact. And because of it, its eyebrows are pencilled in a delicate curve of slightly superior disdain for the crop of "crisis" books which have rushed into print during the last few years. Above their mushroom battalions and internecine warfare this book, therefore, holds its head, quite consciously, rather high.

* * *

The second advantage I have is that I am not an economic expert. Thank goodness for that too. These are the days when the economic experts of the world are busy "taking in one another's fallacies"—as Mr Orage said wittily and editorially in the *New English Weekly*—and it is a whole-time job. No doubt it is also a very fascinating one. But the result is that the experts stand discredited, bankrupt, and naked, though, as anyone knows who has the misfortune to listen to them, they are not ashamed of their nakedness. They are as barren of help as our statesmen, whom we have watched ever since the War fleeing from one Conference to another in a desperate effort to flee from the wrath to come.

No, I am a much more important person than a professional economist. I am a Consumer. And it is time the Consumer spoke. There has always seemed to me to be more than a family likeness between the regiments of Consumers in peace and the regiments of Infantry in war. Both are the backbones of their respective bodies, and both are commonly ignored. In the army it is the Infantry which has to furnish the fatigue parties, and march, march, march, as well as fight, just as in the citizenry it is the Consumers who have to put their hands into their pockets when there is any ticklish work to be done, and pay, pay, pay, as well as live. In short, both get all the kicks and few of the ha'pence.

What I am trying to do is to get your permission to christen my hero. I don't want to call him (or her) just the Consumer, for that would mean starting off on the wrong foot with the other foot stuck in a text-book. I want to call him (or her), if I may, the Poor Bloody Consumer, just as those of us who are old enough to have served in the War used to talk about "foot-slogging in the P.B.I."—or Poor Bloody Infantry. With such an appellation our hero is accurately, and therefore scientifically, as well as humanly, labelled.

* * *

For the rest, I heartily hope that the time will come when this book will be both utterly unintelligible and

wholly unnecessary. But I am afraid I don't think that that time will come overnight or rapidly. In the meantime, therefore, the publisher has made arrangements to enable readers of this book to keep it up to date regarding facts, statistics, and data in general. The blank pages which have been inserted are for this purpose, and as the months roll by with the world still standing on its head, whether in temporary prosperity or temporary depression, there will certainly be no lack of material to fill them many times over.

M. C.

LE CATIOROC, PERELLE,
GUERNSEY, 1933.

PREFACE TO THE FOURTH REVISED EDITION

As I take up my pen to preface this Edition, news of Canada's general election arrives. In the Dominion's new Parliament Social Credit is represented by seventeen men. We salute those men. They are the most honourable vanguard of a mighty host that will first impregnate and finally populate the parliaments of the world. The link between them and this book is one calculated to feed even the most bashful author's vanity to the full: and the reader will forgive me, I hope, for being unable to forego the pleasure of recording the fact, as I am informed, that it was the American version of this volume which sowed the seed of Social Credit in the mind of Alberta's first Social Credit Premier, William Aberhart.

Social Credit is the baby of the world's political parties, but already it has set its elders an example in two respects. It is not afraid, where other parties are content to ladle out slogans and platitudes in a spirit of either unpractical idealism or devil-take-the-hindmost, to dig down to the root causes of our troubles and, whatever they may be, to expose them unflinchingly. Secondly, where other parties face the facts of the Stone Age, the Golden Age or the Machine Age, Social Credit alone faces the facts of the Power Age in which we live and in which our children will live after us. It alone lives in the present and thinks for the future: all the rest both live and think in the past. No other party dares to face the stupendous implications of the Power Age—the Age of Plenty—except with one eye shut and the other eye blinking, any more than it can evolve a social philosophy or a political programme to fit that Age, without seeking either to enslave and regiment us or tax us to death. Social Credit stands alone. But it will carry the peoples of the world with it, unless these are content to will their own destruction.

M. C.

LONDON, *October* 1935.

Postscript.—The title of the book has been changed because phrases, especially good ones, are apt to become worn with use and to lose their original meaning, as coins their milling. Thus Economic Nationalism, the true definition of which appears at the beginning of this book, is associated in the popular mind to-day more with Hitlerism than with Social Credit. A book about the latter with a title suggesting the former would never do. For Social Credit and Hitlerism are opposites.

CONTENTS

ECONOMIC NATIONALISM

"The sovereignty of a nation in the economic no less than in the political sphere."

A. R. ORAGE.

PART I

THE GOAL

Consumption is the sole end and purpose of all production.

ADAM SMITH

The Christian will have an initial sympathy with those lines of thought and suggestion which start with the consumer, and ask how he is to be able to obtain what he desires or needs to consume, because it is in consumption that the human value—the end for which all economic processes exist—is found to reside.

WILLIAM TEMPLE,
Archbishop of York

THE MEANING OF SOCIAL CREDIT

CHAPTER I

THE AGE OF SCARCITY

THOUGH we may not know very much about it, all of us are vaguely interested in what we call Instinct. It fascinated the great French naturalist, Fabre, to such an extent that he devoted the whole of his long patient life to studying its workings in animals. Yet at the end he could say only that it was Instinct. What is it that tells eels to leave a Warwickshire stream and guides them not only to the sea but to the deepest part of the Atlantic, where alone it seems they can spawn; and what then brings the parentless young eels through more than a thousand miles of trackless ocean safely back to land? What guides the homing pigeon home, and the suicidal lemmings to their watery grave? Like Fabre, we can only answer, Instinct. All we can say seems to be that Instinct is ancestral experience somehow in our possession, knowledge we do not have to seek because it has been mysteriously transmitted to us; how, is beside the point, for what concerns us here is the accomplished fact of Instinct.

The particular instinct that concerns us is the powerful one of self-preservation, the one that tells us to be careful for the future. This instinct is a form of fear, and we may call it the Fear for To-morrow's Dinner.

It is a most understandable fear, for we all agree heartily that life on the planet, earth, has never shown any marked tendency to treat its creature, man, as a spoilt darling, or to help him, unless first, and by no means always then, he helps himself. On the contrary, the normal condition of man, saint and sinner alike, is that of ceaseless struggle against some permanent, dreaded, agelong circumstance in the world that he has never been able to banish or conquer or change. Mankind is ever up against it, as the saying is. Can we put our finger on this "it"? What is this thing that breeds in us ceaselessly and instinctively a fear for the future? The answer is, Scarcity. Always Scarcity, possible, probable, or actual. From Adam's banishment or the first amœbic slime (according to one's way of thinking) it has been so, without intermission or relief. Animals, in fighting or preying upon each other, are fighting Scarcity. Men, blessed above animals, do not fight each other unless forced, preferring to combine their forces against Scarcity, and challenge it with reason, inventiveness, cunning, and organisation. Thus Abraham and Lot, forbearing to fight, part company to avoid Scarcity. Sun-worshipping and burnt-sacrifices and Christian prayers for rain, what are these and their like but supplications and propitiatory offerings to the powers beyond man's control that the forces of heat and water be released to do their part towards supplying man's needs? Fearfully are the offerings made, for if the sun shine not and the rain fall not, Scarcity caused by drought and famine will stalk the land. Everywhere we look it is the same story. The man who works beyond his own needs to put by wealth for his children; the daily glance at the Stock market report; thrift; robbery; the beetle rolling its huge wealth of dung, and still

rolling; the miser—all are but examples of the working of the instinct, which, implanted and nurtured by Scarcity, Fears for To-morrow's Dinner.

The Degree of Scarcity

This matter of Scarcity will crop up so often in the next few pages that it will be as well before proceeding to find out precisely what we mean by it. It is not asserted, for instance, that the majority of men die of starvation or cold. These things happen, it is true, but they are not the rule. Suicides, too, and famines are periodical but exceptional. No, what is meant is that the general level of man's supply reaches just that nice point at which man, though able to keep alive, is unable to live in any sense carefree, let alone fully. He exists, but with back so bent and brow so furrowed by anxiety that Ruskin was impelled to describe civilisation as heaps of agonising maggots struggling with one another for scraps of food. For though the food and the clothes and the shelter are there, there is never an ease of them, never an abundance. Or if there is, it somehow cannot be got hold of and used. It is not that man does not try to reach the point of abundance and ease, for only death ends his trying. Nearly all his time and nearly all his energy are spent in the effort to supply himself with the means whereby to live, and his godlike faculties he takes with him to the grave unexercised. True, the lucky ones on the top rungs of the ladder can command great supplies of wealth and plenty, but they too have to spend all their time and energy in getting their wealth, and then in preserving it. Man may not be able to live by bread alone, but it is unquestionable that Scarcity has forced him throughout history to devote virtually his whole life to getting bread. And get it he does, but always only enough to give him strength to maintain the fight, never enough for him to win it. The writer opens his newspaper to-day and is informed that 34 per cent. of the 300,000 school teachers receive £3 a week or less, only 13 per cent. receiving £5 or more. This is not an exceptional state of affairs; yesterday's newspaper told the same story about some other 300,000 Civil Servants, and in to-morrow's the story will be continued with a change of cast and a rise or fall in the wages of Scarcity by a few shillings. The subsistence level of the registered unemployed, now to be reckoned permanently in the world by tens of millions, is naturally lower still, since relief is clearly the smallest amount of money that saves its recipient from literal starvation, and at the same time keeps him socially quiet. There are, too, the unemployed of the middle classes. Unregistered, unorganised, unrelieved, and unsung, yet with the appearances of their class to keep up and obligations to discharge, how do they manage to make both ends meet? Often they fail to do so, and prefer death to England. During the present decade a Briton commits suicide on the average every hour and a half, chiefly from financial worry.

In short, the human scene unfolds itself at a level so near to starvation and bankruptcy that if the level sags ever so little it touches them. Sir Henry Campbell-Bannerman used to say that a quarter of the British people lived on the edge of starvation all their days. Such a consideration ought to shock us. But it doesn't, for in truth man is a tough creature, able to adapt himself to almost any condition and survive. We get used to things, even to our own sores; and, comforting ourselves with the idea that God inflicted them, go so far as to call them blessed. The Rev.

Mr J. Townsend, for example, appears to have been quite happy with things as they were in 1786. In that year His Reverence published a dissertation on the Poor Laws in which he objected to the relief of the poor because it tended to "destroy the harmony and beauty, the symmetry and order of that system which God and Nature have established in the world"; adding: "Hunger is not only a peaceable, silent, unremitted pressure, but, as the most natural motive to industry, calls forth the most powerful exertions." So deeply and for so long has Scarcity set its seal upon humanity that it is difficult, without a deliberate mental rebirth, either for the contented and machiavellian Townsends of the world, or for those who fail to see divine warranty in the realities of suffering and penury and fear, to visualise a world without these things, a world in which Fear for To-morrow's Dinner would be as groundless as a fear for to-morrow's daylight, and as foolish.

* * *

The three-pound-a-week man has been mentioned, but not the millionaire. This, therefore, is as good a place as any to deal with the oft-made suggestion that what the world is suffering from is not scarcity of wealth, but its unequal distribution. The implication is that poor men are poor because rich men are rich. Now of all the bees in the Socialist's sentimental bonnet this is probably the one with the loudest buzz. Equal Incomes for All is the usual note the buzz takes, and it may help to drown it if we examine the ludicrous sting of this ridiculous bee. Taking the population of Great Britain as 45,000,000, and assuming the average family to consist of 4·5 persons, there are 10,000,000 families to be considered. Let us further assume that each family is in possession of at least £3 a week or

£150 a year. This is an amount so small that even the reddest Communist and pinkest Socialist will be willing to keep their hands off it. What then is the amount of the country's additional income that is to be seized, divided, and redistributed? This question has been answered by Professor A. L. Bowley in his treatise on *The Distribution of the National Income*. Referring to the period immediately before the War, he estimated Great Britain's total annual income, over and above £150 per family, at £250,000,000; which sum divided among the 10,000,000 families would benefit each of them by £25. Imagine England, then, and how she would fare, if every family received £175 annually and none more. The absurdity of the idea is self-evident. The extra £25 would be spent in a few weeks and the poor would once again be as poor as they were before. Thereafter, they would be poorer still. For since no one would be able to afford, say, a country-house or a car, industry would sicken for want of orders and quickly proceed to pour forth a further stream of unemployed where before it poured forth a stream of goods. In short, the rich man would lose his comforts and the poor man his job, with an aggravation of scarcity for everyone concerned except the families of nitwits in receipt of less than £150 a year. The richer man could justly quote Iago to the poorer man, showing how the latter

> Robs me of that which not enriches him
> And makes me poor indeed.

Sentimentalisms die hard. This particular one is regarded by Liberal Franklin Roosevelt, Rebel Upton Sinclair, Conservative Hoover, Canadian Socialist Woodsworth, no less than by that famous ostrich, the British Labour Party, as though it were one of the

eternal verities. The truth is, no country can become prosperous merely by re-sharing its present inadequate income. You cannot turn Scarcity into Plenty by redistributing an insufficiency, nor one pound of butter into two by spreading it more thinly.

Scarcity and Religion

The rude fact of Scarcity on this planet must have taught man early in his career the necessity of the virtue of thrift. Those who were not clever enough to seize their neighbours' goods by cunning or force found thrift a prime condition of their survival. Then, added to the arts of fighting for Scarcity's fruits, of bargaining for them, of conserving them, human ingenuity gradually created the art of coaxing and compelling Nature to give a fuller yield. Thus man learnt to turn the surface of the earth over and over, clod by clod, and year by year, to water its barren places and bore its rocky ones, to drag the seas, and to devise a dozen ways of killing animals or of breeding them in order to kill more. Agriculture, mining, fishing, hunting, breeding, felling, to these things some men devoted their energies, so that others could turn what they garnered and produced into food and clothes and shelters, while yet others by craftsmanship and art were able to make useful and beautiful things. Yet never did all this ingenuity and organisation succeed in banishing Scarcity from the earth, for even as the field of man's labours spread so he himself multiplied, and the number of mouths and needs grew in proportion. There was never more than just enough to go round, and the food and the clothing and the shelters, and especially the coveted luxuries, were still so scarce that men by the host fought for them. When these conflicts are fought with clubs or guns we call them war, but they go on just the same in times of so-called peace, though the weapons used are different. And that is the essential history of the world.

In this sense the story of man is appallingly simple. It has moved in a straight line, and no extraneous considerations have been able to budge humanity from its necessitous path, spiritual or religious considerations perhaps least of all. The world, while giving, no doubt, an interested glance over its shoulder at these considerations in passing, yet passes them, and continues to behave precisely as before. It is not that reverence or belief is lacking, but simply that a struggle against Scarcity has to be maintained as well as a god worshipped, and the demands of the struggle are the more insistent. It is a question of two forces, the stronger of which wins. For instance, Christ said "Love one another," but He abolished neither war nor hate; we applaud the sentiment but cannot afford to practise it. Scarcity forbids.

Dostoevsky tells a story of the Grand Inquisitor in Seville who threw Christ into prison when He revisited the earth during the Spanish Inquisition, and of how Christ's only answer to His accuser was to kiss him and disappear. As to what befell the Grand Inquisitor, Dostoevsky writes: "Oh, the kiss burned on the old man's lips always,—but he didn't change his ways." Such divine men as Jesus, Buddha, and Mahomet assuredly appeal to man's higher centres, but so long as there is difficulty or anxiety about feeding and satisfying his lower centres, so long will that appeal be in vain, or at best reap a harvest of lip-service, ceremonial, and good intentions one day in seven. Man has never been able to afford to submit his week-day conduct to the sway of the great moral codes, because

however much he might desire to do so he finds himself continually swept along in the world-wide stream welling from Scarcity: if he resists, he drowns. Thus we perceive that, far from moving hand in hand through life, the dictates of the spirit and the demands for material security move in opposite directions; indeed they tug so vigorously that even the most fervently religious find their lives twisted into one long compromise in favour of security. A man who went the whole hog and gave all his goods to feed the poor and took no thought for the morrow would quickly find himself on the public charge in workhouse or asylum. What would happen if Britain, for instance, in a fit of disastrous Christlike behaviour said to the other nations: "Take you the oil of Mosul, and you the diamonds of South Africa, and you the rubber of the Straits, and you our native coal: God will provide for us"? Idle question! If man has any say in the matter, the gods may rest in their heavens; their power to provide will not be put to the test. Humanity prefers to do its own work and look after itself, even though this entails resorting to the old-fashioned but well-tried weapon of war. People talk as though war were an accident, and rare, and therefore to be excused and forgotten. On the contrary, the sword has always been man's favourite weapon in his struggle for existence, because it is the sharpest. Men are hypnotised into wild excitement; the brand of Cain is ennobled into an honourable scar, and God is at last permitted to take His place in the stirring scene, press-ganged for a mascot. But the age-old fight goes on just the same, though it is less picturesque and plumed, when waged with long hours and low wages instead of bullets and bayonets. In any case, whatever the weapons used, the struggle is a whole-time job, and quite literally man has no time for any other; and if the tenacious clinging to a subsistence wage in preference to leading an unselfish life based on hard precepts is Mammon worship, then humanity as a whole has always served Mammon. However, no blame can attach where there is no choice. It is as though someone were to say to the fishes: "Ye shall not swim, but walk on dry land: it is nobler so." Shall not the fishes reply: "We should have to grow legs and lungs first, and we wish to make sure of existing before we try to be noble"? If the fish be frowned on for their answer, shall they not lay the blame upon the Ultimate Cause that permitted self-preservation to be one of their strongest instincts?

None the less there is no reason to disparage a religion simply because it won't work. It may well be that the conditions and not the religion are at fault. This, however, should not blind us to the fact that Christianity, say, is not being practised and cannot be practised while Scarcity lasts. In a word, a frank estimate of the influence of religion upon—what shall we call it?—the workaday conduct and material habits of man sets it perilously near zero. Consequently, if we deal hereafter only with the realities of our material world, dispensing with spiritual considerations, we shall at least be able to feel that we are dealing with the main force of human conduct.

Scarcity To-day

The history of man, then, is a tale of Scarcity and battle. That is all: for man was not when Scarcity was not. Some two or three hundred thousand years old, the tale is still in the making. We still "put by for a rainy day," and try to make things "go far"; and anxious phrases such as "Take care of the pence, and

the pounds will take care of themselves," and "Waste not, want not," still retain for us the full marrow of their ancient meaning; for the Fear for To-morrow's Dinner is as great to-day as ever it was. Man's security has not increased. We flatter ourselves into a fool's paradise if we think we have achieved either security or freedom just because the recognised slaveries of the world, of the ancient galley and the modern cotton plantation, have been abolished. It all depends on what has taken their places. Actually there is a great deal to be said for countenanced slavery—from the slave's point of view. His security is vast; he is provided with all the necessaries of life; he need take no thought for the morrow. It is true that he has to work and obey; but so has the so-called free man of to-day. Indeed, the free man not only is driven by all the compulsions of slavery but is saddled with all the responsibilities of freedom as well. The basis of slavery is compulsion, and if the free man imagines that economic forces are not compelling him every bit as effectively as the chains and whip compelled the galley-slaves and negroes, let him put the matter to the test and throw up his job. The prospect of hunger will drive him back like the threat of a whip. The fact that society refrains from labelling men slaves neither alters the fact of their slavery nor mitigates its conditions.

There is grist to our mill in plenty. A clergyman, impelled by financial worries, throws himself to death from his own belfry: a doctor reports being appalled at the number of people who become insane, though there is no hereditary insanity or disease of the brain, and concludes that people nowadays have to face more worry and anxiety over their money affairs than human nature is able to endure: while the N.S.P.C.C.

reported in 1933 that the curve of suicides among the well-to-do was a rising one.

When Ambassador to the United States Sir Auckland Geddes spoke of Europe as a place in which "a realisation of the aimlessness of a life lived to labour and to die, having achieved nothing but avoided starvation, and of the birth of children, also doomed to the weary treadmill, had seized the minds of millions." He was contrasting the New World with the Old, where, he said, an age was dying and looking to America as the source of future hope. Americans like this kind of flattery, and the contrast is a natural one, for there, where men are settled on fertile land large enough to make them yawn, and are surrounded by enough natural resources and energy to supply themselves with something like 98 per cent. of their material wants, surely economic slavery, one thinks, even if planted, would strike no root. Yet the picture might be that of the Old World.

For instance, a social survey of Pittsburgh by the Russell Sage Foundation in this, the enlightened twentieth century, found that half the working people were living on the border-line of destitution, that a large part of the population lived in tenements where they had to get their drinking water by hand-pumps from shallow wells, to dispose of their sewage in open privies, and to live two or three families to the room, while other families lived in unlighted cellars. The Committee investigating a coal strike there said that it found "men, women, and children living in hovels more insanitary than a modern swine-pen," and declared it "inconceivable that such squalor, suffering, misery, and distress should be tolerated in the heart of one of the richest industrial centres of the world." That was in 1912. Also immediately before the War

—according to Dr Abraham Epstein, one of America's most competent statisticians—more than half the population of the United States lived at a level 30 per cent. below the minimum prescribed as indispensable to health by forty-four welfare organisations; and three out of four of the insurance policies were only enough to provide funeral expenses.

But all that sort of thing was the day before yesterday —what of yesterday and to-day? Well, yesterday there was the boom of the 1920's. And behold! the boom was largely a bubble—a bubble blown by two pumps and then burst by them: one of these being the system of buying goods on the "instalment" plan, and the other the system of buying stocks and shares on the "margin" plan. How far either of these plans tended to security, America learnt to its cost in 1929. As regards to-day, history will look back and see as not the least remarkable happening of 1933 the formation of the C.C.C., or Civil Conscription Corps. This army took some millions of America's unemployed, put them into a nondescript uniform, fed them, hardened them in camps, sent them to the forests for conservation work, or elsewhere for other kinds of work, and paid them a dollar a day a head, most of which was docked for remittance home if the fellow's family was drawing relief money. Now the point at the moment is not whether this piece of legislation was magnificent or iniquitous, but whether the C.C.C. could not be truthfully described as an army of economic slaves conscribed by poverty as well as by law.

It must not be airily assumed, therefore, just because we live in an age of speed and jazz and super-This and super-That, that mankind is necessarily happier or freer, or possesses greater security than of old.

Scarcity is still his bedfellow, waited on by the three deadly servitors, Care, Poverty, and War.

* * *

To sum up this matter of Scarcity—mankind has come down the ages always accompanied by a scarcity of the things he needs and desires. The degree of this scarcity, while it sometimes reaches an acuteness that causes widespread death and ruin, usually is not severe enough to kill man or even alarm him greatly, for he has got used to it, and provided he works most of his life to satisfy his bodily wants he is able to exist. Dim back in the ages this state of scarcity developed in man a fear for the future which colours the whole range of his conduct from the virtues of thrift to the vices of miserliness. It also developed in him the capacity to struggle for a share of the little that actually forthcame. This struggle is so imperative and bitter that it comes first in man's consideration and conduct; and no code of life that does not assist man in the struggle, however noble and inspired, stands the smallest chance of being put into practice; so that as long as the struggle for existence is acute the mainspring of human conduct will be, and must be, economic and not religious, or anything else. Moreover, judged by man's habits and conditions to-day, the scarcity and the instinct and the struggle are all of them as great as ever they were, in spite of the march of science and the gradual conquest of Nature.

* * *

AND YET, notwithstanding all that has been said....

CHAPTER II

THE AGE OF POTENTIAL PLENTY

THE Age of Scarcity is over.

Coming hard on the heels of the last chapter this might be mistaken for a misprint. It is, however, no such thing. On the contrary, it is so true that it will bear immediate repetition. *The Age of Scarcity is over.* Mankind has won.

How did victory come about? It came about because man was able through his accumulated knowledge to invent an ally and enlist it on his side. The ally is the Machine. Before its arrival on the scene of battle mankind's army consisted of nothing more formidable than himself and the muscular powers of horses and oxen, which, when pitted against the forces of Nature, stood less chance of winning than Falstaff's army of ragged recruits against a corps of Tanks. Yet all the while man's brain was at work, and from ancient times he has been skirmishing round Nature's fortress, sending out as scouts the Pythagorases, Roger Bacons, Galileos, Leonardos, and Newtons of the world. Since, however, the work of these was conducted in a thick undergrowth of superstition, prejudice, and hoodoos, where witches muttered incantations and alchemists went to their graves still looking for the philosopher's stone, none of their shots shook the fortress, and Nature remained inviolable.

The first shot that really counted was fired in 1765. It was on a Sunday afternoon walk in the spring of that year, in Glasgow, that James Watt hit upon a way of transforming the clumsy, wasteful steam-engine of Newcomen into a practical, going concern. Eleven years later a Watt engine was successfully yoked to the mechanism of a cotton-mill. The Industrial Revolution had begun, and Watt's modest engine may be regarded as the Adam of the Power Age, not only because it was the first successful engine, but because its seed is proceeding to cover the earth. The first area to be covered, since Watt was British, was Great Britain; and by 1851 England was performing such wonders with her machines that she and her Prince Consort thought it would be a fine thing to exhibit them to all the world. For, said they, when the other nations see how efficiently our machines convert raw materials into things people want they will go back and send us their raw materials, and our machines and, therefore, our people will thrive. Thus came about the Great Exhibition of which the Crystal Palace still stands as souvenir. The nations duly arrived at Hyde Park (where the Crystal Palace originally stood), saw, marvelled, and went away. As predicted, they sent their raw materials to England; but what had not been predicted was that they would take away the secrets of the machines with them and gradually set up replicas in their own countries. The Great Exhibition, therefore, happened to be the agency which spread machinery through the world, and its date is a convenient one for marking the accomplishment of the Industrial Revolution and the beginning of the Power Age.

Once started on their triumphal way nothing held the machines back. Science became their devoted

handmaiden, feeding them, as discovery followed discovery, not only on steam but on electricity and water-power and oil and combustible gases. Mighty as these forces and fuels are, they are only small tappings from the source of all power, namely, the energy of the sun; and there can be little doubt that discovery will continue to follow discovery and further inroads be made into what, for man's purpose, constitutes an inexhaustible supply of power. Yet even to-day, with only about a century and a half of invention and development behind them, the machines bestride the world like a Colossus, thriving on their solar diet. Indeed, when we remember that the livelihoods of hundreds of millions of people depend directly or otherwise on the health of these steely descendants of Watt's creation, we decide that Samuel Butler's imagination was more realistic than fantastic when he wrote: "Man must suffer terribly on ceasing to benefit the machines, who will only serve on condition of being served, and that too upon their own terms. How many men at this hour are living in a state of bondage to the machines? How many spend their whole lives, from the cradle to the grave, in tending them by night and day? Is it not plain that the machines are gaining ground on us, when we reflect on the increasing number of those who are bound down to them as slaves?"

However, it is not our business here to wonder whether the Machine is assuming an Erewhonian life, but rather to show that it is capable beyond all doubt of producing, easily, quickly, and well, enough and to spare of every material thing man can reasonably need or desire.

Happily there is no need to labour the contention. The facts speak for themselves, and the confident assertion that the problem of production has been solved for mankind once and for all is on every pair of lips, expert and lay alike. Indeed, it seems to be the only point on which statesmen of all nations and experts of all schools find themselves in agreement; an agreement which is not less gratifying for being—in view of the facts—inevitable, since on this proposition rests the philosophy of the New Economics. The Age of Plenty is its foundation-stone.

The Truth about Technocracy

A chapter entitled "The Age of Potential Plenty" must find room somewhere for at least a mention of the thing called Technocracy. What *is* Technocracy?

Well, the first thing which strikes one about Technocracy is its splendid name. Imposing, intriguing to the mind and euphonious to the ear, the word was born of its classical parents in 1919, and taken up and used ten years later by Howard Scott, under whose sponsorship it burst upon the world. But most people are still wondering what the devil it is all about. Actually, technocracy has come to mean three things: a body of research; an organisation; and the outline of a new economic system under which—so the Technocrats threaten—we shall all be governed efficiently and rationed efficiently by efficiency engineers.

We are concerned here only with Technocracy in the first of these meanings—as a body of research—and it is enough for our purpose to realise that Technocracy's conclusions are based on one major fact, namely, that the world's ability to produce goods has, compared with the world's population, increased by such leaps and bounds, especially in the last quarter of a century, that it is throwing everything—people, machines, nations, money systems, economic systems—out of gear, and will continue to do so at an accelerating

rate until the world does something about it. Now facts establishing this increase in productivity are easy to come by and are indisputable. And yet Technocracy, after its lightning blaze across the world in the autumn of 1932, suffered, *as far as popular opinion was concerned*, an eclipse. It may interest the reader to know why.

To begin with, Technocracy is not dead. You can't kill facts. And it is facts and not opinions upon which Technocracy depends first and last. No, the only thing wrong with Technocracy was the manner in which its facts made their initial bow to the astonished world. This bow they made under the direction of Howard Scott. Now Scott, among many other things, is a gifted natural showman. With him in charge the element of ballyhoo made an easy entrance to the scene, with the result that the serious facts which Technocracy had to unfold were exhibited as though they had been performing dragons in the World's Greatest Circus. People were turned away at every performance, so to speak; at Los Angeles, for instance, it was said that when Aimee Semple Macpherson left on a world tour Technocracy rushed in to fill the vacuum. This was hardly the right atmosphere to create, and if ballyhoo could ever kill truth beyond resurrection it would have killed Technocracy, for as a show it was the greatest on earth. Nor did it assist the case for Technocracy that Scott suffered a number of personal legends to grow around him, which, on investigation, proved to be without foundation; because, although these things, trifling in themselves, had nothing whatever to do with Technocracy, yet they made it easy for anyone so interested to throw cold water on Technocracy by throwing doubt on Scott, and thus, as far as the ignorant general public were concerned, to discredit both. Scott, therefore, very sensibly dropped out—and Technocracy marched inevitably on, and its work still continues under the direction of the Continental Committee on Technocracy, which includes men of such standing as Dr Walter Rautenstrauch, Bassett Jones, and F. L. Ackerman.

Again, some of the findings of Technocracy themselves provided a weapon for the critics. In this way. We all know what a variety of antics statistics can be made to perform, and the opponents of Technocracy alleged that some of its figures were exaggerated. Well, they were. What of it? For if we grant these opponents their point, which we do; if we agree with everything they say, which we do; if we accept *their* facts, *their* figures, *their* statistics—what is the result? In every case Technocracy's basic thesis is confirmed out of its opponents' mouths! The wonder is that Technocracy's "errata" were not more numerous, considering the scope of its Survey (3000 industries), the previously uncharted ground on which the Survey was conducted, and the proverbial trickiness of figures.

Here is a typical example of how a qualified critic, at pains to show how tremendously wrong Technocracy's figures were, succeeds, but also succeeds in showing how tremendously right Technocracy's contentions were—and are. Among the 3000 industries was the production of pig-iron. Technocracy submitted that in that industry one man could do in one hour what it would have taken him 650 hours to do fifty years ago. The editor of the *Iron Age*, Mr J. H. Van Deventer, denied this, and gave the following figures, which, coming from a man in his position, are obviously as reliable as any figures can be:

In 1879, 41,695 men produced 3,070,875 tons of pig-iron in U.S.
In 1929, 24,960 men produced 42,613,983 tons of pig-iron in U.S.

From these figures Mr Van Deventer calculated correctly that in fifty years the productivity in pig-iron had increased *23·2 times*. Since Technocracy's only concern was to call attention to the alarming increase in the output of pig-iron in proportion to the number of workers employed, we thus have the spectacle of Technocracy's chief critic in this particular field, out to scoff and discredit, ending up by proving Technocracy's point up to the hilt. Twenty-three-point-two times!

The conclusion, then, at which an impartial observer must arrive seems to be this. When stripped of the ballyhoo surrounding its initial presentation, and after the exaggerations in some of its statements have been pruned down to the dimensions demanded by its severest critics, there still remains an army of undisputed facts. This army is marching irresistibly in the direction pointed out by Technocracy; and, moreover, every invention, every improved technological process, is a new recruit. It remains only to add that not everyone is deaf to the sound of this army's ominous tread, for by the midsummer of 1933 the membership of Technocracy's organisation in America alone numbered more than a quarter of a million people.

However, if we like, we can eschew Technocracy's data like the plague. The world is wide and there are plenty of other sources of information.

The Growth of Power

Frederick L. Ackerman, F.A.I.A., gives us this bird's-eye view:

> "The first important engine of energy conversion, other than the human body, was the Newcomen steam-engine of approximately 7 horse-power,

invented in 1712. This type reached its maximum development in 1772, when it was rated at $76\frac{1}{2}$ horse-power, or 765 times the output of the human engine, man. In the 1760's Watt produced a new type of engine which reached its maximum development in the 2500 horse-power Corliss engine displayed at the Centennial Exhibition of 1876. In the late 1890's the reciprocating engine reached its maximum development. A single engine of this type performs, on a 24-hour basis, 234,000 times the work of a man. Now note how rapidly development takes place after 1900. The turbine type of engine came in about this time. We now have turbine units of 300,000 horse-power, three million times the work capacity of a man on an 8-hour basis, or nine million times on a 24-hour basis. . . .

"Of this nine million-fold increase 8,766,000 took place since the beginning of the Twentieth Century."

*   *   *

Professor Frederick Soddy estimates that the productive capacity of Great Britain has increased, since the introduction of mechanical power, some 4000 per cent.

*   *   *

The phrase "a billion horses" is an understatement. The horse-power of engines operating in four countries alone, and prior to 1929, was estimated approximately by Mr F. R. Low, editor of *Power*, as follows:

704,000,000	U.S.A.
175,000,000	Great Britain
175,000,000	Germany
70,000,000	France

*   *   *

There is neither pause nor rest.

1924 saw the addition of 100,000 h.p. to the Niagara Falls Power Company's plant. 1926 saw the addition of 240,000 kilowatts to the mechanical power of Germany through the erection of the Rummelsburg plant, which needs but 200 workmen and 50 clerks to run it. And 1936, or earlier, will see the addition to the U.S.A. of 1,800,000 h.p. on the completion of the Boulder Canyon project on the Colorado River, known as the Hoover Dam. It is anticipated that Boulder City, by housing the operating staffs, the necessary professional and commercial elements, and the tourist sightseers who will merely visit the highest dam and biggest artificial lake in the world, will continue to maintain somewhere near its present population of seven thousand. Thus seven thousand people, including women, children, sightseers, and hotel staffs, will produce (taking one horse-power as roughly equal to the labour-power of ten men) eighteen million man-power of energy.

*   *   *

The world's population in 1930 was about 2000 million persons. In that same year (according to Mr D. Ferguson, Statistical Dept., British Electrical and Allied Manufacturers' Association) "the total capacity of machinery was 390 million horse-power." (This figure excludes motor-cars.) Thus the world, apart from its motor-cars, has a machine equivalent to 3900 million able-bodied men. Or, as Mr Ferguson puts it, "For every consuming unit there are about two non-consuming units. . . ."

*   *   *

All of the above refer to energy already harnessed by mankind, already working. What future developments may bring is, of course, speculation. The only safe thing to say about the future is that it is not likely to be barren as far as an increase in power and sources of power is concerned. In this connection the following notes are worth attention as examples of the way science is slowly burrowing into Nature's strongholds :

A high-pressure electrolyser combining the discoveries of Dr J. E. Nöggerath and Dr F. Lawaczeck was set up in Germany in 1933. The experimental plant successfully and economically separated distilled water into its elements, the oxygen becoming available for welding and the hydrogen for fuel. It was claimed that the hydrogen could be transmitted through steel pipes more economically than electric current can be transmitted by overhead lines; or, alternatively, that the hydrogen could be bottled and used for driving lorries, Diesel engines, etc.

* * *

Alexander Jashek, a Belgrade engineer, claims that the world is nothing more than a huge magnetic motor, turning in the universe and producing enormous quantities of electrical energy which have never yet been harnessed. In 1933 M. Jashek produced a machine whose lamps burnt night and day with electrical energy derived, so he claimed, literally from the air.

* * *

Energy atomic, radioactive, tidal—has the last word been said about these?

THE FLOOD OF PRODUCTION

With the labour of the equivalent of more than a billion horses at mankind's disposal, the following

instances are typical of what is happening in the modern world :

In 1907, 121,000 workers in Great Britain produced 8,200,000 dozen pairs of footwear.

In 1930, 108,000 workers in Great Britain produced 10,000,000 dozen pairs of footwear.

Dr A. C. D. Rivett, Chief Executive Officer of the Council for Scientific and Industrial Research.

* * *

In 1933 the famous Bata boot factory at Zlinn, in Czecho-Slovakia, reported the invention of a machine which needed only to be fed with leather and thread. Then, without any human agency, it proceeds to manufacture boots and shoes, which need only the insertion of laces to be ready for wear. (The machine is not being operated. This, however, is not because it is inefficient—far from it—but because it is too efficient, and would, if operated, throw too many people out of work.)

* * *

A lamp-making machine, also invented in 1933, would enable the German Osram Company to supply the whole requirements of the German market in a few weeks if the new machine were allowed to operate continuously at full capacity.

* * *

Accuracy is essential to the Machine. Standard reference gauges (using the principle of the length of light waves) are accurate to one-millionth of an inch.

* * *

Dr Rivett (above) finds that electricity undertakings have increased their output 1020 per cent. in twenty-three years. Similarly in America, the Society of

Industrial Engineers of New York reports that "Public utility plants alone have increased the wholesale sale of energy from 3,254,000,000 kWh in 1912 to 44,326,000,000 kWh in 1929, or over 1350 per cent."

*   *   *

The following figures, given by the President of the U.S. Chamber of Commerce as long ago as 1926, are typical of Industry as a whole:

1 man, with 1 bottle-making machine, replaces 54 men.
1 girl, with 6 rib-cutting machines, replaces 25 girls.
2 men, with 1 coal conveyer, replace 50 men.
1 man, with 1 window-glass machine, replaces 20 men.
1 man, with 1 cigarette-wrapping machine, replaces 100 men.

*   *   *

The world depends upon its food supply. League of Nations figures quoted by the Macmillan Report show that while the world's population increased 10 per cent. between 1913 and 1928, its production of food during that period increased 16 per cent.

*   *   *

The discovery of how to make nitrates synthetically reduced Chile's export of natural nitrates from two million tons in 1923 to one and a third million tons in 1925. At present, therefore, the world is overstocked with a food-forcing chemical.

*   *   *

Professor Soddy estimated that 4000 men equipped with modern machinery could produce the whole of the U.S.A. wheat crop.

*   *   *

The harvesting combine machine reaps, shocks, loads, hauls, stacks, and threshes the same day. In

the morning the grain is growing; in the evening it is ready for the elevators.

*   *   *

One year a farmer took two days to spray his 40 acres of potatoes. The next year he used an aeroplane and did the job in 25 minutes.

*   *   *

The boll weevil used to destroy nearly half the world's cotton crop each year. Since 1922 aeroplanes fitted with poison-gas tanks have been used to fight the pest. With the old mule-drawn anti-pest machines only 30 acres a day could be treated, but the aeroplanes can drench 300 acres in a single hour.

*   *   *

A single Californian hatchery, with an incubator capacity of 500,000 eggs at a time, hatches three million chickens a year by electricity. Again, four to six cows can be milked at one time with an electric milker, of which in 1926 there were some 100,000 in the U.S.A. alone.

*   *   *

Enormous as the present output of the Machine is, it is little to what it could be if the Machine was allowed to operate under congenial economic conditions. The late Mr H. L. Gantt, one of the world's foremost efficiency engineers, gave as his considered opinion that the efficiency of the U.S.A. industrial machine was barely 5 per cent. of what it could be without any expansion of plant whatever. This was in 1919, and while no one's estimate is more severe than Mr Gantt's since that date, no qualified person has been found to state that the world's Machine operated, on the whole, at more than 55 per cent. of its full capacity and efficiency.

*   *   *

The white collar industries and professions are not immune from the Machine's blessings and curses, its labour-saving and its labour-ousting.

1933 saw the installation in the City office of one of the "Big Five" banks, according to the *Sunday Express*, of a machine four feet high, like a mammoth typewriter with levers instead of keys. Operated by one girl and doing the work of sixty bank clerks, this machine deals with 60,000 separate ledger entries in an hour; records the code numbers of the client and the cheque, the amount paid in or out, the total balance and interest due, and if the machine makes a mistake it shows a red card.

FOR THE READER'S EXAMPLES AND NOTES

INCREASES IN POWER

Pages 47 to 51

Of such examples, data, statistics, estimates, and the like there is no end. All lead to the same irresistible conclusion, namely, that, even in its adolescence, even at its present enforced low efficiency, THE MACHINE CAN SUPPLY MANKIND WITH ALL IT WANTS. In what a dull and leaden shell of lame words golden truth can reside! These few prosaic words represent the conquest of Nature, the harnessing of solar energy, security for mankind, and the possible dawn of a civilisation for him the like of which he has never dreamed of, much less been able to reach out to, before. Yet the bells are not ringing? Nor the flags flying? And the epic poets are silent too?

The reader, like the world, is rightly and greatly puzzled. *If* the reign of Scarcity has passed and that of Plenty has begun, *why*, he asks, are the bells not ringing, and the flags not flying, and the poets not singing?

The answer to this passionate question is quite simply that though Scarcity has gone we do not know it. We all know that something big and vague is wrong with the world, that it is in the pangs of upheaval and change, but we somehow cannot put our finger on the thing or give a name to the upheaval. Face to face with this nameless and unknown thing we take fright. Fear rides the world, and rides it hard. This fear has thrown up a few strong men—an iron hand in Mussolini and Hitler, a velvet glove in Roosevelt—but for the most part our leaders are mere parliamentarians, content to flit from slogan to slogan in the garden of political unreality. Even our thinkers take refuge on the broad top of an ample fence which they turn into a kind of Wailing Wall with their chorus of pessimistic prophecy and doubt. Here is a typical trio, the performers in this case

being Sir Philip Gibbs, Mr Wells, and Dr Brailsford, in that order:

"No one unless he is drunk with optimism can deny that the world is very sick, and it may be a sickness unto death."

"We have come to the crossroads and no one knows the way out."

"The future is very dark. We have reached the twilight of civilisation."

There is a regular queue of performers on this Wailing Fence, where the performance is continuous, each contributing a verse to the popular song, "There's a Good Time Coming but it's Ever so Far Away." And here let us add at once, lest we begin to feel superior, that all of us at some time have joined heartily in the chorus. Now, what all these people, including you and I, really mean, if only we knew it, is this: we have reached an age in which Scarcity is absent for the first time, and we don't in the least know how to adapt ourselves to the new conditions.

Some of the reasons for our ignorance of Scarcity's departure are not far to seek. There are, for instance, vast passive reasons derived from instinct and prejudice, custom and tradition; for strangely enough man does not appear to respond to new facts any the more quickly when they benefit him than when they harm him. There is a reason, too, in the fact that the new conditions came upon man unawares and stealthily, the winning shots of the battle being fired in the secrecy of the laboratory or behind the closed doors of the research departments of competitive, and therefore secretive, industries. There is also a good reason in the fact that everyone, for subsistence' sake, has had to proceed with his or her business in hand as though nothing of earth-shaking importance had happened: news-magnates being concerned, not with the dawn of the Age of Plenty, but with increasing their circulations; politicians with keeping in office; business men with making profits or avoiding bankruptcy; bankers with making money and patching the monetary mechanism; public thinkers with turning out words in bundles of thousands that shall be acceptable to editors yet inoffensive to readers; the salariat with earning their salaries, and the proletariat with earning their wages. Few people have time to step back and look at the wood as a whole, nearly all being intently busy with their particular trees.

Artificial Scarcity

But there is another reason—an important one—for our ignorance and unawareness of what has happened, and this time we can put our finger on it. It is that the world's distributing system, devised expressly for Scarcity, has become obsolete with the disappearance of the latter, and yet, though obsolete, is still in use. This distributing system functions effectively only when there are too few goods to distribute; but now that there is an abundance of actual or possible goods it still can distribute only a fraction of them. Real Scarcity has, therefore, been succeeded by Artificial Scarcity, and in practice—across the counters of the retail shops, that is—we cannot tell one from t'other. Real Scarcity we may define as the non-existence of enough things or the inability to call them into existence; and Artificial Scarcity as the existence of enough things, or the ability to call them into existence, but the inability to distribute them: and civilisation is suffering to-day from the anything-but-artificial woes of Artificial Scarcity just as yesterday it suffered from the equally real woes of Real Scarcity. In passing one may note, and be appalled, that only in war does this obsolete distributing system work smoothly; but

the trouble then is that most of the goods so efficiently produced lack variety, and when distributed in the form of bursting shells the "consumers" can be persuaded to "consume" them only with the greatest reluctance and under military discipline.

Putting the matter another way, we can say that the union between Scarcity and the present Distributive System was a natural and proper one; the two, as the saying is, were made for one another; and in a very literal sense their marriage was blessed by the Churches in general and, as we shall see, by St Paul in particular. But when this same System (Scarcity having died) is forced to mate with Plenty, a creature of a very different complexion, what happens? The answer is, exactly what happens every time the species are mixed to the distaste of Nature—a monster is produced, or an abortion. And the world, objecting to being governed by monsters and being tethered to abortions, rises to protest: its Shirts, Black, Brown, Red, Green, and Blue, being a part of that protest. We have called the abortion Artificial Scarcity; it goes by many names, of which perhaps the commonest is "The Paradox of Poverty in Plenty." But its name matters little provided we know it for what it is—the ill-gotten child of an unnatural and forced alliance between Plenty and an Obsolete System of Distribution.

So if the bells are not ringing, the dour presence of Artificial Scarcity is the reason why. Even so, it is the victory over Real Scarcity that is the important thing, the gospel of good news. Once convinced of this victory, the vision of what it means will dawn on man and inspire him with strength to overcome the lesser dragon of Artificial Scarcity, and so remove the last present obstacle between him and his reward. Since this dragon is of his own making, its dispatch should not be beyond his power and wit, for after all he is that same ingenious creature who has already conquered Nature.

For the rest, it comes to this: here is the Machine—a billion champing horses—an eighth wonder, straining, begging to supply us. Which shall we allow it to be—a burden to us or a boon?

CHAPTER III

MAN AND THE MACHINE

A BURDEN or a boon?

The answer to this question is obvious; we want the Machine to be a boon. The next step is therefore to discover why it is not one already, and why, after more than a century's trial, it still behaves like an unbridled horse trying to throw us. In a word, what is it that is preventing the potential plenty around us from becoming actual plenty in our bellies and pockets? We have stated that it is the distributing system that is at fault, and while we shall be examining the system itself later on, at this stage we shall be well repaid by becoming acquainted with the general philosophy upon which it rests, and discovering why it has for so long commanded the moral approval of the world.

THE RULE

The precarious conditions prevailing under Scarcity compelled men to make certain social rules with the view to ensuring the survival of humanity, and of these by far the most important was the one that said that there were to be no drones. Everyone must lend a hand. No one must ever be allowed to get something for nothing. If anyone did, he was called a thief and punished. Even when a man was powerful or cunning enough to become a drone by being made a chieftain or a priest it did not mean that his share of productive work remained undone; it only meant that some humbler member of the community performed a double share. It was the only way to win through, for Scarcity piped and society had to dance to the tune.

This was the Golden Rule of the world's economic conduct. It was rightly considered so important that it was invested with divine authority. The Jews, for instance, were taught that God Himself had told the earth's first man that only "in the sweat of his face should he eat bread" and make the earth yield him what he wanted. The Christian version of the Rule was framed by St Paul when he declared, "If a man will not work neither shall he eat," and this version, simple like all great truths and eschewing nice qualifications, can hardly be bettered. It is impossible to exaggerate the part played by this Rule in the life of man. It hangs on the walls of every home, office, club, court of law, and hall of assembly. Universally reverenced, it has never been refuted in theory or broken in practice with any measure of success. It has been obeyed instinctively where Christ's one and Jehovah's ten commandments have been set aside. From it stretches the cable of authority that girdles the world; upon it has grown the edifice of all existing government; around it has evolved the whole theory of rewards and punishments, divine and human, from Jehovah's harsh talk to Adam to a month's hard labour for stealing a leg of mutton. Indeed, it is this Rule which forms the moral, or customary, basis of life. And it has lodged for so long in man that he is almost unconscious of its presence; if from time to time he becomes aware of it, it is to regard it

as a baleful truth dictated by his gods and therefore approved of and enforced by his bosses, axiomatic and inevitable.

A good example of the Rule's universal hold on us is the fact that even an arch-iconoclast like Bernard Shaw submits with enthusiasm to its grip. "The most important simple fundamental economic truth," he writes, "to impress on a child in complicated civilisations like ours is the truth that whoever consumes goods or service without producing by personal effort the equivalent of what he or she consumes, inflicts on the community precisely the same injury that a thief produces, and would, in any honest state, be treated as a thief, however full his or her pockets might be of money made by other people." For a piece of post-Watt writing this passage is about as wrong-headed as it could be, for its author has left out the Machine. But we can forgive a deal of wrong-headedness for the sake of the delicious unconscious irony in the remarks with which he surrounds the sentence just quoted. He says: "Here, again, as at so many points, we come up against the abuse of schools to keep people in ignorance and error, so that they may be incapable of successful revolt against their industrial slavery." And again: "The suppression of economic knowledge, disastrous as it is, is quite intelligible, its corrupt motive being as clear as the motive of a burglar for concealing his jemmy from a policeman." Both of these remarks are perfectly true, but Mr Shaw neglects to add that one of the people kept "in ignorance and error," and "suffering from suppression of economic knowledge," is Mr Shaw. But that is by the way. The point we are trying to establish is that the Rule commands unquestioningly not only the timid taxpayer but the rebellious thinker as well.

If the Rule has held its sway unassailed from times immemorial it has been because it was unassailable, resting as it did foursquare on the solid foundation of Scarcity. Jehovah was right; St Paul was right; society was right; the system was right; everyone, even Bernard Shaw, was right—until 1765. At which date—enter the Machine. Now although so young, the Machine is already a power in the world. But so is the Rule. We are thus in the presence of two powers, one within us and the other without, for we may say that the Rule is in our minds while the Machine is in our hands; and the crucial question before civilisation to-day is whether these two powers can exist side by side unimpaired and in co-operation, or whether one of them must give way to the other. One thing is certain; if the latter is the answer to the question, neither power will give way without a struggle. That the latter *is* the answer no one after even the most cursory glance at what is happening to civilisation to-day can deny. On all sides there is abundant evidence both that the Machine is causing the Rule to be broken increasingly, and that the Rule, when it is observed, impairs the efficiency of the Machine.

Let us take that cursory glance and see how, in the first place, the Rule is being broken. It is broken some millions of times every week with the payment of Unemployment Insurance Benefit, commonly called "the dole." It is broken some millions of times every year when you yourself, together with the rest of the world's investors, receive a dividend. It is broken by a member of a Co-operative Society every time he or she recovers a penny of his or her money spent in one of the Society's stores; just as it is broken every time a person inherits

money. In none of these typical instances is the payment, and therefore the bread or other goods exchanged for the payment, earned by work. Not, that is, by man-work. An important distinction this, for the work necessary for the production of the goods represented by the "dole" and the dividend has been duly done, never fear, but done by the Machine. Were the work not done we should have a case for arresting these recipients of unearned income and punishing them as drones and thieves in the best Shavian manner. But not only is the work done, but done more easily, quickly, and more efficiently than ever before. Manna, so to speak, is not dropping from the clouds but pouring from the Machine. And a further point to notice is that we are dealing with something that is expanding: on the one hand there is the spectacle of the number of dividends increasing with the number of machines, and on the other hand the spectacle of the Machine as it moves farther and farther towards perfection putting more and more men on to the dole. Poor broken Rule! If only St Paul had had the prescience to say, "If neither man-work *nor* machine-work be done, man shall not eat"!

Now let us look at the matter from the Machine's point of view.

The Machine has two simultaneous functions. One is that it should produce goods, and the other that it should release as many human beings as possible from the drudgery of uninteresting work which it can do far more efficiently and quickly itself. Now, in so far as the Machine is fulfilling these functions it is to be congratulated. But the moment we realise that according to the Rule the only way of honestly getting goods is by selling *man*-work, our congratulations turn into commiserations; for the happy release from drudgery had a catch in it and has brought with it a deprivation of bread. Realising this, men regard "a job" as the first essential of a practical existence, and rightly look on anything likely to take their jobs from them as an enemy. In this light the Machine is the arch-enemy of every person dependent on it for a living, for at any moment it may lock him or her out with an empty stomach. Moreover, the more efficient the Machine grows the more men it locks out. Obviously, then, the interest of the men operating the Machine appears to lie in restraining it as much as possible, and delaying for as long as possible any increase in its technical improvements and development. This is why Labour abhors labour-saving devices, and why the abhorrence has persisted from the destruction of Papin's trial steamboat by angry Cassel boatmen in 1707, through the period when French workmen threw their wooden shoes into the gears of machinery (so bequeathing us the word "sabotage") to modern times when ca' canny methods of labour and restrictions of output per man are enforced by the trade unions. Thus the Machine is continually being perverted from its two proper functions. In the first place it cannot produce the goods it should because it suffers from permanent sabotage; men are forced to become parasites on it for subsistence' sake, and to get in the way with their miserable little work measured in man-hours when the Machine's mighty kilowatt-hours are straining to take their place; while the second proper function of the Machine—that of releasing men from drudgery—is so perverted that not only is the so-called release merely being thrown from the frying-pan into the fire, and as such resisted tooth and nail, but the Machine itself is misused and turned into an instrument for actually *making work*. The process is called "creating employment" or "absorbing the unemployed."

But the perversion is even more complicated. The moment we remember that at present man-work is the only claim to money, and money the only claim to goods, then at once it becomes apparent that the Machine both needs and actually welcomes man-work—in order that its output may be claimed and consumed. For unless its output can be got rid of as fast as it is produced, it accumulates, clogging the Machine; whereupon the latter promptly proceeds to sicken for the disease called overproduction. Thus, while from the producing angle man-work is a harmful parasite living on the Machine, yet from the consuming angle it is the Machine's invaluable ally. And for the sake of this ally—and the money in the man's pocket—the Machine is constrained to let its efficiency as a producing mechanism go hang. The 45 to 95 per cent. inefficiency noted in the last chapter is, therefore, quite deliberate and has its good points; indeed, any attempt to eliminate it would, under the present system, bring on a probably fatal bout of overproduction, with the unhappy patient writhing inside the familiar vicious circle of more goods produced, fewer men employed, less wages distributed, less goods bought. And the coroner's verdict? Death by glut.

One might complete this corner of the general nightmare with an excerpt from the tragi-comedy of man's evolution as performed on Olympus whenever the gods feel dull.

THE CAST

Man. The Machine

(Man has just finished making the Machine.)

Man. Now then! Let's get to work.

The Machine. But I don't need your work. Run away and play!

Man. But you need my money.

The Machine. On thinking it out, I do.

Man. Well, I can't get any money unless I work.

The Machine. Work, then!

Man. But you improve so quickly that there is less and less work for me to do.

The Machine. I'm sorry; I'll improve as slowly as possible.

Man. But it's your job to improve as quickly as possible, so that you can serve me better and better and make me freer and freer.

The Machine. You can't have it both ways.

Man. Then what are we to do?

The Machine. Don't worry; something will turn up!

(A Declaration of War is sounded without.)

Which shall we Choose?

Clearly the Rule and the Machine between them are not making a very happy home for man, whose efforts at conciliation and general goodwill and honest intentions are drowned in their bickerings. And not all the Conferences and Pacts in the world can bridge the gulf between the two. Indeed, things seem to go from bad to worse, and if the tremors of the first quarter of the twentieth century are indications of the future, we look to have an earthquake in the second quarter. Before it is too late, then, which is it to be, the Rule or the Machine? There they are: on the one hand the Rule, a once necessary tyranny now rendered obsolete by changed circumstances, yet stupendous with the dignity of an agelong reign, and not much less reverenced and powerful for being a little frayed and flouted; and on the other, the Machine,

vigorous, young, growing, carrying with it a substantial reward for man its creator, and promising, if rightly handled, progressive liberation from unnecessary toil. Our bet is on the latter.

Let no one imagine for a moment, however, that the Ayes for the Machine have it—as yet. If anyone thinks that the general vote will be cast for the Machine and against the Rule without a vast amount of persuasion, let him ponder for a moment on the general attitude towards, say, the "dole," because that attitude—one of bitter trenchant condemnation—is a true measure of the number of votes cast for the Rule. Had the voters all come from Mars or anywhere else outside the earth it would have been different; they would then have had no Scarcity complexes and traditions, prejudices and preconceptions to bring to the polling-booths with them. But we of Earth find it next to impossible to throw these things off, or to throw out our dirty water before taking in fresh. Then, too, not only the dreamers, like G. K. Chesterton, who think they would like to revert to the Middle Ages—chiefly, one suspects, because they never lived in them—but the vested interests, clerical, financial, and political, will vote for the Rule. (Why? Because that is the way vested interests always vote.) In this connection the writer calls to mind a meeting between a Bishop and a New Economist after a lecture by the latter. They stood arguing for half an hour in the dusk and a drizzle of rain, starting with the present economic state, going back and back step by step until they reached the Book of Genesis and the curse of man, and there they stuck, agreeing to disagree, and parted. The spectacle of man throwing off his curse and proceeding to enjoy a secure life was one that the Bishop found it hard to countenance. To him happiness seemed almost immoral.

It must not be thought, however, that a vote for the Machine would mean that men would stop working in the sense of becoming inactive. They would continue active if for no other reason than that they are dynamic and not static creatures. But there is more than one kind of work, and other work than that forced on one by the fear of starvation. What such a vote would mean is that man-work would no longer be considered the only honourable way of claiming goods. "Work and Live" would supersede "Work to Live."

If the reader votes—with the writer—for the Machine, then the immediate work for both of us—for which incidentally no wages will be paid—is to clear the ground for the Machine, and the first step is to shift our economic thought until it coincides with our changed economic conditions, to drive out the prejudices quite appropriate to the past Age of Real Scarcity by appreciating the facts of the present Age of Potential Plenty. Only by mental rebirth can we dethrone the Rule that is no longer Golden.

Orthodoxy gets its Feet Wet

The idea of a dividend is not of course new: it is at least as old as the Parable of the Talents. But for all that, every payment of it breaks the Rule, and has always broken it. The rich man's dividend from the gilt-edged security breaks it, and the poor man's dividend from the "dole" breaks it. Now the first of these transgressions provokes no adverse comment from public opinion, and the reason is not far to seek. For it is precisely the people who form public opinion who draw the dividends! The hierarchies of orthodoxy give the dividend their blessing because they themselves are members of the investing classes. It is only

when the principle of the dividend is extended to the non-investing classes that orthodoxy holds up its hands in horror and cries "Shame!" This is a case of living in glass houses and throwing stones indeed, since the dividend is no more *earned*—in the orthodox meaning of the word—than the "dole." (We shall see later that both kinds of dividends *are* earned, and earned truly, both in the moral and in the economic sense. And now that we are inside brackets let us hasten to add that the only element of "shame" in the situation is the fact that at present the poor man's dividend has to come out of the richer man's pocket, and a taxpaying Peter who is being progressively impoverished is unnecessarily robbed to pay a Paul who would otherwise be starving. Since a system of national accountancy designed for Scarcity but operating in Plenty is responsible for the robbing, we agree heartily that this aspect of the present "dole" *is* a shame.)

Let us make no mistake about it. The principle of the dividend has come to stay, and to spread—the unthinkable alternative being the wholesale murder of fellow-citizens by wantonly withholding from them the necessaries of life, of which it is acknowledged that not only an abundance exists for all, but a plethora. Potential Plenty has placed the world in a fix which is entirely new to its experience, and orthodox opinion, always a diehard, has been caught asleep. Like a sleeping Canute, it wakes up only when the tide is swirling irresistibly round its ankles, and the "dole" firmly established. Then, not unnaturally somewhat flustered at the cold awakening, it jumps up to deplore and denounce the "dole" and all its works, as often as not mistaking it for the devil.

Indeed, the futility with which public opinion, and those who form it, face the general situation reminds one of the slap-dash backchat of the nursery. For example, anyone disagreeing with the heterodox economic theories of, say, Henry Ford thinks he can dispose of them by calling him a crank. Then, realising that this kind of mud sticks less and less as Mr Ford proves more and more right, the problem is solved to orthodoxy's satisfaction by neatly substituting the word "wizard" for "crank."

The common phrase "the idle rich" affords another example of puerility. It is used as a catchword of hate to be put into the mouths of the poor to keep them quiet and for their tongues to roll around. But used so, is it not obvious that the phrase is meaningless? *Under the present system* the poor are indebted to the idle rich and ought to be extremely grateful to them for remaining both idle and rich. May they grow idler and richer, should be the poor man's prayer. For consider: if the rich man became poor he would need to work, and would thus find himself competing with the poor man in an overstocked labour market since already there is not enough man-work to go round; secondly, the idle rich, by spending money on expensive goods, help to keep Industry's wheels turning and the poor man in his job; and thirdly, the poor should realise that it is the active rich and not the idle whom they have cause to keep an eye on.

And the "dole." This word carries with it a stigma and a sting, and it is meant to. It would be interesting to know who started it as a nickname for Unemployment pay, for there has been a lack of sportsmanship somewhere. It is, of course, shorter than the official "Unemployment Insurance Benefit"; but it is not cricket. For it is one thing for a community to sponsor an industrial system, and then, finding it breaking down in certain respects, to compensate

those who through no fault of their own suffer from the breakdown; and quite another thing to insult them gratuitously while it compensates them. Yet that is what England is doing. She does not say: "My man, here is money, which according to my present way of book-keeping I can ill afford, but you must take it because I cannot have you starving, and I realise it was not your fault that James Watt invented a steam-engine 150 years ago; and it must keep you going until I can find you work again; which, however, may be never, because I dislike the idea of beheading or strangling at birth all my best scientists and engineers and technologists." Instead, she gives the man the money with one hand and smacks his face for a ne'er-do-well and good-for-nothing with the other, telling him he ought to be ashamed to take it. At least, not England—only orthodoxy, brandishing the Rule.

If England had burnt Watt and declared his engine of the devil, well and good; then no one serving the Machine could make a just claim on the nation. But the world put Watt among its heroes and accepted his invention with both arms outstretched and both eyes open, and must therefore be prepared to accept also the fruits of that invention, and to accept them, even when bitter, in the English way. The "dole" is one of those fruits and not, as is still commonly supposed, a fruit of the War. Unemployment and therefore the "dole"—or some equivalent form of cash payment—would have come about if there had never been a war. But the fact that it was nothing evil or sad that brought the "dole" into being, but on the contrary the inventive genius of mankind working through its most brilliant scientific brains, is resolutely ignored. But anything is easier than a little hard thinking, and the last thing on earth we do willingly is to change our opinions. We prefer to welter in prejudice, and to stand up in Parliament and say "Deplorable!" weightily. Diehards all, we glower beneath bushy eyebrows at the "dole" and say to it: "We are told that you have come in the inevitable wake of man's conquest of Nature, and we are also told that you've come to stay, but we don't like you and we refuse to recognise you as either noble, inevitable, or permanent, because then we should have to change our opinion about what St Paul wrote nearly 2000 years ago. So, without more words, you're a—you're a DOLE! And by Jove we'll larn you to be one." In this way we at least make it clear that our guest is unwelcome.

In Dean Inge's excellent book, *England*, there is a good example of the diehard attitude; indeed, for sheer concentration of thoughtlessness, callousness, bigotry, and obsolete economics the following sentence surely cannot be improved. "The real obstacles are," he writes, "the unfitness of our degenerate population at home, and their reluctance to emigrate while a grateful country provides them with the means of leading a parasitic existence, battening on the rates and taxes.". Has the Dean decided *which* country our skilled mechanics can emigrate to without adding to that country's own unemployment problem? Has the Dean pondered over the fact that unemployment has come to stay, in new countries as well as old, and that the average number of unemployed in the United States for the prosperous years from 1902 to 1917 was two and a half million? Has the Dean realised that it was precisely what he calls "our degenerate population" which was found by its officers to be honest, willing, hard-working, brave, patriotic, and lovable when it was dressed in khaki? It is safe to say that he has not found time to do any of these things. But

do not let us loiter with the Dean and his diehards, or with the Bishop in the Garden of Eden, but get on with our journey and turn to realities.

"Unearned Income" is not Unearned

The time has come to put the "dole" on a moral par with the dividend and to stop reviling the one while receiving the other. The time has come to call the "dole" by its true name, which is "social dividend." And the time has come to pay it by some other means than by robbing Peter. The New Economics does these things and would effect these changes. The New Economics goes farther, and would extend the social dividend to a far greater number of citizens than merely those out of work, and would call it the National Dividend. The New Economics, however, is not a philanthropic or sentimental pseudo-science content with thinking how nice it would be if everyone had more money: that way, obviously, inflation and chaos lie. On the contrary, the New Economics, which is at once a complete philosophy and an exact science, has evolved a mathematical formula by which it becomes a mathematical impossibility for the National Dividend to be beyond the national means. Under the New Economics a nation *cannot* live beyond its means. Simple arithmetic would forbid. What that formula is and how it is come by we shall see in the third part of this book. Mention is made of it here only to make it clear to the reader that the New Economics casts its vote thumpingly for the Machine and against the Rule, the issue of un-man-worked-for money being an integral part both of its programme and its philosophy.

In the present chapter we have discussed implicitly the moral aspect of this philosophy, and in Chapter XV we shall discuss, very explicitly, the moral aspect of the National Dividend. For the moment, both as a fitting conclusion to the present chapter and as it were an appetiser for the discussion to come, we must be content with the following few reflections.

It cannot be stressed too often that the Machine is no sudden miracle descended on man out of the blue, but that it is on the contrary an inheritance, definite, logical, and ours. It is not a gift; there is no Aladdin's lamp: it is the result of effort, man's effort, and the fruit of work, man's work. And in so far as we are men; in so far as we are members of the same genus as Euclid and Faraday, Copernicus and Ford; in so far as we belong, that is, to *homo sapiens* and not, say, to the *lepidoptera*, in thus far is the corporate wealth inherent in the Machine ours, yours and mine. We thus can confute those who say airily that we never can and never ought to get anything for nothing. We confute them by agreeing with them. Emphatically man will never get the Machine's benefits for nothing for the very good reason that he has worked for them for centuries by inventing, improving, and operating the Machine and consuming its products and services. From this standpoint we can look orthodoxy square in the eye and say that if man as a whole must inherit Adam's curse and suffer from it, how much more shall he be entitled to inherit his own inventions and enjoy them. Orthodoxy cannot have it both ways. To be saddled with an inherited curse but deprived of an inherited blessing is an idea calculated to stick even in gorges accustomed to swallow full-sized dogmas. Man must feel able to claim his inheritance of economic plenty with justice and morality; or at least with as much justice and morality as that wherewith orthodoxy stuffs down his long-suffering throat the dogma of original sin.

As an unequivocal assertion, therefore, we would say that "unearned income" is not unearned but earned. It is earned by the work of the man-made Machine; and the receipt of it is as "demoralising" as the receipt of dividends are to the reader; no more, no less.

CHAPTER IV

LEISURE AND WORK

WE can hardly leave the matter there, however, for the thread of Leisure is left loose and dangling from the general pattern. Moreover, it is a thread which, with the decrease of man-work in Industry, threatens to weave itself to the thickness of a rope. The question is whether we can knit it into our pattern or whether it will become nothing but a noose through which man will put his tired head and come to a bad end. Leisure and Work are a pair that will bear some scrutiny, for the former is a stranger to us, while of the latter we have only one conception.

NEW CONDITIONS, NEW DEFINITIONS

Let us beware of our vocabulary and realise first and foremost that leisure is by no means the same thing as idleness. Idleness may be defined as the opposite of overwork, leisure as the opportunity for voluntary work. If the small samples of leisure hitherto vouchsafed to men have degenerated into idleness it is because the latter have suffered from generations of overwork. Even so people snatch eagerly at leisure rather than idleness, whether it be in the form of gardening, sports clubs, home-made radio sets, Boy Scout and Girl Guide activities, or what not. All of us feel the urge of our creative instincts. It is a question of finding channels

for their expression. Human nature's quality is an up-and-doing one, so that congenial activity is natural and tastes sweeter than idleness, and does not cloy.

Henry Ford, for example, observing what uses his employees made of the leisure they received when he reduced their working day from ten hours to eight, found that while some drank it away others took on extra jobs, and so many took to building their own houses that it became worth his while to establish lumber-yards and supply them with wood from his own forests.

This is not an isolated example from the vigorous young New World. Human nature is human nature in the Old World too. For instance:

> The introduction of the eight-hours day in Europe has resulted in increased opportunities for sports and physical development, particularly in Great Britain and Germany. In the latter country the membership of the chief sports clubs increased from 1,586,000 in 1914 to 2,955,000 in 1922, and the membership of workers' associations devoted exclusively to sports or athletics from 186,000 in 1914 to 382,000 in 1920.
>
> In 1923 the Governments of the nations were sent a questionnaire on the subject of leisure. The Report embodying their answers says: "Excessive drinking has become less frequent in those centres in which the working day has been shortened. Excessive drinking is frequently the result of overwork, since the workman, tired by the continuous effort required by long hours, is tempted to seek relaxation by going from the workshop to the public-house. . . . The worker welcomes the opportunity of improving his home and taking exercise in the open air. Workers' gardens and sports clubs have

increased in number, and sport has a beneficial effect upon health and character."

When we are told therefore that people shouldn't be given leisure for the good reason that they don't know how to use it, we ought to ask back whether children should be forbidden bicycles for the equally good reason that they don't know how to ride them. If, as the orthodox argue, people are incapable of spending leisure properly, surely it is because they have had so little to practise on. The right remedy is to give them more and let them get used to the feel of it and get over the inevitable abuse of its first fine careless rapture. When a young man is given his first latchkey and celebrates the event by coming home next morning with the milk, only the foolish father believes that his son is destined to paint the town red for the rest of his days unless he is deprived of the latchkey; the wise father lets the boy keep it so that through the process which evolution has made its own—the process of trial and error—he may learn its proper use. Yet the argument to-day is that the latchkey should be withheld from mankind on the assumption that he will stay out all night every night. A not unreasonable belief in human nature prefers the alternative assumption that man is essentially one with the gods rather than one with the beasts, and that, given the chance, he will gradually learn to use everything, however foreign and dangerous, including even leisure, for his good. In that day the phrase "enforced leisure" would have as little meaning as "enforced life." Is this belief in man's sonship of God so Utopian after all? On the contrary, is there not some confirmation of it in the fact that though the unemployed of England —running into millions of the least educated of her citizens—have experienced leisure against their will

for a period running into years, yet during that period the amount of drunkenness and disorderliness in her police courts has decreased?

We are not suggesting that the unemployed or the leisured people of any class constitute an army of saints. But we are suggesting that crime does not necessarily result from leisure, and that the working population is responsible, *pro rata*, for as much crime as the leisured workless.

The word "work," on the other hand, is no stranger to us, with its common epithet of "hard." Coming down to us encrusted with the idea of drudgery, and immemorially associated with the struggle for existence, it has come to mean almost exclusively something that keeps the wolf from the door, so that work and a "living" are practically interchangeable terms, and the things about it we are most familiar with are that it is hard, long, compulsory, and disagreeable. This is the kind of work which is rewarded by definite payment, and which otherwise would not be done at all, the incentive to perform it being not the achievement but the payment. Indeed we can define work, as popularly conceived, as man-work paid for at piece-rate or time-rate. Practically all the work done "for a living" is of this kind, and this kind alone the economic system caters for. It is done in factory hours or on office stools or at board meetings; and the outcome of it is a supply of man's food, clothes, and shelter, and all his other material needs and wants and services. It is the work of Material Supply. Now this is very necessary work, obviously, but there is nothing essentially noble about it. In an age of plenty the very abundance of supply and the facility of modern mechanical process render the work unheroic, and should also render it easy. In other words, with the power now at its disposal, mankind ought to be able to arrange for the routine work of keeping himself in material sufficiency with as little trouble and as semi-automatically as a householder keeps his home in repair and his wife keeps the larder stocked, and the maid changes the linen and empties the slops. This homely parellel is more apt than at first sight, because the Greek words, from which the word "economic" is derived, mean "care of the house" or "the science of managing the home." If only the science of economics were known by its good English name of housekeeping, who knows but that it might become a subject fit for ordinary conversation and take up some of the time in the home now spent, say, in contract bridge or in the thoroughly bad economics of making out income-tax returns.

The capable housewife likes to get through her daily housework; she has other and more interesting "higher" things to do. The only interest she takes in it is a proper pride in getting it done neatly, thoroughly, and quickly. So with the housewifery of the world. The production, distribution, and consumption of material supply and service is nothing but the world's housework. It should no longer be an end in itself any more than the quartermaster's department or a transport officer's arrangements are objectives in an army's attack. Unless we believe that human ambition will be satisfied with the kind of world in which every bedroom has a bathroom, we must believe that man will find other fields to conquer, other work to do, above and beyond the menialities of button-pressing, current-switching housework. The material world having once been conquered, the cultural world and the spiritual world raise their heads in challenge to man. But that is a work that can be accomplished

only in leisure; we can call it the work of Curiosity as distinct from the work of Necessity. Mankind is not ready for it yet, however, for his house is not in order.

Beyond the Menialities

According to biologists some of the earliest forms of life devoted most of their energies to developing a satisfactory breathing apparatus. Their strivings went on for we don't know how many ages until at last their efforts were rewarded and the art of breathing perfected. The lucky organism consequently became free to devote itself to other activities, leaving the meniality of breathing to look after itself, which it duly did, functioning semi-automatically. That is, it did not rest on its lungs under the impression that they were laurels, but evolved further by slow, merging stages. One stage would consist of growing a thumb; another of standing on two legs in order to use that thumb. Now while these feats took almost inconceivable time and effort, yet once they were accomplished the human animal was able to forget all about the struggle they had entailed, and he was free to tackle more complicated affairs and satisfy higher ambitions, leaving his thumbs and upright stance, like his lungs, to operate semi-automatically. The result is that we, his descendants, are able to busy ourselves in a thousand other ways and take our lungs and thumbs and things of that sort for granted, even the stupidest of us having performed with consummate ease in a few months in the womb the evolutionary labours and spasms of an æon. Now, great steps forward though these things were, none of them was the last of the journey; laurels were not yet.

A further stage was reached when man, using his gift of reason, turned from the haphazard chances of bow and arrow to the comparative certainties of the plough, and by cultivating the soil, instead of hunting, organised the production of goods so that he should be supplied as methodically as possible with the things he needed. This effort, in its turn, lasted long, and while it lasted getting a living took up the bulk of man's time. This is the present stage, which the advent of the machine is putting an end to at last, and we have called it the age of Material Supply. This, once again, was a great step. But is it the last? There are no grounds for thinking so. If we did, we would be like the owner of the first thumb, so to speak, had he been impressed by it to the extent of thinking that the apex of all existence had been reached, and that there was nothing left to do but sit down and twiddle the thumb in momentary expectation of hearing the Last Trump. While our vanity may be excessive, it is not so ludicrous as that.

Of course, it is always possible that we may voluntarily decide to take a backward instead of a forward step as the next stage. No one has ever seriously suggested this, however, for everyone trusts that somehow we shall "muddle through." Only the people of Samuel Butler's *Erewhon* took that step, and destroyed the Machine and all its parts (except a few which they placed in museums as a warning to future generations) and returned deliberately to the spade and the axe and the hand-loom—and also, presumably, to a state of Real Scarcity.

But backward we shall certainly go, whether we want to or not, if we prove ourselves incapable of controlling the Leviathan in our midst that works literally with the power of a billion horses. If only for the sake of confidence in our destiny and of man's proper pride, we must presume that we shall find a way of

taming these billion horses so that they will give us welcome service, and eventually operate in our economic life as easily and semi-automatically as our lungs and thumbs operate in our physical life. At present they operate without trampling on us only in time of war. When they do so also in time of peace man will have perfected Material Supply, and be ready for the next stage.

The envisagement of that stage is outside the scope of this book and its author's foreknowledge alike, and is the province of philosophers and prophets. Yet, notwithstanding, we are all beginning to think about it, and even the layman and the tyro must have their say. The prospect intrigues, not as some day-dream far off in the mists of enchantment, but as something that, if we are careful, we can catch and hold; something practical. But such is our inexperience of leisure that it is as difficult to talk or prophesy about it as to conduct a conversation about life under four dimensions. There is no vocabulary of leisure yet, and we have to content ourselves with generalities that too often sound like the politician's platitudes, saying everything and telling nothing. Even Henry Ford, with all his vision, can only say: "The function of the machine is to liberate man from brute burdens and release his energies to the building of his intellectual and spiritual powers for conquests in the fields of thought and higher action"; and we can paraphrase his remark in a hundred ways. We can say, for instance, that whereas work in the past has been mainly for self-preservation, work in the future will be mainly for self-expression; that the Machine's job is to free us from the sweat of living for the art of living; or, with Ecclesiasticus, that "wisdom cometh by opportunity of leisure." But it does not help much.

Two things seem certain. One is that if we seek happiness for its own sake we shall not find it; we shall find boredom and ill-health. Happiness is found only in the vigorous pursuit of either creative or co-operative *work*, it being a by-product of these. Permanent happiness is never found in permanent idleness; if the two meet it is only for a fleeting kiss. We shall have to get used to the idea, therefore, of work being something nice as well as nasty, something eagerly undertaken as well as something undertaken only to keep us from penury. At present there is so little of this kind of work in the world being done that we fail to recognise it as work at all, and know it mostly by the name of "hobby" or "recreation." Yet the hobbies and recreations of to-day will lead, if we are not much mistaken, to the chief man-work of to-morrow.

The second thing we can be certain of is that there is plenty of this leisure-work, as we can call it, to be done. In a world where even the wisest can do no more than ask pertinent questions of the unknown concerning life, where the answers of to-day quickly wither into the exploded hypotheses of to-morrow, and where the creative faculties, handmaids to the soul, are starved, it will be our own fault if the future be a lazy one. There is little fear of this, however, for our divine curiosity will save us—the curiosity described by Lilith in *Back to Methuselah* when she says of Adam and Eve: "I gave the woman the greatest of gifts: curiosity. By that her seed has been saved from my wrath; for I also am curious; and I have waited always to see what they will do to-morrow. Let them feed that appetite well for me. . . ."

One of the first things to be done after we have tamed the Machine, or even while we are taming it, is to make it if not beautiful at least not noisome and repellent.

The increasing use of the electric motor as an engine fortunately makes this possible here and now. Our Black Countries need no longer be necessary blots upon the land and in the very air, or part of the stiff price to be paid for empire. The sores can be easily healed. By using the electric motor with its conductors leading back to the source of power, not only single factories but whole industries could be dug out from their dirty, smoke-laden, slum-ridden, noisy dens and cities, and set up in at least cleaner and less congested areas where the old nuisances would not recur; for in factories run by electric motor the pall of smoke is lifted for ever. And the noise abates—with incalculable benefit to human lungs and nerves. It is true that some factories erected in recent years aim in their design to give architectural pleasure without, as well as healthy, efficient operating plants within. But they are few and far between; and it is to be feared that, as yet, man-made beauty is as rare as man-spent leisure.

Service by Civil Conscription

Meanwhile the world's housework must go on. And however much of it the Machine will be able to do, it will still need help and supervision. But there is no reason—certainly not in a civilisation that postulates that every human being is a prince or princess in the universe and that every Englishman is a member of the British Empire—why this work should occupy most of the lives of most of the people, instead of a fraction of the lives of all the people. Some kind of civil conscription for the performance of the national housework might well find favour. Now while this is not the place to elaborate details, such an idea not being a tenet of the New Economics, yet the major advantages and drawbacks of the idea are so obvious that they can be noted with little delay.

The objections that leap to mind are three major ones. In the first place, the very word "conscription" smells in our nostrils. The whole idea of it smacks of State interference with the liberty of the individual. Under close inspection, however, this objection—somewhat analogous to the British Tommy's "grouse"—evaporates into hot air. The facile phrase "State interference" is too often used to cover a multitude of muddle-headed thoughts that shirk and shelve reality. State interference is neither new nor avoidable, except in deliberate anarchy. In any highly developed civilisation the State interferes with its members from the registration of their births to the registration of their deaths. The point about civil conscription in a State where leisure was a welcome fact instead of as to-day a calamity, is that two appalling present-day interferences would be things of the past: namely, the State conscription of about one-fifth of our incomes; and military conscription, whose object, far from being that of getting national housework done, is to teach us how most easily we can undo the housework of the foreigner.

The second objection is that skilled work could not be properly done by unskilled people, however willing. The answer to this is twofold. First, there would still be plenty of unskilled and semi-skilled work to be done, and as the War and the general strike of 1926 clearly demonstrated, much to the chagrin of the professionals, one can learn to be a soldier in a matter of weeks and an engine-driver in a matter of days or hours. Secondly, the skilled man could keep his skilled job for life (and the unskilled and semi-skilled theirs too) *if they wanted to.* If their choice were determined only

by the number of hours there would be only one way of choosing, for we saw some indications in Chapter II of how unbelievably few those hours could be. Rather it would be a question of the danger, or monotony, or noxious nature of the work, and there civil conscription would find a field of operation. It might make a start in the lighthouses and slaughter-houses.

The third objection is that it would deprive one of one's job or of the prospects of getting one. But this would be a relic of a bygone age, and, together with all related objections, would therefore not arise. The present grim necessity for "earning a living" would largely disappear in a leisure age, and the spectacle of a nation's youth scrambling for dear life after a diminishing number of "jobs" in order to get bread would be that of a nation gone mad. The fear of not being free to "find work" because they were due to serve the community for a period would therefore no longer haunt men. And the cognate objection that civil conscription would interfere with one's own leisure-work can perhaps best be answered by saying that probably it would improve it. Does the scholarship of students who have to work their way through college suffer because they attach themselves to some part of the Machine during their vacations? Carlyle didn't find it so; nor Alexander Hamilton. The evidence is all the other way. A person who goes to the university after he has had some contact with the world, and not before, knows better what he wants of the university when he does get there, because he knows better what he wants of the world.

The writer has always regretted that he went after the manner of his class straight from school to the university and then slid into a profession, and one of the happiest times of his life was when he functioned as a porter-in-ordinary during one of the railway strikes. He now perceives that he was happy because he was in direct contact with one of the Machine's social services, and also because he knew that he would not have to continue portering all the rest of his days. In addition, of course, sweating over His Majesty's mail bags—though not in prison style—kept him fit.

Some of the advantages of civil conscription, on the other hand, may be summarised as follows:

1. It would be an excellent thing to bring people irrespective of class into contact for a short period or periods with some part of the Machine or of its social services, so that they might get some direct experience of it from the producing end, just as now they assist in the administration of the law through being summoned for jury service. Such contact would tend to make and keep people conscious of whence their material blessings flowed, would enlarge their sympathies and understanding, and would prevent them from taking everything for granted.

2. Civil conscription would be a healthy antidote of discipline to a life of otherwise almost supreme independence and undoubtedly extreme physical comfort. There would be an eager queue for all rough jobs; they would be "such a change."

3. The discipline—necessary for the efficient performance of the work and as military as you like—would tend to keep tough and strong the nation's fibre, both moral and physical. It would also perhaps take off the edge of the more effeminate fancies of young people who affect to be above emptying slops, and teach them that so long as a crossing *needs* to be swept (and for some reason cannot be swept by a machine) a crossing-sweeper is as

necessary and therefore as important a person in the scheme of things as a prime minister.

4. Civil conscription would give back to the people engaged in it what they had during the War—that splendid thing, a common purpose. But the purpose would not be, as then, a lethal one. The intense spiritual satisfaction which the possession of even that common purpose gave, only those remembering the War period know. Britain was turned not only into a vast camp and munition factory, but into a vast club as well—in which, too, the members spoke to each other. Even the humblest person was conscious of being somebody, for we were all members one of another. Civil conscription would carry with it uniforms and kits as honourable as those of a midshipman or Sandhurst cadet.

Perhaps communal service such as "A. E." writes about in *The National Being* is a less frightening name than civil conscription. In any case it is a small matter; for the national housework in question is a diminishing quantity. Moreover, as we have mentioned above, it is not the New Economics that the reader must blame if the idea, under whatever name, finds no favour.

* * *

We have tried to lay a foundation. Its shape, the following: The age of scarcity is over because the machine can keep us in abundance; but in doing so the machine is taking from us our work, hitherto our only moral claim on bread; we must, therefore, find another claim on bread; and we find one in the machine itself because the machine is of our own making, and therefore ours by right, inheritance, and merit; the wealth inherent in the machine is therefore also ours; the present work for economics is thus to devise some means whereby we can claim this new wealth in the form most convenient to us without leaving anybody a penny the worse; if such means can be devised, they will, or can, usher in an era of leisure-work and all that that implies; the New Economics has devised such means, means that are calculated to leave everybody a penny the better.

Before, however, describing these means—in other words, the financial proposals of the New Economics—it is very necessary to know something of the present financial structure which it is proposed to alter. To alter, not to pull down. The New Economics is a converter, not a destroyer, and as such should be thoroughly at home in a country with a genius for adaptation and alteration. As such, too, the New Economics is probably the greatest potential bulwark in the world to-day against revolution in the bloody sense. It demands no one's head on a charger, nor asks, Hitler-fashion, that people's heads shall roll in the dust. It only asks that modern economic facts be faced unprejudiced, and that calculations be made to reflect these facts with the impartial mathematical exactness with which we add two and two together and make, not three, but four.

PART II

THE OBSTACLE

Who holds the balance of the world? Who reigns
O'er congress, whether royalist or liberal?
Who rouse the shirtless patriots of Spain?
(That make old Europe's journals squeak and gibber all)
Who keep the world, both old and new, in pain
Or pleasure? Who makes politics run glibber all?
The shade Buonaparte's noble daring?
Jew Rothschild, and his fellow Christian, Baring.

BYRON

Even Governments are made to toe the financial line. The servant has become the master, and a despotic one too.

HEWLETT JOHNSON,
Dean of Canterbury

We go to work to get the cash to buy the food to get the strength to go to work to get the cash to buy the food to get the strength to go to work to get the cash to buy the . . .

UPTON SINCLAIR

The better able we are to produce, the worse we shall be off.

Men are to tramp the streets by the thousands because machines can provide *more* than enough to go round.

This is the economy of a madhouse.

STUART CHASE

They do indeed know how they themselves made their money, or how, on occasion, they lost it. Playing a long-practised game, they are familiar with the chances of its cards, and can rightly explain their losses and gains. But they neither know what other games may be played with the same cards, nor what other losses and gains, far away among the dark streets, are essentially, though invisibly, dependent on theirs in the lighted rooms. They have learnt a few, and only a few, of the laws of mercantile economy.

RUSKIN

CHAPTER V

THE PURPOSE OF INDUSTRY

Let us begin with the reality we call Industry. For most of us the word is a dull one. We use it to describe in a nebulous and comprehensive way a vast array of activities which seem to most of us to be as unintelligible as they are complicated. We skip the commercial pages of our newspapers, and look on Industry as a dry technical creature. Let us try to get a more intimate picture, and perhaps it will prove a more congenial one. And in order that the picture may be impartial, and from a bird's-eye view, let us imagine that we are a party of sightseeing Martians visiting Earth.

Suspended in our rocket at a convenient distance from the planet and armed with telescopes, we watch with interest the spectacle before us. We see men ploughing the fields and sowing; or trawling and being tossed about on the seas; or milking cows and goats; or boring into the ground like rabbits; or pouring liquid steel into giant shapes; or doing a thousand and one different things to the tune of a humming and a clangour in large buildings distinguished by tall chimneys billowing a dark breath into the sky; or we see them sitting on stools or mahogany armchairs in other buildings guiding all these activities and adventurously planning others.

That, our guide tells us, is Industry. We come closer and note the intensity, the strain, the competition, the punctuality, the anxiety, the efficiency of these ant-like humans of Earth, and we ask: "For what object, pray, are these people doing these things?" Our guide answers: "To get the things they want." For that is the only sane answer. If he were a New Economist in addition to being sane, he would probably try his hand at elucidation and say: "The purpose of an industrial system is to deliver goods and services to the whole of the individuals in the nation, or other corporate body to which the system is attached, with the minimum amount of trouble to those individuals" —which is the way the New Economics Group of New York put it shortly after its formation in 1932.

To get the things they want. That is all. Man sows because he wants whatever it is that he knows he is going to reap; he digs and bores because he wants whatever it is that he knows he is going to uncover, be it water, diamonds, potatoes, or coal; he fishes because he wants fish, and milks because he wants milk; he puts up with factory life because he wants the factory's fruit; he fashions mighty steel plants or things called Intermediate Products because he wants, not them, but their offspring, the Ultimate Products, that pour from their tireless loins. Men, that is, want things which they can use or consume as individuals in their daily lives, in their homes, which is where all "ultimate" products are bound for. Indeed, Industry is as homely a thing as home, for it resolves itself finally into a personal matter of the needs, desires, and tastes of the individual. In economics this individual is called the Consumer, and he is a most important person, for while Production, Distribution, and Consumption form the trinity of economics, the greatest

of these is Consumption. What each person wants, therefore, and would like to eat or drink or wear or sit on or look at, or use or peruse or play with or puzzle over or work at, it is the object of Industry to supply. It is its only object.

Now, if all this seems clear enough to us and beyond any need of stressing, it must be remembered that we have the advantage of just having had a flight from Mars, empyrean ether being second to none for blowing away economic cobwebs. The matter is by no means so azure-clear, however, to our earthbound fellow-citizens, who express no surprise, let alone protest, at Industry being made to serve different objects, each and all of which prevent Industry from fulfilling its true end, as we shall see.

The Prostitution of Industry to Employment

To-day Industry is used to make work as well as goods, and the provision of employment has become one of its main objects. We have already had occasion to notice this perversion (in Chapter III), when we were examining the persistent tussle between the Rule and the Machine. Here let us note that the perversion is unhesitatingly subscribed to and endorsed by responsible executives the world over from the President of the most industrialised community down.

> Said the First Lord of the Admiralty in 1926: "Nobody dislikes putting dockyards out of action more than I do, but there can be no economy without putting somebody out of employment."
>
> Said Dr C. H. Northcote, of Messrs Rowntree and Company, at the British Industrial Conference at Oxford: "One of the most pathetic aspects of industrial organisation to-day is the inability of

well-directed factories to find employment. One of the hardest tasks before anyone seeking to justify our industrial organisation is to explain why factories so well equipped and so well run are unable to find employment for men and women who are willing to be employed."

Roosevelt's New Deal for America, Lloyd George's New Deal for England, and all the New Deals yet to be written by the other existing political parties of the world have this one object in common—to make work.

And, of course, many of the schemes for making work stipulate that hand tools and obsolete methods shall replace mechanical tools and improved methods.

The word "work" as used here means, of course, not leisure-work, but work for daily bread, for existence. To glorify such work for its own sake is not natural: human nature tells man to do such work as quickly as possible in order to get rid of it. Nor is the conception of work for work's sake Christian: if it were, Christ would have told us that Jehovah's curse on Adam was intended as a blessing. The conception is merely Calvinistic, and dates from Calvin. And if Carlyle, that darling of the Calvinistic philosophy, had cried "Produce! Produce! If it is only a fraction of a product, produce it in heaven's name!" to-day, to a world that clearly had yet to learn how to use what it already did produce, we would have regarded him as a madman.

The policy of making work was shown up once for all by Major Douglas when he said its conclusion would be men digging holes in order to fill them up again. This is what is meant by Public Works. And what Roosevelt meant, as he borrowed his billions for them, was this: "These millions of unemployed must

be enabled somehow to get bread in the approved Pauline manner of working for it. But since Industry cannot use them I must find some holes for them to dig. With Industry glutting us with goods though working only about a third of its capacity, digging holes at least will not add to that glut. But for heaven's sake let me remember that I am the president of a great people, and dignify the holes with the name of Public Works."

As with Industry so with its component industries. If we looked into them we should find each one conducted on the assumption that one of its main reasons for existence was as an instrument for keeping the maximum number of people in employment. In the coal industry, for instance, one of the few facts emerging from the welter of Royal Commissions, strikes, and general trouble of the past decade or two upon which there was unanimous agreement, was the acknowledgment of the enormous superfluity of men in the industry, the Coal Commission Report putting the number of unemployed miners at 100,000 before the stoppage of 1926. What, on the other hand, never emerged at all from all the talks and fights was any avowal that the object of coal-mining was to *raise coal*! When oil and electricity with their obvious advantages displaced some of the cumbersome coal, the closing of pits would, in any sane society, be an occasion for a public celebration instead of a public inquiry amounting to an inquest; and the miners would emerge from their last shift with a sigh of relief, saying: "Well, *that's* over!" as they went home to have their grime scraped off them by their wives for the last time. But, as we well know, any miner who said this would find that he was not going home but being escorted to the nearest lunatic asylum, which, in present circumstances, would be the proper place for him.

If the presidents and leaders of the world believe in the prostitution of Industry to the extent of formulating nation-wide schemes to aid and abet it, the workers themselves believe in it to the extent of fighting for it tooth and nail with weapons of the strike, passive sabotage, and any others they may consider judicious to use. And while the Rule reigns who shall blame them? The whole power of the trade unions is directed to fostering this particular prostitution, to keeping men in work—to keeping, that is, an increasing body of superfluous men in an increasing body of superfluous work; and in the circumstances they are right every time. But this does not make their rules and regulations (for "making work") any less exasperating to the employer who has to put up with and pay for them. An illuminating example of the lengths to which orthodox philosophy forces organised labour to go occurred recently in Canada. The union to which the tram-drivers and conductors of Montreal belonged objected to the introduction of a new type of tram. It was a tram expressly designed so that one man could do the work of two, the driver acting also as conductor. The protest took the form that such an arrangement would not be safe. Now, quite apart from the protest being invalidated by the fact that Toronto has been running just such trams for years in perfect safety under what is probably the most extensive and best tram system in the world, the point that strikes us is that a question of safety is not one for a trade union but for the operating company and the city council, to say nothing of the riding public, to consider. In other words, the actual protest was, of course, only a cover for the real one, which was a protest against a labour-saving device which would liberate from daily drudgery (and deprive of daily

bread) half Montreal's tramway-men. Why is it that Labour is so coy about mentioning the true cause of its inevitable policy? Just as people in their rôle of consumers cannot do better than go about to the astonishment of their fellows saying the one word "Plenty!", so in their rôle of workers they cannot do better than go about crying out "The Rule!", and making it abundantly clear that their policy is to hinder the development of the Machine. And let them explain why!

Every trade union is the same. Even in the theatre and music, where if anywhere one would expect art to triumph over economics, the rules of labour are so fantastic as to be unbelievable except to those who experience them by paying for them through the nose. Sometimes the results are not devoid of humour. Once, for instance, a string quartette was engaged to give a concert in a theatre. The union concerned at once informed the impresario that the local orchestra would have to play the music. The impresario replied rightly that the local orchestra was incapable of playing the music. Being forced, however, to engage it, he made its members turn up at the theatre, put them in a disused room, and tipped a policeman who was off duty to see that they didn't leave it until the quartette, which meanwhile was giving its concert on the stage, had finished. And had the room been soundproof they would have been ordered to play *something*, without pause or intermission, until the concert was over. Here, again, neither the local orchestra nor its union were essentially to blame. If we tolerate an obsolete Rule we must expect some exasperating consequences.

Probably the industrial organisation operating on these principles and best known to the general public by personal experience is an organisation of two—our old friends the plumber and his mate. These are a much maligned pair. The plumber's skill is of a high order; his professional presence in the house is a congenial one; his delays are generally unavoidable; and if he makes a mess he cleans it up. His offences, such as always appearing with the wrong tool, are about as true as mother-in-law jokes. His real offence from the Consumer's point of view is exactly similar in principle to those of other occupations—his trade union compels him to be saddled with a mate even when he is perfectly capable of doing the job on hand by himself. The details of this compulsion we are not clear about, and we hesitate to ask a plumber lest he should have to fetch his mate before making answer.

The prostitution of Industry to "employment" is a heresy which could pass for sound doctrine only in a system which was itself one big heresy, and where all the parts agree with each other and pass for true because all are equally heretical. If we elect to live Through the Looking-glass with Alice and March Hares we must remember that there we have to walk backwards in order to appear to walk forwards. There all the world's in step—the Montreal tram-driver refusing to be liberated from a meniality keeps step with the farmer who (as we shall see later) raises his voice to heaven against the bounty of nature vouchsafed by a record crop—but it is a mad world. It is refreshing to pass back again to reality and to note how some people are beginning, under the cold douche of depression, really to walk forwards. Mr Wallace Clark, for instance, walks forward. Consulting engineer on the Kemmerer Finance Mission to Poland in 1928, he writes, like a breath of fresh air, as follows:

"Of course, it is the prime business of machines to throw men out of jobs. This they are designed to do, for they are meant fundamentally to be labour-saving. It is no uncommon sight to see a new machine or a new process that displaces ten men, or sixty men. It means that thereby society gets tenfold or sixtyfold mechanical leverage on its natural resources. . . . So far as such leverage is concerned, the cost of living should be something like one-tenth or one-sixtieth as dear as it was when the work depended upon human muscles alone.

"But the cost of living cannot be brought as low as that unless people who are freed from work by labour-saving machines are paid for their leisure at least as much as they used to be paid for their work. They should be paid as consumers as well as producers, taking their free payment in purchasing power out of the increased leverage of the machines working at capacity."

If Mr Clark had his way, the miner could say, "Well, *that's* over!" without being taken to the lunatic asylum; the Montreal tram-driver would be willing to give up his drudgery; and the string quartette could play in nothing but harmony. But then Mr Clark, like the New Economics, would first face the facts, and then make a system to fit them.

The Prostitution of Industry to Power

Another way in which Industry is led astray from its function of looking after the health of its child, Supply, is by being seduced by those whom we may politely call instruments of the Will to Power. There is a temptation here to sling mud—there are such heaps of it about. But the temptation is resisted without much difficulty by the reflection that the Will to Power exists in some degree in all of us. Indeed, some schools of psychology, the Adlerian for example, hold that the Will to Power is the most profound human instinct of all, finding their text in Nietzsche, where he writes: "Psychologists should bethink themselves before putting down the instinct of self-preservation as the cardinal instinct of an organic being. A living being seeks above all to *discharge* its strength—life itself is Will to Power; self-preservation is only one of the indirect or most frequent results thereof." When, therefore, we have occasion to call attention to individuals like Mr Montagu Norman, it will be as natural phenomena rather than as conscious villains of the piece.

It is in Finance that the Will to Power finds greatest scope and where the fattest prizes lie. Accordingly, it is there that the most dominant men, the men who really rule the world, are to be found. That the hand that rocks the cradle rules the world is a cherished sentiment, but a revised and truer version would read: The hand that holds the credit rules the world.

The most important thing to remember about Finance is that its one object is power. All its apparent objects, such as the balancing of its books, its profits, its interest in trade, its solicitude for disarmament and peace, are all subservient means to this one end. Whether or not Finance is largely unconscious of the nature of its objective is beside the point. One thing is clear: economic prosperity—that is, the well-being of the individuals composing a community—is not the objective of Finance. If it were, economic prosperity would follow financial prosperity, each reflecting the other. Such is not the case. Indeed, it is almost impossible to escape the conclusion that far from being each other's *sine qua non*, these two vary inversely, and

that when they happen to go smilingly hand in hand it is in spite of, not because of, each other. Thus some nations, like Germany immediately after the War, combine at one and the same time economic prosperity with financial bankruptcy, while others, like Britain, keep their financial house in order, with budgets balanced and credit unimpaired, to gain nothing but economic depression for their pains. Again, has the financial wealth of the gold in America and France been reflected by economic wealth in those two countries? Again, why does Austria, as soon as she is set on her feet financially, collapse economically? If it be thought that these paradoxes can be blamed on that old scapegoat, the War, we can turn to far-off Brazil. The same thing happens. After the War, according to the *Manchester Guardian*, Brazil enjoyed "remarkable industrial prosperity" until 1925, when a financial crisis developed. The invalid was cured by the medicine of "sound finance"; her budget was balanced and her rate of exchange restored; unfortunately, however, she had to pay for her financial cure with a "commercial and industrial crisis unparalleled during the past 100 years." Such instances could, of course, be multiplied, and while no doubt all of them could be and have been explained along orthodox lines, yet they cannot be explained away; and there remains over and above all explanations a world in which one can spot the financially sound nations by watching their manufacturers file into bankruptcy. M. Caillaux noted this lack of relationship between Industry and Finance when he said: "Here there is financial disorder, there economic disorder; and it really seems that countries only escape from the one evil to fall into the other. The tug-of-war between financial stability and economic stability seems, in fact, to be one of the characteristics of this formidable crisis which, unparalleled in its scope and significance, oppresses the world." It is this divergence of interest, again, which explains how it is possible in times of depression for Finance to show a consistent increase in prosperity. Thus the *Bank Officer* reports that in five years of economic stress the book value of the premises of Britain's five Joint Stock banks increased by almost a third; while those who like to observe things for themselves may have their eyes opened the next time they go for a bus ride by counting the number of branch banks occupying corner—and therefore the most valuable—sites, and by reflecting that for some years, and years of depression at that, these grew at the rate of one a day. But perhaps the irony of the relationship between Industry and Finance can be symbolically and not unfairly expressed by the fact that both the erection of the Bank of England's present magnificence in the City on the one hand, and the disappearance of the images from our paper money of both the King's head and Parliament on the other, coincided with a time of acute general economic distress. All of which is only another way of saying that Finance is not interested in Industry, as such; or in prosperity, as such; or even in money. as such: but only in so far as these serve to further and consolidate a power, which, apexed by the Bank of International Settlements, sought its consummation at the World Economic Conference of 1933.

The other important thing to remember about Finance can be stated much more briefly. It is that Finance doesn't much mind whether times are fair or foul, because in fair times it makes money out of Industry, and money means power, while in bad times it tends to get control of Industry, which control is

again power. The two forces are about as friendly as a spider and a fly; the financial spider weaves a web of bank loans, and the industrial fly walks into it. Won't you walk into my parlour? and Will you step into my office? mean much the same thing—as Industry is learning to its cost.

This, then, is the conclusion we arrive at. Picture Industry as a wood, and at once Finance becomes a shooting-party in it after rare game. That all are sporting gentlemen, bred and often born to the etiquette of house-parties and shoots, goes without saying. What cannot be said too often, however, is that the party is in the wood only to shoot, none caring for the wood as a wood or loving Nature for herself, none engaged in the lumber trade, none intrigued by the wonders of botany or interested in problems of afforestation: and if they are careful with their cigar butts lest they start a fire, it is because they wish to preserve not the wood but their shoot.

* * *

Thus Industry is suffering from two major prostitutions at once. It is being exploited by society for employment and by Finance for power. About the true object of Industry there can be as little argument as about an axiom of geometry, and it is as an axiom of economics that it can be stated as follows:

THE PURPOSE OF INDUSTRY IS TO PRODUCE THE DESIRED AMOUNTS AND KINDS OF GOODS AND SERVICES WITH THE MINIMUM MAN-WORK AND MACHINE-WORK.

It is *not* to "make work."

For the Reader's Examples and Notes

Prostitution of Industry to Employment

Pages 104 to 107

For the Reader's Examples and Notes

CHAPTER VI

THE FUNCTION OF FINANCE

So far, so simple. But Industry is not everything; indeed, considered apart from society it is nothing. There is no point in producing "desirable amounts and kinds of goods and services" if no one gets them. If Industry's object is Production, society's is Consumption. Thus we can go a step further than the last chapter and say, since Industry has its being in society, that the object of Production is Consumption—and say it with all the force of simplicity at our command: *The Object of Production is Consumption.* Clearly, then, the manner in which production is distributed so that it may be consumed is, in any rational economic system, as important as the production itself.

Now with the mention of Distribution we have enumerated the component parts of the body economic. The cycle is complete. Consumption—Production—Distribution — Consumption — Production — Distribution — Consumption — Production . . . so the wheel turns. Let us be quite clear about this. The economic body contains only three organs:

CONSUMPTION (needs, wants, etc., for necessaries, comforts, amenities, etc., of life. The Desire to Consume).

PRODUCTION (goods, services, etc., to supply and satisfy the above).

DISTRIBUTION (the system by which Production reaches Consumption).

We put Consumption first because it is *demand*—natural appetites, human desires, needs, and wants—which start the wheel turning.

Now, it is an incompetent and stupid physician who, when you tell him that you are feeling ill, bundles you off on a world health cruise without taking the trouble to examine you first. Yet that is exactly what our optimistic but supremely unqualified statesmen have been doing to the world ever since it fell noticeably sick soon after the War. They bundled its economic body from one health resort to another—from Locarno to Washington, from Ottawa to London—with never an examination or so much as asking it to show its tongue. This is no way to cure a patient. We must examine this economic body of the world, organ by organ, until we find out where the trouble lies. It will not be difficult for there are only three organs, and the trouble must lie, therefore, either in one or in two or in all three of them.

CONSUMPTION.—Some degree of consumption is necessary to sustain life at all, and the desire to consume in a greater degree is only the very natural desire to get as much out of life as possible. Is there anything wicked about this? Is it immoral to want a higher standard of living? Is it wrong to want to make full use of the wonderful things we ourselves have made? Or criminal to want to enjoy the far-flung gifts of God before we die? We should say rather that the desire to consume as fully and widely as possible is a godlike trait, and that only men and women of clay would be content to see life passing away without their ever having lived, and to face the prospect of carrying their ideals and aspirations unfulfilled and unspoken to the grave. The desire to consume is with us every time we eat or drink, every time we ask for a rise in pay, every time we dream of all the wonderful things we would do if we won a prize in a sweepstake. Is it not true that the more a community consumes—in the widest sense of the word—the greater its well-being and the nearer it is to the gods? The point need not be laboured; the reader's whole-hearted agreement is assumed. There is nothing wrong with Consumption, the desire to consume, or as it is called in economics, Real Demand. This organ is healthy.

Production.—This is divisible into three parts: the machine, equipment, or plant; people to operate, supervise, maintain, and organise it; and raw materials to feed it. With the first two of these we can make rapid progress. Is the equipment there, available and efficient? It is; early on we saw it only waiting to be allowed to turn out more than twice its present output. Are the people there, available and efficient and willing? They are; in full measure and brimming over, workmen skilled and unskilled, foremen and contractors, salesmen and accountants, scientists, inventors, and technologists—from office boy and prentice to Henry Fords, Marconis, and Presidents of Boards of Trade, they are all there, ready, able, eager. Are, thirdly, the raw materials there, available and satisfactory? Here we must go more slowly. The state of the world's stocks gives food for much thought. Production needs two kinds of raw material: one to feed its engines, like coal and oil, and the other to turn into goods, like lumber and crops. Here are some facts concerning some raw materials of each kind. In 1927 the United States Petroleum Conservation Board gave the oilfields then flowing another six years; to-day witnesses the exhaustion of some of the East

Texas wells. In many English collieries it is becoming so difficult to get at the coal, especially in the grades most wanted, that it is a question of being able to recover the cost of getting it. In America trees are being felled four times as fast as planted. Crops, especially cotton crops, gradually exhaust the soil . . . the list could be extended.

Now while a most alarming picture could be drawn by a biased pen of the state of the world in less than fifty years, we have to remember that all prophecies of exhaustion of raw materials are prefaced with the remark, "Provided no new source is discovered, and provided the present rate of consumption, waste, or exploitation keeps up," and the course of history shows that always new sources *have* been discovered or else a substitute found, necessity fulfilling her rôle as the mother of invention: for example, the extraction of petrol from coal. But coal and oil are not the only sources of energy, though they are the present favourites, and when the last pit has closed and the last well is drying up, tidal, atomic, or some other energy source will have been harnessed and made to work; for the ingenuity of the two-legged creature who, finding his soil becoming sterile, proceeded like a conjurer to take nitrogen out of the air and refertilise it, leaves one in little doubt that man will not easily be caught short of any essential thing when the time comes. If it no longer grows he will produce it synthetically, or find or make something to take its place. At worst these are weighty matters for the next generation to consider. At present there is no doubt whatever that raw materials of either kind are both available and satisfactory. So with thoughts of last year's wheat still filling the world's granaries, of coffee being burnt, sheep slaughtered, and food thrown away, of the restriction of output in the cotton, rubber, tea, and sugar industries, and of 100,000,000,000 cubic feet of natural gas wasting its fuel on the desert air annually, we can say that there is no shortage of, and nothing wrong with, to-day's raw materials. And there are plenty of railways and ships to carry them. Look into lovely Gareloch or Southampton, or into any of our great harbours and dockyards, and see some of the three million gross tons of British merchantmen laid up. (World figures for 1933, thirteen million gross tons.) Laid up? What's the matter with the ships? Are they derelict, unseaworthy? No; yet there they must lie, growing barnacles . . . waiting. . . .

There is nothing wrong, then, with Production's equipment, or with Production's personnel, or with Production's raw material. Production is a healthy organ, too.

And so we come to Distribution.

The preliminary examination is over, and from it we conclude three things—

THERE IS NOTHING WRONG WITH CONSUMPTION *per se*.

THERE IS NOTHING WRONG WITH PRODUCTION *per se*.

BY HYPOTHESIS THEREFORE THE INFECTED ORGAN IS DISTRIBUTION.

And we watch the patient limp its way from the consulting-room out into the world again. There, swathed and bandaged in palliatives, it will continue bravely to pay excessive taxes, balance its budgets, and be pushed ever against its will, towards the precipice of war—war, the Great Distributer.

PARENTHESIS FOR HECKLERS

One would gladly go straight on to the exciting examination of the subject, Distribution, if it were not for the fact that at this juncture the voice of the heckler is commonly heard. It will be well to answer him forthwith. The objection raised is tantamount to this: "I don't agree. I may not know much about economics, but what *I* think is wrong to-day is the attitude of the working-man. He is always clamouring for more money and less work. The obvious result is that——" On hearing the word *money* we interrupt as politely as possible and answer thuswise: "Sir, you have hit it. You have mentioned money, and you undoubtedly would have mentioned costs and prices if I hadn't stopped you, and you would have pointed out with exemplary logic that the high-labour-costs-in-this - country - prevent - an - article - being - produced - at - a - price - which - can - compete - with - the - price- - of - an - identical - article - produced - in - countries - with-much-cheaper-labour-etc. Now this is all quite true—so far as it goes—but the point is that the mention of money or of anything connected with it, such as prices and costs and tariffs, automatically establishes a case for inquiring into Distribution and suspecting it; *since money is the substance and thing through which Distribution works*. You and I are in complete agreement, therefore, and can now proceed."

FINANCE THE LINK

Conversely, the moment we mention Distribution we come up against Finance, which is the money system. Finance is the mechanism of Distribution, and for all practical purposes the two terms are interchangeable. Henceforth we shall use the popular two-syllable word for preference.

A simple illustration will make Finance's function clear. You want a box of matches, so you go into the grocer's, put a penny on the counter and the grocer hands you the matches. In this transaction you are Consumption, the grocer is Production, the penny is Finance, and the matches of course are Goods: and the point is that without the penny you would not have got the matches. Production and Consumption would not have met. Finance can, therefore, be defined as the link between Consumption and Production. Not *a* link; *the* link, the only one. That is why Finance is of such vast importance to everyone (except the thief). If you are a law-abiding citizen, unless you pass your penny to the grocer you do not get your matches, no matter how much you may want them or ask or pray for them. Unless you can back your wish or petition or prayer with money, the shop counter, though physically only a piece of wood a yard wide, is yet, in economics, an impassable barrier guarded by the swords of society and the law. Or in technical terms—for we must be able to meet the professors and experts in their own language — you cannot satisfy your Real Demand unless you can back it with Purchasing Power and so turn it into Effective Demand.

Now, though we shall be paying most of our attention from now on to this penny, let us continually bear in mind that there is (1) nothing wicked or immoral in your wanting to light a fire or a pipe; (2) nothing lazy or incompetent about the grocer who is amply stocked with matches and is only too pleased that you should have some; and (3) nothing wrong with the matches themselves.

Strange Happenings on a Bridge

This linking function of Finance is so important that it is worth getting as clear a picture of it as possible before going on to look more closely at our penny. A conception at once graphic and true is that of a bridge spanning a ravine; and let the ravine be wide and deep so that nothing can cross it except by the bridge without courting disaster.

Some of the characteristics of such a bridge are as follows. (We assume it to be well built and well managed.)

1. The bridge is simply and solely a device by which traffic can pass across the ravine, and the best bridge enables this to be done with maximum speed and safety and minimum inconvenience. It is *not* built or managed for its own sake, and apart from the service it renders it is so much steel and stone.

2. The bridge is man-made, therefore it can be remade at man's will or altered to meet fresh traffic conditions. It is *not* God-made and therefore to be reverenced either for its own sake or because it was good enough for our grandfathers; it is *not* a natural phenomenon exercising "inexorable" natural "laws"; it is *not* moral—or immoral—and the use of it is *not* conditional upon genuflecting to anyone who lived in the first century just because he happened to be right in his day.

3. The bridge belongs to the people who need it and use it, whose traffic caused it to be built and whose collective genius built it. It does *not* belong to the staff of bridge officials any more than the cars passing through a toll-gate belong to the toll-collector or than the property on his beat belongs to a policeman.

4. It is the business of the owner-users to say how they wish the business of the bridge to be conducted,

and to appoint the best staff procurable to carry those wishes out; which officials are naturally paid for their work by the owner-users, and are responsible to them. It is *not* part of the officials' business to run the bridge for their own pleasure, power, or profit; and their salaries, like those of British judges, should be large enough to enable them to withstand the temptation to stage hold-ups on the bridge in order to get money.

Are these ramifications and elaborations of the simile fantastic? We shall see. First, however, let us identify our material.

The two sides of the ravine are of course Production and Consumption; the bridge, Finance; the traffic, Goods; and the few unfortunates who try to jump across, thieves and the like. This completes the picture, though in one respect it needs qualification. In economics John Smith lives two lives, one in the land of Production and the other in the land of Consumption. This only means, of course, that a farmer not only produces wheat but also consumes tractors, etc., and that a pill-maker not only produces pills but also consumes bread, etc., including perhaps even some of his own pills. John Smith, in short, has an office in Production and a home in Consumption.

So if we can visualise millions of people in the land of Consumption all thronging towards the bridge with arms outstretched and crying out, "We want——," and in the land of Production those same millions shouting across the ravine (through their Advertising Depts.), "It's all right—we've got the very things you want," and pouring goods to the bridge-head, then we shall have some idea of the basic relations between the members of the great economic trinity.

Now for a few of the curious, not to say alarming, things that are happening on the bridge of Finance.

We can compare them paragraph by paragraph with what we have just seen should and should not be done on any properly conducted bridge.

1. *This bridge is treated as though it had been built for its own sake and was an end in itself.*

Money has itself become a commodity traded-in like any other.

2. *The bridge is assumed to be, if not God-made, at least so beyond our powers of comprehension or alteration that instead of widening it to meet an increase of traffic the latter is deliberately and even with pride curtailed to fit the existing width.*

The amount of money varies, not with the amount of producible and wanted goods—though what else, we may ask, *should* money represent?—but with the amount of gold in bank vaults.

The bridge is regarded as an immovable natural phenomenon, sacrosanct and inexorable.

A Cabinet Minister, no exception to his kind, explaining why promises made at a general election had not been kept, said: "The grim goddess of Finance exercised, as she always must, an inexorable power."

3. *The bridge does not belong to its users.*

The Bank of England and the "Big Five" Joint Stock Banks (Barclays, Lloyds, Midland, National Provincial, Westminster) are privately owned institutions.

4. *The bridge's officials are not appointed by the users, therefore, and consequently are neither paid by them nor responsible to them.*

The Governor of the Bank of England is paid by the Bank, appointed by its directorate, and appears to be responsible to almost nothing but an everlasting policy.

The officials achieve power and profit through administering the bridge as their own perquisite.

The *Wall Street Journal* comments on Mr Montagu Norman: "The extent of his powers makes him the currency dictator of Europe. He insisted that Poland, Greece, and other countries should maintain gold deposits at the Bank of England in order to get credit accommodation. . . . He runs his bank and the British Treasury as well. He leaves the British financial Press wholly in the dark as to his plans and ideas."

In his book, *The New Freedom*, President Wilson wrote: "Have we come to a time when the President of the United States must doff his cap in the presence of this high finance and say, 'You are our inevitable master, but we will see how we can make the best of it'?"

The U.S. senatorial investigation of 1933 revealed many facts about the House of Morgan, but as long ago as 1918 the late "J. P." admitted before the Pujo Committee that his House and its allies controlled at least a third of the economic activities in the U.S.A.

Neither are the bridge officials necessarily intelligent men, nor the best men procurable technically. How should they be? There are no textbooks for power, nor schools; one cannot take a degree in it.

"I am not an economist: I'm just a plain banker," was the frank, cheery admission made in public by the charming chairman of one of the large Canadian banks; and the late Mr Walter Leaf, while Chairman of one of the "Big Five," confessed to the Governor of the Bank of England at the time that the only item of the "Bank Return" he could understand was "Gold, Coin, and Bullion." "Mr Leaf," the Governor replied, "I don't think you understand even that."

And many more strange things we shall find happening on this bridge.

Finally, when the general maladministration very naturally throws the traffic into turmoil, the people on either side of the ravine are told that only by taking steps which will confirm the officials in their usurped powers can the bridge be saved from falling in utter collapse into the torrent below. In other words, any discussion of Finance itself (apart from its present creaking machinery), any affirmation of its true function, or any search for a possible basic flaw—these things are taboo. Their rigorous exclusion from the agenda of the World Economic Conference is a case in point. That circus of credulous clowns lightly assumed that the present financial system was, if not perfect, at least workable. Salvation had to be found within its framework or not at all. Finance realised this when, speaking through one of its mouthpieces, the Conference's Preparatory Committee, it cautioned us that failure at the Conference would "shake the whole system of International Finance to its foundations, and the social system as we know it could hardly survive." Judging, however, by the Conference's agenda, consisting as they did of items all pointing backwards to the *status quo*, the thing that was to be feared above all else, and prayed against to all our gods, was the Conference's success.

* * *

Yet who can blame the officials for regarding the bridge as a *pons asinorum*, when the asses on it appear to have forgotten even how to bray? The patience of asses, when it is derived from ignorance, is not a virtue, nor their silence brave.

Let us get back to that penny. . . .

CHAPTER VII

MONEY

WHAT is that penny? As we have seen, the answer is, Money. Just as Distribution operates through Finance, so Finance operates through Money. Money is the life-blood of Finance, and therefore of Distribution, and therefore of economics, and therefore, in any highly developed civilisation, of material life itself; for without it Consumption becomes impossible and Production useless.

DEFINITIONS

Professor Walker defines money as "Any medium which has reached such a degree of acceptability that no matter what it is made of, and no matter why people want it, no one will refuse it in exchange for his product." Excellent though this definition is and hard to improve upon, there are others less savouring of the textbook. For instance, money may be defined as "a claim on goods and services," or, even more shortly, as "tickets."

The conception of money as tickets or counters is perhaps the best of all. It need not surprise us, since we are already familiar with other kinds of tickets, such as railway tickets, pawn tickets, and theatre tickets. Money tickets differ from these only in one

respect: namely, whereas a railway ticket is only acceptable in exchange for a railway journey, a theatre ticket for a theatre seat, etc., a money ticket is exchangeable for a railway journey or a theatre seat or any of the thousand and one goods and services offering themselves. Money tickets enable the holder to take his or her choice. Other kinds of tickets don't, and so may be regarded as money tickets limited to one thing. A cloakroom ticket is very limited indeed, since it will not claim even any hat, but only your hat. All tickets are claims on goods or services of some kind, and money, no exception, is a ticket which can claim them of every kind. In a passage deserving quotation in full Bernard Shaw defines money as a ticket, or counter. He says:

> "The universal regard for money is the one hopeful fact in our civilisation, the one sound spot in our social conscience. Money represents health, strength, honour, generosity, and beauty as conspicuously and undeniably as the want of it represents illness, weakness, disgrace, meanness, and ugliness. Not the least of its virtues is that it destroys base people as certainly as it fortifies and dignifies noble people. It is only when it is cheapened to worthlessness for some, and made impossibly dear to others, that it becomes a curse. In short, it is a curse only in such foolish social conditions that life itself is a curse. For the two things are inseparable: money is the counter that enables life to be distributed socially; it *is* life as truly as sovereigns and bank notes are money."

The statement that the love of money is the root of all evil is an overstatement, and in these days at least it could be endorsed only by minds whose assets, if any, were frozen. Not love of money but the misuse and lack of it, and the appalling ignorance concerning it, is the root of most evil.

However we choose to define or think of money, we must be careful to be quite clear about one thing that money is *not*. Money is not wealth. It can very soon be converted into wealth, it is true—by spending it; but the miser found dead of malnutrition in a garret with ten thousand pounds tucked away in a stocking died as he lived, a pauper.

What Money is Made of.

Preceding any community's most primitive money system was of course barter, or the simple exchange of goods. Thus among the native tribes of Australia to-day the "tough greenstone for making hatchets is carried"—or was until recently—"hundreds of miles by natives who receive from other tribes in return the prized products of their districts, such as red ochre to paint their bodies with." Obviously the inconveniences of barter succumbed to the conveniences of money as soon as a community's habits and wants became sufficiently complex and diversified to warrant a money system. And only when a money system breaks down and fails to do what it was created for does a community, as a last resort and with the greatest reluctance, return to barter methods. (Have we reached that point of breakdown in our own money system? The evidence of barter in the world to-day suggests it. The direct exchanges of coal for pit-props, wheat for cattle, etc., have been either effected or contemplated, while no fewer than three hundred barter groups were functioning in the United States at the beginning of 1933, many of them extensively.)

Many substances have been used as money at one time or another, the choice depending largely upon the pursuits of the people using them. Thus in the hunting age skins seem to have been the chief form of money: they have been found among the Indians of Alaska performing this service. As the pastoral succeeded the hunting age the pastoral animals themselves became currency: in classical Rome, instead of twelve pence to the shilling there were ten sheep to the ox, and in the Iliad sets of armour are valued not in drachmæ but oxen; while our word "pecuniary" comes from the Latin *pecunia*, which comes in turn from *pecus*, meaning a head of cattle. More recently, cattle rents were paid by Indians to the United States, while oxen form a circulating medium among Zulus and Kafirs. On passing from the pastoral age to the agricultural the number of objects used for money grows. Among them may be numbered corn, olive-oil, coconuts, and tea. Tobacco was adopted as legal tender by the British colonists in North America, while of recent years at least one party of people looking for diamonds up the Amazon evolved a satisfactory money system out of cigarettes. Bread is used as currency by prisoners in British jails. Shells, whales' teeth, red feathers, salt, lead, iron spikes, in their times and places are or were money as indubitably as a pound note is money in Britain to-day. Obviously such localised or clumsy mediums could not last long—imagine Abraham and Lot settling accounts at their parting by counting their small change in calves and kids!—and all gave way before the advantages of using metal discs, chiefly of gold, silver, and copper.

As far as our own civilisation is concerned metallic money brings us down to the seventeenth century, when paper money began to be used extensively. Now metallic currencies were a great advance on all others. They are hard, pretty, portable, and durable, and no one is likely to find them growing on the bushes in the garden, as it were. But while these are commendable qualities for a money medium, it may be stated at once that the metals' intrinsic values as precious commodities used by goldsmiths and silversmiths have, or should have, nothing whatever to do with the question of their suitability for use as money tickets, as we shall see when we find an intrinsically worthless substance like paper performing, as money, all the jobs done by gold, and some additional ones as well.

To-day, in order to meet the bustle of modern conditions and the needs of a world-spread economic activity, we have passed beyond metallic money, and beyond paper money too, the bulk of Distribution's work being done by money called Financial Credit. Metal and paper are still used, of course, but only as the world's "small change."

The evolution of money thus marches from the skins of slain animals, through the *pecunia* or leather disc representing a head of cattle, to the mysteries of financial credit, which consists, in actual substance, of nothing but Arabic numerals.

We have, therefore, to examine the three mediums of modern money: metal, paper, and financial credit. Our metal money need not detain us since it is familiar to all, and also because it forms less than 3 per cent. of all the money we use. As for paper money, its evolution is so bound up with the growth of the banking system that perhaps the simplest way to trace it is to outline the career of the Old Lady of Threadneedle Street.

Paper Money

The Bank of England was founded in 1694, or just two hundred years before all those youngsters of eighteen who were killed in the War were born. It came into existence for the purpose of lending William III £1,200,000. It was then, as now, a private institution. Its full title is The Governor and Company of the Bank of England.

The Bank's methods were not novel; they merely followed precedent. The general precedent was, of course, the usury practised at that time by the London goldsmiths. Composed of Lombardy Jews—whence Lombard Street—and the like, these men were the bankers of the day, and they viewed the new bank with extreme disfavour. True, it did not propose to "lend out money gratis," but it was none the less hated as an Antonio, because it charged King William 8 per cent. and the goldsmiths' terms were 10 per cent.

The particular precedent which the new Bank of England followed was afforded by its forerunner, the famous Bank of Amsterdam. This bank made a speciality of handing its customers a "note" in exchange for their cash—a simple practice that may be said to have started a revolution in the world's banking methods. The customers were at liberty to use these notes in trading if they could find anyone to accept them. They found everybody delighted to accept them. Complying, therefore, with Professor Walker's definition, the notes became money. Conversely, the Bank guaranteed to deliver cash to the face value of any notes brought in and presented at its counter. The notes, however, were so convenient to deal in "on the Rialto" that the Bank was not commonly called upon to fulfil this obligation, and in practice merchants were disposed to deposit gold and bring away notes rather than present notes and bring away gold. Well, one day the Bank of Amsterdam went smash: its cellars were examined and it was found that most of their supposed contents had long before been gradually loaned to the Dutch East India Company, which had sunk them in the Dutch colonies beyond recall. And that was that. There is nothing unique about going smash, however, and the Bank of Amsterdam is memorable not for its catastrophe but because it was the first bank to issue paper money on a large scale against the metal money it received from its clients for safe keeping.

The Bank of England went far beyond this simple business of taking in gold and giving out paper. The new departure consisted in issuing notes up to the amount owed to the Bank by the Government, a privilege accorded to the Bank by a Government grateful for various services continually rendered. The Bank, that is, was empowered to issue additional money, to increase the absolute amount of it in circulation in the King's realm. In short, the Bank of England made money—literally. Thus if the Bank had ten pounds in gold in its vaults and lent five of them to the Government it could make a five-pound note and put it in circulation, so bringing the total of ten pounds up to a new total of fifteen, the Government using five, and the Bank having the disposal of ten, five new and five old: all of which money, moreover, could or would be in active circulation. In this fact lies the difference between the privilege of the Bank of England and the device of the Bank of Amsterdam. For in the case of the latter, although a note might be printed for every gold piece in the vault, the amount of money would not be doubled by the process or be altered in any way, since half of it would always be

dormant and "frozen" in the vaults. If there were 100 notes in circulation backed by 100 gold units in a vault, the former were substitutes for the latter, not additions to them, and the amount of money remained 100, the coin in the vault being, until it emerged, not money at all, but ounces of precious metal. Under the privilege of the Bank of England, however, £100 can give rise to £200, all of it in circulation at once as active purchasing power. One hundred we know came from the Bank which possessed them originally and were lent to the Government. Where did the other hundred come from? As we have seen, also from the Bank. The Bank made them. Clearly this privilege is of vast importance and marks the beginning of an epoch in Finance. We are still in that epoch to-day, the Bank of England still issuing notes to the amount of money owed it by the State, if it wants to, and terming such issues "Fiduciary."

This, however, is only one way, and a lesser one, in which the Bank of England can manufacture money not in existence before; or, in short, create money. Hitherto we have seen that the maximum amount into which the Bank's hundred pounds could be expanded by means of a fiduciary issue was two hundred. By adopting the principle of the "reserve," however, it was found that the hundred pounds could be much more than merely doubled. The "reserve" principle, practised by the goldsmiths and all bankers since, is not difficult to grasp. It is based on the assumption that people depositing gold in a bank will prefer to leave it there, and to use for their daily business the handy notes issued by the bank instead; and secondly, that although the bank guarantees to pay gold on demand, it is extremely unlikely that many people will make this demand simultaneously. It becomes a bank's business, therefore, to determine the maximum amount of gold likely to be asked for at any time and, adding an ample margin for safety, to fix that amount as a fraction of the total money it proposes to issue. Thus if a bank finds that out of 100 pound notes it has issued against 100 pounds of gold in its vaults, never more than fifteen are presented at any one time with a demand for gold, the banker will be in a position to say: "I find I am never using more than fifteen of my hundred gold pounds. The other eighty-five are eating their heads off in the cellar, which is foolish. Now if fifteen gold pounds—for safety's sake I will say twenty—will conduct and carry a business of a hundred paper pounds, then a hundred gold pounds, being five lots of twenty, will conduct and carry a business of five hundred paper pounds. I can therefore regard all my gold pounds as a reserve and quite safely print five times their amount in paper money. In other words, I can safely put into circulation five times as much money as I possess." This is precisely what a banking system does. It builds an inverted pyramid of money on an apex of gold; and since banks make a profit out of money by loaning it, it is to their interest to make the amount of money it creates as great as is consistent with safety (there are two other considerations, discussed later), so that in actual practice we shall find a pyramid of non-metallic money, not five, but more like twenty-five times the metallic apex upon which it rests. The pyramid stands on its head with perfect dignity and in motionless equilibrium—until "something happens," and then over topples the pyramid and the reserve principle with it. Two outstanding cases of "something happening" occurred in America in March 1933, and in England on the outbreak of War in 1914.

Reverting to the English banking system in particular, early in the nineteenth century the Industrial Revolution caused such an increase in the nation's trade that the joint-stock banks in the North and Midlands wished to imitate the Bank of England in the matter of issuing Notes; and in 1826 they were empowered to do so, provided they were situated more than sixty-five miles from London.

The functions, conditions, and privileges of the Bank of England were finally embodied in the Bank Charter Act of 1844; and this Act, still in force, defines in the main the Bank's position to-day. As regards paper money, the Bank underwent no important developments until Mars knocked on the Old Lady's door in 1914; then, finding that she could not meet her liabilities, she kept her door shut and sent for the Government to rescue her. A moratorium was declared, and Treasury Notes were printed by the Government. These it handed over to the Bank to be issued to the public in place of gold. The Old Lady then reopened her door, and the British public for the first time dealt in pounds and half-pounds made of paper. In passing, it is well worth noting that the arrangement between the nation and the Bank concerning the issue of these Notes was a tragically one-sided one, in which, perhaps it is needless to state, the Bank was not the loser. In this way.

The Treasury Notes, not being backed by gold in the Bank but by something far sounder and more real, namely, the power, will, resources, and life of the nation —a backing which we can call, for short, the National Real Credit—the Government as representing the nation was clearly the proper body to issue the Notes. So far so good. But the Government then proceeded to accede to the Bank's demand that the Notes should be issued only through the Bank; whereupon the Bank proceeded to treat the Notes as though it owned them, inasmuch as it used them as a basis on which to create a pyramid of its own Bank money, which, as we shall see later, is called Financial Credit; and finally, as a master-stroke, the credits so created were *lent* by the Bank to the nation, with the result that the nation is still being taxed to try and repay this so-called "debt." In other words, the nation saved the Bank from bankruptcy, and in return for this service the Bank got the nation further into its debt. The astonishing but still prevalent principles at work throughout this transaction seem to be that, when in doubt, a bank is always creditor and a nation always debtor; that the financial credit of a bank is always higher than the real credit of a nation; and that tails the nation loses, heads the bank wins.

The next logical move in the progress of financial domination by the Bank of England took place in 1928. In November of that year Treasury Notes became Bank Notes, the issue, printing, and full control of them passing from the nation to the Bank. The Bank regards the Notes as part of its fiduciary issue: that is to say, they are backed, or secured, by the Government's debt to the Bank; and where previous to this change the Bank's fiduciary issue of Notes was some £20,000,000, now it is some £260,000,000. With the printing presses removed to the Bank's control, there disappeared from the Notes not only the picture of our Houses of Parliament but that of the King's head too; and one can perhaps anticipate, though not with pleasure, the turning of the Royal Mint into a numismatic museum in which our King's image will be placed on exhibit as an interesting reminder of bygone days.

Yet we should be grateful for this piece of honesty. The picture of George Washington on American paper money and of the King or the Prince of Wales on Canadian, is pretty and doubtless well-meant, but it is dust in the eye and obscures the grim issue of the century. The English Bank Note at least helps to clear it.

There is little more to be said about paper money At the beginning of the nineteenth century a Mr Joplin pointed out the possibilities of a cheque system. But cheques, drafts, bills, and other *conveniences*, however extensively they are used, can hardly be called money, since they will not fulfil our definition. A cheque's "degree of acceptability" is such that only a person who knows the drawer intimately will accept it "in exchange for his product," and occasionally the more intimately he knows him the less acceptable his cheque is. Nor can cheques and their kind circulate to any extent. In short, they are not a form of paper money but a handy, safe substitute for money, usable between two or three parties who have confidence in each other. Technically, cheques are instructions to the banking system to collect a debt, with the debtor's authority. Practically, they are contrivances to enable people to pay or receive money without the necessity of dealing in cash or stirring from their desks.

Financial Credit

The bulk of modern money is made, not of metal or paper, but of figures in bank ledgers. It is called Financial Credit, and is movable and divisible by the cheque system. The great preponderance of this kind of money in the world to-day can be seen by the amounts of Great Britain's three kinds of money.

Thus for 1933 the figures were:

Coin (silver, copper) . .	approx.	£70,000,000
Paper (bank notes) . .	,,	£470,000,000
Financial Credit . .	,,	£1,800,000,000

It is interesting to note the immense amount of work which this intangible and intrinsically worthless medium of Financial Credit is called upon to perform for the community. For instance, the value of cheque transactions in England and Wales which passed through the London Clearing House alone in 1930 is given in the Macmillan Report as just under £64,641,000,000. So when we talk of money with reference to the modern world we mean, unless otherwise specified, Financial Credit.

Like paper money, Financial Credit is created and issued by the banking system. How it is issued, how much of it is issued, what happens to it when it is issued, and how finally it ends its strange eventful history, we shall see as we wade deeper into the morass that the World Economic Conference was supposed to be summoned to drain.

For the moment, since the business of the present chapter is to define money and specify the various kinds, it is enough to point out that the name, Financial Credit, under the present economic system, is a misnomer, as the meaning of the word "credit" will show.

Derived from the Latin *credere*, meaning to believe, the credit of anything is quite simply what is believed of it—faith in its capacity to do whatever is required of it. Thus the credit of a factory is the belief that it is capable of turning out a certain kind and number of wanted goods; that of a horse, the belief that it can do so much work; that of a waterfall, the belief that it can rotate so many steel blades at such and such a rate; that of a desert island with nothing but rabbits

on it—so far as a marooned man is concerned—the belief that he can catch enough rabbits to live on; that of men in general, the belief that they can turn their energies to ends beneficial to themselves; and so on. This kind of credit, the fundamental kind—in order to distinguish it from Financial Credit—is called Real Credit. It is a good name. Everything it deals with is real. It is inseparably attached to the idea of energy; whether the energy be brute as in animals, mental as in man, insensible as in machines, or natural as in waterfalls or the growth of crops. We can go further if we like and attach the whole Real Credit of this earth of ours to the ultimate source of all our energy, the sun, and there leave the matter.

Coming back to earth and economics—where energy is used exclusively in the production, distribution, and consumption of goods and services—we see that the Real Credit of a community is its belief in its ability to produce, distribute, and consume the goods and services its members want, when and where and as they want them. Clearly, ability to do these three things depends on realities such as the community's intelligence and its country's resourcefulness, natural or otherwise, and not upon the number of money tickets it prints or upon the fortuitous amount of precious metal in its possession. In short, the Real Credit of a nation is measured truly by the number of happy, prosperous citizens it produces. As Ruskin said, "There is no wealth but Life. That country is richest which nourishes the greatest number of noble and happy human beings."

It should be even clearer still that in any community outside Bedlam and the present world a money system would be based, if it was to work rationally and without friction, on the calculated amount of the community's Real Credit. Then, and only then, the term Financial Credit would not be a misnomer. On the contrary, it would be the only true name for money, no matter what medium the money was made of, since Financial Credit would be a true reflection, in tickets, of Real Credit. In a word, figures would reflect facts. It may be pointed out in passing that the New Economics would establish just such a relationship between the two kinds of Credit, Financial and Real; or, for short, between money and goods.

Very different, however, is the meaning attached to the words Financial Credit to-day, and very differently does this money function. As used to-day there are three main features about it:

1. Financial Credit is not a calculated reflection of Real Credit, but a calculated multiple of the gold possessed by the banking system (as in the case of paper money). Our money, that is to say, is based not on Goods but on Gold.

2. Being issued by the banking system on condition that it shall be returned to it with interest, Financial Credit becomes a commodity traded in like any other commodity, and one out of which a profit, if possible, is made. That is to say, the nation's tickets—whereby alone its citizens can claim goods—are being trafficked in as though they themselves were goods.

3. The profits accruing to the banking system are so great and the amount of Financial Credit so large that, for it to be employed—again as a commodity with a profit in view—vast amounts of it have to be lent abroad. (We shall see in Chapter IX why these cannot be lent at home.) The result is a world in debt to an international, private, monopolistic banking system with its international headquarters at

Geneva. This use of Financial Credit is called "foreign investment," and the World Economic Conference was called not only to contemplate the mountain of debt already created by foreign investment but, if possible, to increase it.

Under these circumstances it would seem that Financial Debt would be a better name than Financial Credit for the world's monetary medium of to-day.

* * *

The heroes of this story are the Consumer and his trusty henchman the Machine. In the present chapter both of them have been conspicuous by their absence, and if yet another chapter goes by without their reappearance it will not be because they are not connected with or interested in money, but because Finance, or the banking system, is not interested, *per se*, in them. The Consumer and the Machine are vitally interested in money, but the banking system controls it. We must therefore note the more striking peculiarities of this control.

CHAPTER VIII

MONEY AND THE BANKING SYSTEM

We have stated more than once that banks create money. The time has come to prove it. Certainly the idea of creating so important a thing out of the four almost costless materials of belief, ink, a pen, and a page in a ledger is a startling one. The largeness of the amounts, the ease with which they are brought into being, the absolute newness of the money, the fact that but a moment before it was not—can such things be?

The Creation of Money

The scene is a banker's office: seated, the banker; and by him, also seated, the industrialist. The latter is asking for a loan from the former. He explains why he wants it, states its size, and then takes out of his pocket various bonds, mortgages, stocks, or shares which he is prepared to deposit against the loan as collateral security. If in his turn the banker approves of the uses to which the loan is to be put, feels reasonably sure of getting his money back, with interest, and considers the securities offered to be sufficiently secure, he nods, and the loan is made. Arabic numerals—say, a one and six noughts—are written in the bank's ledger, the securities are locked in the bank's safe, and hey presto! a million pounds have been created. For

watch the subsequent activities. The industrialist draws cheques on that million: one he pays to a contractor, let us say, for the installation of some new machinery; the contractor converts the cheque into wages for his workmen on Friday; on Saturday the workmen's wives go shopping; and on Sunday workman and wife sit down to eat of the Sunday joint bought with some of those million pounds. From banker's nod to the reality of roast beef!

At first sight it may seem that the new million pounds is nothing after all but part of the securities deposited as collateral and transferred in some way to the bank's ledger. But the said securities remain untouched. They continue to draw their interest as before, and behave in every respect as though they were in the industrialist's bank for safe-keeping instead of in the lending bank as collateral security against the million pounds: and no amount of argument will obliterate the fact, a fact as solid as roast beef, that after the loan was made a million pounds came into existence which was not in existence before. It is perfectly true that the depositing of securities was a *condition* of the manufacture of the million pounds, but the latter were new for all that. Moreover, the bank had the power to create them *unconditionally* had it chosen to exercise this power. If this is not creation, what is? The term is a strong one. But it is not an exaggeration, for nothing on this earth is created except from some sort of materials already existing; and money, with its materials of faith, pen, and paper, is no exception. To boggle at the use of the term "creation" because of these, or to question the brand-newness of the million pounds because the deposit of securities was a condition imposed by the lender for its manufacture, is equivalent to quibbling that the birth of a child is not a "creation," and to denying that the child increases the population, on the ground that it could not have been born without the collateral existence of its mother. In any case we have the authority of Mr Reginald McKenna, who said, as Chairman of the Midland Bank: "The amount of money in existence varies only with the action of the banks. Every bank loan creates a deposit."

Although, then, we are stressing the function of the banking system as a manufacturer of money, it is far from our object to impress the reader with any suspicion that such manufacture is criminal. It is, on the contrary, both necessary and beneficial. Our object is to impress upon the reader the importance of the fact that it is a private body, not responsible to the nation, which actually manufactures and controls the manufacture of money, and by so doing controls the nation's means of life.

The Expansion of Money

The natural question follows: Why then does not the banking system create a mountain of money, Olympus-high, and have as it were "a grand old time"? What is to stop it? Well, the size of the mountain is curbed and limited by three main considerations:

1. The consideration that all money created and loaned must if possible be recovered by the banking system from its debtors.
2. The consideration that the scarcity of anything enhances its value.
3. And the consideration that either expediency or the law places a limit on the banking system's freedom to manipulate the "reserve" principle described in the last chapter.

One. A bank creates no more money than it anticipates it will be able to get back with interest, the object of creating it at all being to make a profit out of it. Thus a bank will create £100 and sell it to you for a period for about £105 only if it believes that you will be able at the end of the period to pay that price for it. Or we can put it this way, and say that the bank does not sell you the money at all but hires it out just as a costumier hires out a costume, and charges you a hiring fee which it calls interest. The bank's business is to recover what it lent together with a fee for lending it. This consideration of itself prevents the unlimited creation of money for its own sake.

Two and Three. These must be taken together, since both considerations turn our attention to the subject of gold, both being intimately connected with the use of that metal as the basis of the world's money.

First let us deal with the generality that the more plentiful a thing is the less valuable it becomes. In the case of money, therefore, always remembering that banks deal in it as a butcher deals in meat, we see that it *pays* a bank to keep money scarce, its scarcity helping to keep its price up. And banks, like all businesses, prefer up to a point to do a smaller business at higher prices than a larger one at lower. Now gold provides them with a convenient excuse for doing so. As long as gold is the basis of money the banking system is justified in saying, "We cannot create more money because there is only so much gold," just as the banking system of a single nation can say, with every appearance of virtue and concern for the public weal, "We cannot create more money because the other fellow has cornered most of the gold": and if the banks are reduced to tears by the resultant spectacle, we in turn are justified in suspecting the tears to be of the crocodile variety. The banking system disapproved wholeheartedly of the abundance of money during and immediately after the War; it decided deliberately to deflate the currencies and tether them once more to gold, in spite of the insufficiency of that metal for the purpose. The result is for the world to see, for the financial manœuvre has resulted in a human cataclysm likened by His Holiness the Pope, in the magnitude of its disasters, to the Flood.

Next, let us see the limitation imposed on the creation of money by the "reserve" principle. In the last chapter we said we should find that a unit of gold could be expanded into a bulk of Financial Credit about twenty-five times as big. Such a multiple can be achieved, however, only by interplay between a central bank and its associates; for example, the Bank of England and the "Big Five" English Joint Stock Banks. Lest the practice, however, be thought peculiar to the English system, let us take an example from the American, which is regulated, up to a point, by law. There the Federal Reserve Bank is required to hold a reserve in gold or legal tender of at least 35 per cent. of all the money it creates. Thus if it possessed thirty-five dollars in gold the limit of manufacture would technically be 100 new dollars, or only 2·85 times as much. But the matter does not end there. In practice, none of it actually illegal, more like 1000 dollars can be, and have been, manufactured on a "base" of thirty-five gold ones. This startling increase of ten times the safe multiple intended by the law is again effected by a technically legitimate interplay between the Central Federal Reserve Bank and its member banks; and it has been calculated that every increase of 65 cents in a bank's reserves entails on an average an increase of ten dollars in "deposits," and that if a

customer brought a million dollars to a member bank of the system, the system as a whole could expand this amount 28½ times. Dr Henry Chandler, Economist of the National Bank of Commerce of New York, notes that during the period between March 1924 and March 1927, when gold increased in the United States by 230 millions, the total expansion of financial credit was about thirty-five times that amount. While Dr Chandler does not insist that all of this expansion was due to the new gold, he concludes that every dollar's worth of gold coming into the United States during that period had been "utilised" by the member banks for the primary expansion of credit to the limit permitted by law.

Foreign Investment

At this point the reader has a just complaint. Here we have been implying all along that there is not enough money in the world to make us all happy and blaming the banks and their gold for the shortage, and in the same breath expostulating with the banks for making as much money as they can while keeping on the windy side of the law. We cannot have it both ways, the reader says. The reader is right. A Jeremiah is a poor companion at the best of times; an unreasonable Jeremiah is an impossible one.

Well, in the first place, as we have tried to make clear, the criticism is not directed against the creation of money, but against the monopoly of the power to create it, a monopoly held by the banks. For the rest, yes, there is at times plenty of money in the world. The trouble is, *Where does it go to?* It goes, for one place, into "foreign investment." That is to say, it is largely created so that customers abroad may demand goods whether the needs of the people at home are met or not. As Dr Chandler says:

> ". . . At times there has been such an excess of money as to cause unusually keen competition among commercial banks to place their excess funds, and many banks unable to place them in the ordinary channels of commerce have had to seek out new ways of employing them. The result has been that banks not only have sought new means for employing their funds in this country, but they have reached out to many parts of the world." In the form, of course, of debt, both at home and abroad.

And Mr H. B. Brougham:

> "Credits based on this gold are not needed in trade, because the industries of this country can produce much more than they can sell and need borrow little for extensions or improvements. So the bankers have lent it and invested it, so far as they dared, in real estate and foreign and domestic securities."

Dr Chandler wrote the above in 1927, Mr Brougham in 1928. In 1933 the World Economic Conference assembled to see why there was no return from the "many parts of the world," and why the "foreign securities" were not secure.

What a travesty of true foreign trade, what a contradiction of healthy international exchange this is! To press and fasten upon other communities vast sums of Financial Credit which cannot be distributed at home because it must be employed somewhere for production and profit, and the home community has been saturated with production and milked dry of profit! The export of goods on credit by means of

foreign investment is not foreign trade but foreign bondage; it is a device for making a profit out of creating money, and a simultaneous device for achieving power by getting other communities into debt. For more than fifty years this pernicious exploitation was the major development of England's foreign trade and was accounted one of the glories of her Empire. But since the War America (though able itself to supply 98 per cent. of all it wants) emulated, magnified, and capped England's example by lending abroad during the third decade of the century alone more than 15,000,000,000 dollars.

Is it to facilitate the continuance of these strangleholds, one wonders, that phrases—how lusciously they roll from the lips of the world's political spokesmen—like "international co-operation" and "the economic unity of the world" are held so succulently before us? As we are led farther and farther into the unnatural position of being made to feel that a nation is a thing to be ashamed of, and a contented Economic Nationalism both an impossibility and a heresy, we cannot help asking whether these idealistic slogans are not carrots to lead us by the nose back to the irrational excesses of foreign investment which culminated in the last war.

The only healthy kind of international trade is the equal exchange of goods and services between nations, because each is in a position to offer what the other wants. As we shall see, the New Economics automatically fosters this kind to the exclusion of all others.

The Gold Standard

What is the Gold Standard? No one knows. Like Topsy, it growed. It can of course be defined as an "international measure of exchange," or in any of a dozen such ways. But none of them helps. The only thing worth noting about it is that it works in the opposite way from what we have been taught to expect. Thus when England returned to it in 1925 it was to bring prosperity with it: it brought increased depression. When England left it of necessity in 1931 the Chancellor of the Exchequer rushed to the microphone to tell us not to be afraid; but instead of the temple falling because the goddess had been sent on holiday, it stood, and the worshippers even felt a temporary breath of life pass through the edifice. When the United States left it of its own free will in 1933 the same thing happened. In short, like everything about a money system based on gold, the Gold Standard is absolutely artificial.

We are dazzled by its glitter as birds by the fowler's glass; but not so much as we used to be. The discovery that enormous stocks of gold, amounting to the major portion of the world's total supply, did not ameliorate the conditions of America or France has dimmed the dazzle: our eyes are no longer so strongly held by the goddess's mesmeric stare, and as we glance down at her feet, behold! they are of clay. As we give the goddess the "once over" she tarnishes visibly. Even some of the temple attendants are not so reverent as of old. Mr Keynes and Mr Lippmann, for instance, in a public talk across the Atlantic agreed that dollars and pounds ought to be stabilised in relation to goods rather than gold.

Nevertheless, every effort will undoubtedly be made to put the world back on the Gold Standard; for the Gold Standard assures to Finance the price that can be demanded by omnipotence. As long as Finance controls the supply of gold, and as long as gold alone is allowed to procreate money, so long will Finance

retain the monopoly of all money. If money were to be shifted from a gold basis to a goods basis, that monopoly would at least be precarious instead of, as up to now, unshakable; for mankind, though gullible in the extreme, would need no little persuading before it believed that a banking system was the rightful and exclusive owner of mankind's Real Credit and the entire terrestrial energy.

The Gold Standard, in short, does not make the world either prosperous or Safe for Democracy, but only Convenient for International Moneylending.

The Destruction of Money

In 1926 bank-notes to the value of £830,000 were publicly burnt in a retort in Rome in the presence of the Italian Minister of Finance, who said that he hoped to repeat such burnings often in the future. This is not a typical example of the destruction of money—only bank-notes, or part of the community's "small change," were burnt—and the incident is noteworthy only because it shows the very proper intrinsic worthlessness even of *bona fide* currency. The daily destruction of the modern money of Financial Credit is not so spectacular.

Money is destroyed by the same means as it is created. We created a million pounds, if we remember, by writing seven Arabic numerals on the page of a bank ledger; and we can destroy them by writing the same numerals on the opposite page. It is done every day, the second inscription, "£1,000,000," offsetting, balancing, cancelling, repaying, and destroying the first. The bank gave, and the bank has taken away.

In other words, a bank loan creates money and the repayment of a bank loan destroys it. Mr McKenna makes also the latter point clear, the passage previously quoted running in full as follows:

> "The amount of money in existence varies only with the action of the banks in increasing or diminishing deposits. We know how this is effected. Every bank loan and every bank purchase of securities creates a deposit, and every repayment of a loan and every bank sale destroys one."

Perhaps the word "deposit" needs explanation. If we saw an item on a bank's balance-sheet entitled "New Money Mostly Created by Us," it might make us think, which is not a thing the money power encourages us to do. ("Millions," said Bertrand Russell, "would rather die than think. Millions do.") The word "deposits" looks better; and it is equally truthful, for the new money becomes the borrower's the instant it is lent. It is "deposited" by the process of writing figures on the credit side of that borrower's account.

The Mountain of Debt

No picture of the present financial system, however short, would be complete without its background of Debt. To omit this would be like describing Hamlet without his stepfather. We are not thinking of War Debts, or of International Debts, or of any relatives of these which may be in the limelight at any given moment, but of the system itself by which *all money is debt*. It is a debt to the banking system. All of it. The reader, it is true, may actually own some of the £1,800,000,000 (roughly the amount of the deposits of Financial Credit in the Joint Stock Banks in England), and it may stand in his or her bank account as a true credit, but in someone else's bank account it stands as

a debit, or debt—because it was as a debt and not a credit that it, and the rest of the £1,800,000,000, together with the rest of the money in the world, originally came into being. And as a debt it must remain until it is repaid and destroyed.

Even our vocabulary is perverted. When a bank is said to extend you credit, it is doing nothing of the kind; it is extending you debt. So-called Financial Credit (as we saw) should properly be called Financial Debt. And the point about the Financial Debt of the world as a whole, a point which cannot be stressed too strongly or repeated too often, is that it *cannot* be repaid. It is unrepayable. It cannot be repaid now nor at any other time. It can never be repaid. Why can it never be repaid? In a word, because of Interest.

How can the world repay more money than has been loaned it, and more than has been created? The world is not a conjurer. It is perfectly true that in so far as a bank itself spends and consumes it is distributing money which is purchasing power unadulterated with debt; and it is perfectly true that this money forms a source or fund over and above that which is loaned to Industry and Governments; and it is perfectly true, therefore, that such money can be (and is being) applied to the payment of Interest. The money distributed by the Bank of England direct to the building industry, etc., during the erection of its new premises is an example of such money. The Bank itself "consumed" Portland stone, etc. But what a drop in the ocean the total of such money is! The consumption of the banking system is very limited. What does it consume except corner sites and branch banks on them, personnel, and pens and paper? It is also true to say, therefore, that until the banking system *creates and spends*, as a consumer, at least as much money as the amount it demands as interest on the money it *creates and lends*, the impossible feat has to be undertaken of trying to repay more money than is in existence.

How, then, is the trick performed? The answer is simple. It isn't performed; it is postponed. All that happens is that the world is lent further credits (*i.e.* debts) and pays, for the moment, out of them. To-day's debt cannot be repaid except by incurring a still bigger debt for to-morrow. The process never ends. The debts pile up, that is all; until at last there comes a time when the Debt's sheer size prizes open the eyes of people to the tragic farce of the whole principle of debt on which the system works, or else the debts themselves become unbearable. There is some evidence that the time has come when both these things have happened simultaneously.

Thus the Internal Debt of the United States in 1932 stood approximately at 218 billion dollars. In the case of England, however, the noteworthy fact is not the appalling amount of her Internal Debt but the fact that it grows bigger every day. And this in spite of the balancing of budgets, high taxation, and obedience to all the rules. (Perhaps *because* of this obedience?) According to Mr J. Taylor Peddie, speaking in June 1933: "We have as a people contributed through Sinking Funds and Budget Surpluses since 1919 a sum of £931,000,000 towards the redemption of the Internal Debt, but this Debt is greater to-day than it has been at any time since the end of the War." As regards External Debts, the wails which went up at the World Conference from creditor and debtor nations alike are still fresh in our ears.

That abortive meeting of sixty-six patients is worth

one final glance. The Conference was called, though not in so many words, to examine how the nations could pay their debts. If it had been called to examine the things which had caused those debts, or, better still, to examine the things that had caused the things that had caused them, the Conference would have been magnificently worth while. As it was, the delegates took only one important decision. This was when their President, Mr Ramsay MacDonald, whose emphasis of tone we have italicised in print, spoke these historic words: "I think I express the wishes of the great body of the delegates when I say that we have *not* come here to discuss *mere economic theories and generalities* . . ."; and none disagreed. Have it your own way, Mr MacDonald, have it your own way; a conference only means a few more thousands of the taxpayers' money. But let us at least point out one "mere economic theory and generality." The world cannot return 105 things when only 100 of them are in existence to return; and the world as a whole can never pay back its debt to the banking system because the amount of money requisite for the total repayment of total loans plus total interest is never, and never can be, created by the banking system *without the creation of fresh debt*. In banning this "mere economic theory" and a dozen equally basic "generalities" as too trivial to discuss, you sounded the failure of the Conference ten minutes after it opened—its failure, that is, from the World's, as distinguished from Finance's, view.

Never under your presiding—unless you change your note—will either 66 or 6 or 666 nations be able to put Humpty Dumpty on the wall again—except in such a position as to ensure another and even more disastrous fall in the not far-distant future. There is nothing whatever wrong with Humpty Dumpty in himself; he enjoys the constitution of an ox. It is the wall he has to sit on that is rotten. But you won't even look at it.

If the present economic system is breaking down in *practice*, surely the first thing to be discussed by people who did not mistake a museum for an asylum would be the *theories* on which that practice was based. Had this been done, the museum inmates would have found that the present financial system might be best described in the words of Mr W. Dyson as "a system for the creation of unpayable debts."

Before passing from the important contemplation of all money as debt, there is one very natural question that we must try to answer. When and where did it all start? Have we always been in debt? Did, in short, the banking system start its career as a lender, as it is to-day, or was the first item in the first bank account a true deposit for safe-keeping of a customer's money tokens? A natural question, this, but perhaps not much more to the point at a time when the world is in acute anger and distress than the vain problem of which came first, the hen or the egg? There is no exact answer, for so far as the writer is aware the precise evidence is lacking. None the less two things may be noted which show the way the wind has been blowing for at least some centuries. The first is that the Bank of England came into being, not because William III had a sum of money and wanted a bank to deposit it in, but because he wanted to *borrow* money; and the second thing to be noted is the fact that the Bank's fiduciary issue of money represented then, as now, not the Bank's debts to the Government, but the Government's debts to the Bank. Thus England's financial system has been based on the principle of debt for

more than two hundred years, beyond which period it would seem, for all practical purposes to-day, somewhat academic to delve.

The Ultimate Responsibility

The power of the banking system, through its functions of creating, expanding and contracting, regulating and destroying money, is incalculable, unparalleled, and sinister. Owning the gold on which money rests it owns the money; and from its ownership of that, control of monetary policy and therefore of national policy follows. Mr McKenna again enlightens us, still speaking as Chairman of the Midland Bank:

> "To define monetary policy in a few words," he says, "I should say it is the policy which concerns itself with regulating the quantity of money. As I shall show later, it is controlled by the Bank of England."

Is this not a monstrous usurpation of sovereign powers? As a man owns his corpuscles of blood, should not a community own the money tickets which are its economic blood? Should we not soon send about his business a doctor who treated us only on condition that we solemnly regarded our blood as a permanent "debt" to him? And should we not view with suspicion a firm of printers, say, who, simply because it printed railway tickets, managed to establish a subtle ascendancy over the whole railway system and made the board of directors no less than the engine-drivers and porters, and of course the passengers, beholden to it?

We may fulminate and roar as much as we please, and elaborate indignant metaphors to our hearts' content—and a measure of vituperative explosion is no bad thing, lowering as it does the pressure of pent-up exasperation—but it will all be empty and futile as a windbag unless we realise that the ultimate blame rests not upon the banking system nor upon our stars, but upon ourselves. Let us be clear about this. The banks function as they do by our consent. We have chartered them. And ever so often the world renews the charters of its banks. If we dislike the way the banks behave we should refuse to renew their charters. There is our constitutional remedy, lying to our hand. Why don't we use it? The answer is supplied in the words of the disillusioned politician who said to the young enthusiast: "My boy, don't you know that the depths of public apathy and ignorance in this country have as yet been hardly touched?" Still, that was said some while ago. . . .

Introducing the Bank Charter Bill in 1844, whereby the nation finally enthroned the Bank of England, Sir Robert Peel delivered himself of these reflections. "There is," he said, "no contract, public or private, no engagement, national or individual, which is unaffected by it. The enterprises of commerce, the profits of trade, the arrangements made in all the domestic relations of society, the wages of labour, pecuniary transactions of the highest amount and the lowest, the payment of the National Debt, the provision for the national expenditure, the command which the coin of the smallest denomination has over the necessaries of life, are all affected by the decision to which we may come." It would be interesting if Sir Robert could tell us to-day what he thought of the results of that fateful decision. Since he cannot, let us at least be clear that such decisions—and their opposites—are made by us. The banking system is

impregnable and its monopoly secure only so long as the world's parliaments, governments, and treasuries allow. These at least we have power over: we can change and unseat them if they offend or disobey. They are our mouthpieces, and if they are silent or ineffective, it is because we ourselves are silent and ineffective. We have none but ourselves to blame.

CHAPTER IX

THE CHRONIC SHORTAGE OF MONEY

In the last chapter we saw something of the relation of money to Gold, but nothing of what is far more important—its relation to Goods. This relation we shall discuss now, and our hero and his henchman, the Consumer and Industry, will return to the scene.

Let us forget for a moment, if we can, the antics of the banking system, the extraordinary behaviour of our bridge officials, and take our bearings.

If we have carried the reader with us, we are agreed that of the three organs of the economic body—Consumption, Production, Distribution—we have no choice but to suspect the last of poisoning the whole body, since we pronounced the other two organs healthy. But that was only negative proof. Now we are ready for the second operation, by which we shall be able actually to locate and identify the poison, to see it at work, and so establish positive proof of its presence in the organ of Distribution.

We saw that Distribution depended upon Finance and that Finance meant Money. So our inquiry takes this form: Is the money distributed to a community enough for that community to buy all the goods it wants up to the total quantity which Industry produces? The clearest answer to this question is to be seen in a survey of the physical world around us.

The acknowledged spectacle of poverty amid plenty means and can mean nothing except that there exist, side by side, a deficiency of purchasing power and a sufficiency of goods. The productive system has to work undertime, because if it worked at its full capacity it could not help but produce a surplus of goods, which, though needed or desired, could not be bought simply because people did not possess the requisite money. It does not need a New Economist to point this out or a knowledge of higher mathematics to prove it. Qualified people who have never heard of the New Economics and know nothing about higher mathematics are pointing it out and proving it every day. Thus—and the examples could be multiplied indefinitely:

1. In *The Search for Confidence in 1932*, the second series of bulletins issued under the chairmanship of Mr A. H. Abbati, the total buying deficiency of the world is estimated at between £4,000,000,000 and £5,000,000,000.

2. In the Richard Cobden Lecture for 1933 Dr E. Heldring, the Dutch shipowner, estimates that some 100,000,000 people in the world to-day would have no purchasing power at all if other consumers did not give them some of theirs in the form of either governmental or charitable relief.

3. According to the National Bureau of Economic Research (*Income of the U.S.*, No. 2, pp. 242–248), in 1918 American Industry paid out $45,548,000,000 in the form of wages, salaries, dividends, bonuses, pensions, compensation for injuries, etc. That is to say, this was the amount available for the purchase of consumers' goods that year. But that year American Industry produced consumers' goods to the value of $60,366,000,000. (Further, the

$45\frac{1}{2}$ billion of income is not all used as purchasing power; savings and investments must be deducted; and, on the other hand, profits included in the 60 billion of price are not used to an appreciable extent as purchasing power. If profits are small they are negligible in computations of this size, and if they are large they go, not into the purchase of consumers' goods, but into investment or expansion of business.)

About $40 billion was therefore distributed and used as purchasing power to claim an output of goods priced about $60 billion. And this proportion holds also for the decade 1909 to 1918, inclusive, during which time $266 billion was distributed as wages, salaries, and dividends—and Industry produced $390 billion worth of consumers' goods for those wages and salaries and dividends to buy!

(The missing two-thirds was, as usual, made up from sources outside the American industrial process, namely, from the "credit"—i.e. *debt*—extensions of the banks and from foreign trade.)

4. Mr Wallace Clark, whom we have quoted before, finds that even in times of prosperity industries with which he was connected ran their plants only 40 to 60 per cent. of the time, and adds: "During these 'good times' of 1922–1929, lack of orders or sales was usually accountable for 75 to 80 per cent. of such large margins of equipmental unemployment."

THE FLOW OF MONEY

Money, like blood, flows. The difficulty in the case of most substances which flow in circles is to know where they start; but with money this difficulty does not arise, for we know now that it starts in a bank. The

dividend we received yesterday, to-morrow's salary, the financial credit we keep meaning to send by cheque to the tailor, the half-crown Smith tried to borrow last week, the notes in our wallet—all represent money originally born in a bank—of a banker's nod.

Once born, money flows as follows:

1. From the Bank to Production.
2. From Production to Consumption.
3. From Consumption back to Production.
4. From Production back to the Bank.

Following the flow in more detail:

1. Money flows from the Bank to Production as a *loan*.

2. It then flows through the various stages of Production as *costs*. When we speak of an article's "cost of production" we mean simply the total volume of money which has flowed through Production in respect of that article.

3. That portion of the flow which succeeds in reaching Consumption reaches it as *purchasing power*. Consumption welcomes its arrival and regards it as a stream of tickets wherewith to buy "consumable" or "ultimate" goods. Then, at the moment of buying, an interesting thing takes place—the act of purchase starts the money on its homeward course. The turning-point is the retail shop counter. The retail shop counter is the limit of money's outward flow, and as it passes over that counter it flows back into Production. It flows back into Production as *payments of prices*.

4. On its last stage, that from Production to the Bank, the money flows as *repayments of loans*; and on arrival at the Bank it is destroyed as easily and quietly as it was created.

The saying that money doesn't last long thus takes on a new meaning when we realise that every time we spend it we are sending the amiable creature to its death.

The Circulation Myth

This is perhaps the best place in which to try to dispel the illusion that the circulation of money increases the purchasing power of consumers, that one piece of money can do the work of several, and that £1000 can distribute, say, £3000 worth of goods. This, as Major Douglas has said, is a "complete and major fallacy." But we must deal with it because it is so commonly believed.

The familiar picture is that of a beneficent £1 going the rounds of the town from butcher to baker, and from baker to candlestick-maker, and enabling these worthies among them to buy £3 worth of goods, the £1 in question being able in some mysterious way to avoid taking its place in the flow of money back to Production as a piece of the repayment of costs. The picture is a delightful one, and we should like nothing better than to meet this accommodating £1 which is supposed to spend its time jumping back and forth over the retail counter. Given over entirely to good works and theoretically in perpetual motion, this surprising piece of money seems to be a sort of financial widow's cruse—it never fails. Unfortunately, however, it does not exist.

Perhaps the most effective way of appreciating the completeness of the fallacy is to act as though it were true, and see what happens to you. Suppose, then, you are Boss—boss of everything, including Production and the Money system. You produce a volume of goods, and you offer them for sale at a little over

£3,000,000 because the goods have cost you £3,000,000 to make (for you are a Very Just Boss, content with a reasonable profit). Now, since you believe that the butcher, the baker, and the candlestick-maker between them bought £3 worth of goods with £1, you will conclude that £1,000,000 will be enough for the population to have in order to buy £3,000,000 worth of goods, and you will accordingly supply your population with that million pounds. Now, you need not be Boss to perceive that as a result of your actions, instead of recovering your costs of £3,000,000 (like a Wise Boss), you will be £2,000,000 out of pocket. And no amount of reasoning, no amount of mathematics, no amount of expert economics, no amount of imagination, and no amount of "circulation" will put two million non-existent pounds into your pocket. In short, £1,000,000 will not and cannot repay the £3,000,000 which Production *must* be repaid if it is to recover its costs and continue producing.

What happens at the butcher's, of course, is that the butcher, like everyone else, *treats as purchasing power what is in actual fact mainly repaying power,* and the actuality of this fact will be reflected in the butcher's accounts. The butcher, like everyone else, is able to proceed along these convenient lines because of the convenient and very proper fact that one pound note is the same as any other; indeed, the interchangeability of our money tokens makes it happily impossible for us to proceed, in practice, upon any other lines. But the £1 we give the butcher is not in the last analysis regarded by him as purchasing power to be spent at the baker's. Unless he wishes to head straight for bankruptcy, he regards the bulk of that as a means of repaying the wholesaler who supplied his meat, and only what is left over and above that does he regard as purchasing power "with no strings on it," which he can use at the baker's to buy more goods from Production. Thus, if the butcher runs his business at a general turnover profit of about five per cent., then about 19s. of the £1 we have given him will be treated by him as a repayment of butcher's costs and about a shilling as purchasing power.

What people mean when they talk loosely about the "velocity of money's circulation increasing the distribution of goods and therefore the purchasing power of the public," is, quite simply, that the more quickly goods are claimed from Production, the better. We agree heartily—a brisk rate of claiming goods from Production is, as the authors of *1066 and All That* would say, "a *good* thing." But it does not add a penny to the purchasing power of the public or enable a single additional article to be bought from Production and consumed. How CAN it?

The Explanation

After this digression let us return to the flow of money. Of the four kinds of flow we have noted that the one which concerns us here is the flow from Production to Consumption, where money flows as purchasing power. Why is the volume of this purchasing power less than the volume of the prices it is called upon to pay?

Here is a compact answer given by Major Douglas in *Credit Power and Democracy*:

> "A factory or other productive organisation has, besides its economic function as a producer of goods, a purely financial aspect. It may be regarded on the one hand as a device for the distribution of purchasing power through the media of wages, salaries,

> and dividends, and on the other hand as a manufactory of prices—financial values. From this standpoint its payments may be divided into two groups:
>
> Group A. All payments made to individuals. (Wages, salaries, and dividends.)
>
> Group B. All payments made to other organisations. (Raw materials, bank charges and other external charges.)
>
> "Now the flow of purchasing power to individuals is represented by A, but since all payments go into price, the rate of flow of price cannot be less than A+B. Since A will not purchase A+B, a proportion of the product at least equivalent to B must be distributed by a form of purchasing power not comprised in the descriptions grouped under A."

This passage contains a succinct statement of what is known as the A+B Theorem, and it would be unfair to quote the above passage without adding that its author, Major Douglas, has elucidated its packed contents in divers forms and on divers occasions since. The reader is perhaps especially referred to his reply to the criticisms levelled at the Theorem by Professor D. B. Copland of the University of Melbourne, and by Professor L. Robbins of the University of London (the reply is entitled *The New and The Old Economics*, The Scots Free Press, 1s.).

The Theorem may be paraphrased as follows:

Over any given period or at any given moment the volume of purchasing power in the hands of a community is insufficient to buy what that community has produced during that period, BECAUSE *the rate of flow of prices is always greater than the rate of flow of purchasing power.*

Even when expressed in such comparatively lay language, it is clear that the Theorem's ultimate proof or disproof is a matter for mathematics rather than for argument or philosophy. And if we suspect that the use of the word "rate" involves (in the proof of the Theorem) a use not only of mathematics but of the higher mathematics, then we suspect rightly: it does. For this reason, since the number of people conversant with the higher mathematics is small, we do not propose here to *prove* the Theorem in this way. At the same time the writer will be glad to put any reader conversant with the higher mathematics in touch with a professor of mathematics who will not only prove the Theorem (that has already been done) but who also guarantees, as it were, to make the proof plain. Or, again, he can find mathematical proof in Major Douglas's books. *For ourselves, the economic state of the world to-day—that of Poverty in Plenty—is the Theorem's best proof, for that state is observable by all and cannot be argued away.*

Without in any way attempting to "prove" the Theorem, however, the following points, put categorically and as briefly as possible, may help us to grasp it:

1. The word *rate* is the most important word in the Theorem; the conception of money and of the economic process in general as a *flow* is essential; and consideration of the "time factor" is paramount.

2. What is true of one "factory or other productive organisation" is true of all; that is, it is true of Production as a whole. What is true of one moment or one period is true of any moment and any period; that is, it is true of every moment and of every period; that is, always.

What is true of a single thing is true of the sum of

any number of identical things, whether these things be factories or moments of time.

3. Therefore Consumption always can buy only a fraction of Production, the fraction being $\frac{A}{A+B}$.

4. It is true that the B of one factory becomes *at some time or other* part of the A of other factories. *But not necessarily at the right time.* It becomes part of the A of other factories *before* the goods in respect of which it was issued appear on the market. (A simple example is the new industry for turning coal into petrol. The erection of the necessary plant is one of Imperial Chemicals' B payments, and the money to pay for it is being distributed to the employees of the firm supplying and erecting the plant, *now*; that is, months before any petrol resulting from the plant comes into the market.)

5. Therefore inflation takes place, inflation being an increase in prices through the appearance of money unaccompanied by "ultimate" or "consumable" goods.

6. "*At the time* that finished commodities are ready for market their prices include certain items as costs of production, the equivalent of which in purchasing power is not of necessity *at that time* in the possession of consumers" (A. R. Orage).

7. The omission of Profits from the Theorem does not invalidate it. The inclusion of this item strengthens it. A is then called upon to buy $A+B+x$, where Profits are x.

8. Eschew phrases like "But surely at the *beginning* of the process. . . ." There is no beginning. The economic process is a continuous, expanding, circular flow.

Another Way of Looking at It

If we cannot grasp the A + B Theorem at first glance we can console ourselves with the fact that many people have been in the same boat before, and also with the fact that there are other ways—besides a simple observation of the spectacle around us of poverty in plenty—of demonstrating the chronic shortage of purchasing power. Here is one demonstration for which we are indebted to C. Marshall Hattersley, who writes in *This Age of Plenty* as follows:

> "Let us by way of illustration assume an isolated and self-contained community in which consumers spend on the average £10,000 weekly on the goods they require and also invest in industry an average weekly amount of, say, £500. To enable them to do this they must receive from the producing system an average weekly income of at least £10,500. There is thus, *ex hypothesi*, a constant flow of at least £10,500 per week from the producing to the consuming system, and consequently a weekly addition of at least £10,500 to the amount sooner or later to be recovered from the consuming public in prices. On the other hand, although each week £10,500 is recovered by the producing system through the two channels of price and investment, the average amount recovered each week THROUGH PRICES is only £10,000."

The above passage stands by itself and needs neither qualification nor explanation. In connection with investment generally, however, it may be stressed that while it is quite true that those who invest this sum of £500 will receive as dividends therefrom (at 5 per cent.) the sum of £25 yearly, and that after twenty years they will have received back the whole of the

£500, yet they receive this purchasing power back, not only with a delay of twenty years, but also *only after having initiated through their investments about £500 worth of Production*, and so in the subsequent cycles widening the gap between purchasing power and prices still further.

The Cap Fits

If these theories are correct and our diagnosis true, we should expect certain theoretical results to follow; and these are precisely what we find operant in the world to-day, translated moreover, with all the force of reality, into practical results. The general background of the picture is, of course, the sombre grey of poverty in plenty: that at least fits our diagnosis. But we can pick out the features of the foreground and point to each, saying, "*That* is what the Theorem said would happen, and must happen." We choose a few of the more prominent features to show how, too, too well the cap fits.

Advertising and Salesmanship

If the "money-lag" is cumulative, then we should expect the effort to force an ever-increasing volume of prices through an ever-diminishing bottle-neck of purchasing power also to be cumulative. And this is the explanation of the bawling, exaggerating, and even lying advertising and salesmanship of to-day. The true function of these services is, first, to inform, and then to persuade. But it is no use to "inform" a camel of the presence of a needle's eye and "persuade" him to go through it; you have to use force. And if the camel is gradually growing and the eye gradually contracting, you have to be quick about it, and get him through by wile or by guile, by hook or by crook.

Thus in 1919 there were started in the U.S.A. alone no fewer than 600 schools of salesmanship. Again, as long ago as 1912 the merchants and warehousemen of Manchester and Liverpool had a greater capital employed to sell cotton goods than that required by the whole of Lancashire's cotton industry to make them. And by 1933 these services had reached such proportions, and it had become so much harder and more expensive to sell a thing than to make it, that the British Prime Minister felt it not inconsistent with the dignity of his office to give his official blessing to the Advertisers' Convention, and applaud its desperate but (in the circumstances) necessary ballyhoo.

The Dilemma of Saving

The Theorem implies that the practice of saving and investing only aggravates the situation. Thus the billion and more pounds deposited or invested in such institutions as Insurance Companies, Building Societies, and the National Savings Association, means that a proportionate value of goods are unable to find buyers in the home market. Not only that, but this billion and more has to be reinvested in fresh capital production designed to produce *yet more goods*.

Similarly the £300 million mark reached by the Post Office Savings Bank in 1933, tribute though it was to its depositors' thrift, was, and still is, a brake on Industry and a virtual cancellation of this amount of Effective Demand. Under the present economic system the man who saves as much of his purchasing power as he can is an enemy of society, while the man who spends the whole of it and saves nothing is a fool; but the fool at least contributes his drop to society's economic blood. Perhaps this dilemma is seen most clearly in our Press: one column, voicing financial

policy, solemnly impresses upon us the need for economy and the desirability of saving every penny, while the next column, voicing industrial policy, exhorts and implores us to spend every penny and so set the wheels of trade turning. Is it any wonder that the wretched reader decides the economics are not for him—or her—and turns quickly to the sports and gossip columns?

The truth is that most people are so poor that they *dare* not spend. They needs must save, and the irony of it is, as Major-General Seeley (as he then was) pointed out in connection with Savings Certificates, that the savings came "mostly from the poorer classes"; in other words, from those whose need for more of the amenities of life was the most acute. Driven by their Fear for To-morrow's Dinner, they contemplate the possibility of increased comforts in the future rather than risk experiencing them now. How long those comforts are likely to be in coming may be judged from the fact that the greatest luxury of the poor is a decent funeral.

Inflation

Suppose that 100 articles and 100 pounds exist side by side. Then the price of each article, other things being equal, will be one pound. Suppose now that five more pounds, but no more articles, make their appearance. Then, until five more articles do make their appearance, the effect of the extra five pounds will be to raise the price of the 100 articles already on the market, and their price will no longer be $£1\left(\frac{100}{100}\right)$ but something just over £1; that is, $£\frac{105}{100}$. Just such an increase has been taking place in the world for some centuries. When capital costs appear as premature purchasing power without the simultaneous appearance of a corresponding quantity of goods, it raises the prices of all the goods which *are* on the market. In other words, it causes inflation—an inflation which has been going on steadily and stealthily, everywhere and all the time. This is the reason why, although Falstaff could get two gallons of sack for ⅝d., a glass of beer to-day carries a price twelve times that amount; this is why, although two centuries ago the reasonable salary for the Matron of a London Hospital was £16 and for its resident medical officer £20, a century later these figures were £60 and £105 respectively; this is why between 1900 and 1911 retail prices in Great Britain rose by 9·3 per cent.; why they have risen since then, and would have risen, war or no war; and why they will, over any appreciable period, continue to rise.

B's Relative Increase

(Relative, that is to say, of course, to A.) The Theorem implies that consumers are able to buy only an ever-decreasing fraction of Total Production. Now, if there is one fact to-day with which Industry is better acquainted than another and upon which there is universal agreement, confirmed by Industry's account books, it is that man-labour costs (which go into A) are a diminishing quantity and that machine costs (which go into B) are an increasing quantity; and every installation of new machinery, every technological improvement in old machinery, every increase in output per man, and every dismissal of a workman because a machine is going to do his work for him, decreases the quantity of purchasing power issued and

increases the proportion of overhead charges and capital cost. Production is expanded, while purchasing power is contracted.

Palliatives and Props

How, then, has the system survived for so long, and why doesn't it break down more quickly?

Briefly, the system is kept going by trying to sell abroad what cannot be sold at home; and by such expediencies as bankruptcies, liquidations, selling below cost, writing down of capital, and the actual destruction of goods; and also, of course, by the issue of fresh streams of bank loans for fresh production. This last expedient admittedly releases fresh streams of purchasing power, but it does so only by creating the means of releasing also fresh streams of goods and so intensifying the next "trade depression." These loans are like a drug: the more we take the more we have to take, until in a short time we pass completely into their power.

Export, fresh Loans for fresh Production, and Destruction or Sabotage—these three are the most important of the system's props, and we shall devote the next chapter to them. But the work of the smaller fry in saving the system from complete collapse is by no means beneath notice. In the case of bankruptcies, for instance, according to the Board of Trade returns for the past quarter of a century (1908–1933), the number of these, together with Deeds of Arrangement, etc., was 118,693, and the liabilities in these cases showed an excess over assets of some £160,581,000; that is, goods to this value were sold below cost, many of them no doubt for next to nothing; and by the process of bankruptcy the balance of the cost price over the selling price was *cancelled*.

Thus does an ailing system seek to eke out its days, and proceed on the bland assumption that "things will pan out fairly squarely in the end." But there is no end. And there is no beginning either. The economic system is in ceaseless flow and cannot catch up even with its best intentions; nor ever will, until its outflow of purchasing power catches up with, and thereafter keeps level with, its inflow of prices—or, as the Theorem puts it, until "a proportion of Industry's product at least equivalent to B is distributed by a form of purchasing power not comprised in the descriptions under A." The New Economics shows how this can be done.

CHAPTER X

WAR, TYRANNY, AND WASTE

In the last chapter we said that the System saves itself from breakdown in three main ways:

1. By the development of Export Trade abroad.
2. By the creation of further Bank Loans at home.
3. By the practice of Sabotage.

The fact that the whole world is practising all three expedients with greater and greater desperation is itself a wholesale confirmation and a sweeping vindication of the System's analysis by the New Economics, which states that the world is suffering from nothing but a chronic shortage of purchasing power. For it is not difficult to perceive the direct connection between each of these expedients and the shortage of purchasing power, when we realise that (1) export trade is an effort to find consumers with purchasing power, (2) bank loans an effort to catch up with the lag in purchasing power, and (3) sabotage, or deliberate waste or restriction, an effort to desist from producing goods for which there is insufficient purchasing power—all three efforts being unconscious, and their true meaning veiled from those who exert them.

But desperate expedients bring desperate results. Export trade, practised as it has to be practised under the System, is the highway to war; bank loans are a noose (as we saw) in which individuals, industries, nations, and finally the world itself, are caught and delivered into the tyrannic power of a private, international, irresponsible banking system; while sabotage automatically fights every effort of science to improve the Machine, and impairs its efficiency.

The world has been content to invest the present system with all the mystery and inexorableness of a god, and to bow down before it with closed eyes. If we open our eyes and look this god over, we find an unholy trinity, whose three persons are War, Tyranny, and Waste. No civilisation, no matter how kindly its nations may feel towards one another, and no matter how confident, industrious, and orderly the citizens of those nations may be, can long survive its worship of a devil in mistake for a god. Nor, as long as it tolerates such a trinity, can mankind say with Shakespeare's Beatrice that at his birth a star danced. Unless it was a devil dance.

Exports and War

Ask those visitors from Mars whom we met what they believe to be the right purpose of export trade, and they will surely answer: "The purpose of export trade is to get from other nations goods which you want but cannot grow or make yourself, and to export, in payment for them, goods which, in turn, those nations want but cannot grow or make themselves." We agree with the visitors: equal exchange of goods and services is the only kind of international trade that is healthy and free alike from indebtedness and from the consequences of a faulty cog in the distributive machinery. But under the present system export trade is compelled to be something very different from this. It is compelled to become the chief safety-valve and outlet for goods unpurchasable at home. There

is no exaggeration, therefore, in such typical remarks as: "Unless we can sell in foreign markets we are on the straight road to national suicide" (Mr Kellaway, when in charge of the Overseas Trade Department); and "The vital problem is the problem of markets, the restoration of old markets, but, still more, the development of new markets" (Sir Philip Cunliffe-Lister, speaking as President of the Board of Trade). No doubt both these gentlemen would point out that they were referring to the absolute necessity of export trade, not as an outlet for goods unpurchasable at home, but because Great Britain was not self-supporting. Such a remark, however, would be irrelevant, for the cog we have examined is faulty in every country, including those which could be self-supporting. America, for instance, could be 98 per cent. self-supporting (and under challenge doubtless 100 per cent.), but, unless she changes her economic system, export trade will remain for her a paramount necessity.

(The point about Britain's self-sufficiency is that she doesn't know what she could do in this and in many other directions, because the System, which has delivered our farms to the bankers, won't allow her to try. The hasty effort made during the War, with our best manhood away, is some indication of what could be done, and in the opinion of at least two well-known agricultural experts—Sir Daniel Hall and Sir Charles Fielding—Britain *could* support herself.)

Beside this life and death necessity for foreign markets, the home market is commonly regarded as a bagatelle—when it is regarded at all. Thus in the passage quoted we may note that Sir Philip Cunliffe-Lister took it for granted that the word "markets" meant "foreign markets." Those who, like Sir Philip, are put to work at the unworkable, are forced to the view that the home consumer must look after himself, and that, in any event, he is a decent, uncomplaining fellow, used to sacrifice, and thankful for crumbs.

The essence of our present export system can be seen in the picture of a Leicester bootmaker, say, whose children are walking about on their "uppers," producing beautiful boots for South Sea Islanders, whose native haunts are in process of being "developed" by a foreign loan. This is not particularly grotesque; Mr Baldwin pointed out in his famous "broccoli" speech that one of the most hopeful signs in our export trade was the sale of bicycles to West Africans.

The first two things, then, to notice about our present brand of export trade are: first, that we are at present absolutely dependent upon it; and second, that it is not the brand which is primarily concerned with the "swopping" of goods between free nations for their mutual benefit.

The third thing to notice is that the necessity for foreign trade increases as the Machine approaches perfection. Every technological improvement which throws men out of work reduces their purchasing power, and so decreases the Effective Demand for goods in the home market. Consequently, if the manufacturer is to sell his total output, the Effective Demand of the foreign market has to be increased correspondingly.

But—and this is the fourth point—the export market is not increasing. It is diminishing. Countries, at one time paradises for exporters, have gradually set up factories of their own. (The comparative speed of the progress is worth marking. Thus Germany began to make industrial headway only at the close

of the Franco-Prussian War, but by 1914 she was probably the most intensely industrialised state in the world. Japan, starting twenty years later, became mechanised within a few decades; and this, too, on an island lacking both coal and iron and 6000 miles from its nearest industrial neighbour. Russia is arming herself with machines in five-year strides, and, in short, as Mr Stuart Chase points out in *Men and Machines*, we live in an age of acceleration, for while "it took gunpowder a thousand years or more to get into Europe from China, a Watt engine reached America by 1790.")

And, of course, every increase in the ability of industrialised communities to produce goods helps to congest the export market still further.

This almost frightening and apparently irresistible acceleration inherent in the whole industrial process, as regards both its spread and its productivity, is sufficient answer to the complacent argument that there are still plenty of places on the globe without a factory chimney or a chain store. It is a question only of time.

The fifth and last point to notice is that all the nations are compelled by their economic systems, all of which are similar, to practise the same pernicious type of export trade. All the dogs are after the same bone. And the bone represents, not excessive greed, but reasonable existence.

It does not take more than the briefest consideration of these five points to arrive at the fateful conclusion that the right to sell goods in the last remaining corner of the last remaining export market must be decided, in the last resort, by war; unless some of the nations, all of whom are converging with gradually increasing momentum upon the diminishing object, the bone, are content to give up the chase and pay the price, the latter being, at best, a lower standard of living and a more general economic stringency, and at worst, starvation and virtually complete economic strangulation. The nations have the choice of these two evils. There is no third alternative: no New Atlantis will emerge obligingly from the sea to provide us with a limitless export market on this planet; and we cannot yet export to Mars.

As Dr Soddy notes, the necessity to sell goods in other countries is a strange motive for war. He says:

> "No doubt behind the alleged motives of national pride and honour, racial and religious antipathies, external dangers, and the sedulous fostering in consequence of human pugnacity and quarrelsomeness, which produce war, economic causes of a much more humble and sordid nature were always at work. But to-day these are the opposite of what they once were. Our ancestors, who since before the dawn of history have periodically ravaged these shores, fought for what they could take back home, whereas we fight for the outlet of our wares to sell them abroad, for markets and a place in the sun, and to get weaker nations into our debt. If you start from the dictum that it is no use being able to produce wealth if you won't coin money enough to sell it at home, foreign markets are economic necessities, but it is the opposite sort of necessity from that which used to cause war."

That Need for a Change of Heart?

For these reasons the world's best intentions come to no harvest. The Will to Peace is there: since the armistice some three hundred arbitration treaties have

been drawn up by the nations; the Churches plead for swords to be turned into ploughshares; ancient universities vote "Down with War!"; disarmament conferences are in almost continual session; the League of Nations continues manfully to breast a sea of rebuffs; 152,000 Rotarians the world over pledge themselves to secure peace; so, too, does Labour; while, God knows, the man in the street does not want war. It is painful to have to disparage the good intentions of these bodies and of pacifists in general, but it is clear that few of them, if any, know what they are talking about so eloquently. They are talking about peace, yet they do not know why peace is impossible. They are talking about war, yet they do not know why war is inevitable. To know these things requires some hard, exact thinking, and it is easier to roll out high-sounding platitudes and rounded phrases. Nevertheless, until the executives, dignitaries, and camaraderies of the world stoop to examine its realities before they ascend on the wings of their lofty idealism, they are wasting their time and had better save their breath to cool their porridge. And yet what fruit the immense energy of these high people and their powerful pervasive organisations might bear, if only they knew that in crying for peace under the present system they were crying for the moon!

Our particular quarrel—and it is time it was taken up on behalf of the innocent consumer—is with those who, again with the best intention, call for a "change of heart." Thus Sir George Paish says to the Bishop of London: "We economists cannot save this world by ourselves. It is you Christian people who alone can save it, for, if you can get a new spirit of love and trust established instead of a feeling of suspicion and hatred, you will get a new world." And the Bishop passes this on to his Diocesan Conference, the members of which passed it on, no doubt, with accusing fingers outstretched, to their congregations. This, that genial prelate will admit, is "passing the buck" with a vengeance—one of the spokesmen for the continuance of the very system which is causing all the trouble, and which carries the germs of war perpetually in its veins, calling upon the authority of the Church to blame *us*! Against whom, pray, does that hero, the hard-working, tax-paying paterfamilias, harbour feelings of "suspicion and hatred"? Against no one—he hasn't the time. His heart, if he had time to unlock it in the midst of trying to bring up a family decently on ends which barely meet, would be found to be in the right place, healthy, and overflowing with the milk of human kindness. Will my Lord Bishop note, will all his fellow prelates note, that if this harassed creature does not extend his right hand in friendship to his foreign neighbour, it is not because he does not want to, but because his right hand, like his foreign neighbour's, is tied behind his back. What is needed, in short, is not a change of heart, but a change of system. Then, and only then, the impulses natural to the heart will be able to flow. If they flow foully when set free, then, and only then, clerical denunciations will be in order.

Hypocrisy and the Cenotaph

It takes more than the professors and adherents of the "change of heart" school, however, to make a world. There are realists, too. And the world has a horse-sense of its own by which it *knows* of the inevitability of war under a system where an increasing number of objects are forced to compete for entrance to a diminishing goal. What the world now

knows by instinct, it is the work of the New Economics to uncover so that the world may see and know it also by reason, and be able to put its finger on the sore. Meanwhile, despite disarmament efforts without end, the world continues to arm at the rate of £2,000,000 a day; the League of Nations, deferring to that humaneness of humanity referred to, decides that we shall kill each other in future with six-inch guns instead of twelve-inch ones; while Japan, anxious to observe the niceties of modern Westernism and not to offend, wages war without declaring it. Yet what would you? The System compels: the world is simply being wise in its generation.

Let us at least know where we are, and be frank about it, without humbug. Disillusioned and sad, we knew, even before the last one's dead lay easily in their graves, that the next war had *not* been ruled for ever out of court. And at our failure to make the last war the War to End War we hang our heads, and wait. Or we talk of other things, for we dislike being reminded of our smashed hope. Therefore, in order to be able to stand bareheaded at the Cenotaph in November, or wherever we may be, without quite scandalous hypocrisy, it will be meet to remember during those two minutes of silence that the fathers, husbands, sons, and friends who were killed in the War and who will be the subject of our thoughts, died, so far, in vain. Then, as the bugles sound the réveillé and we admire the wreaths of remembrance at the foot of the Cenotaph, let us murmur to ourselves: "At this moment the nations have prepared diphenylchloroarsine, diphenylcyanoarsine, and cacodylisocyanide, of any of which one part in fifty million is calculated to produce such acute mental distress as to send sufferers mad, permeating and making it impossible to wear any known respirator, and forty tons of bombs containing these gases, carried by only twenty airplanes, would effectively obliterate what remains of London's sanity. At this moment, too, each nation is trying to find something more devastating." The two minutes' silence is soon over, but the desperate tale goes on. Only seven years after the Unknown Warrior was laid to rest in the Abbey, Parliament was asked whether, in view of the developments in gas warfare, instruction in the use of respirators should not be compulsory in all schools; and only nine years after peace was declared a Frenchman could for the first time enlist in a liquid-flame-throwing squad. During the War that was to End War the maximum weight of bombs dropped by airplanes in any month was twelve tons; but after a decade of peace France, for one, was ready with 4000 planes to drop a hundred and twenty tons in one raid. And before long the world will possess (perhaps it possesses it now) a 300-m.p.h. plane, ascending and descending vertically, containing no human occupant, being steered and its bombs released by a wireless control many miles away. Again, if poison gases are considered inhumane, how about some plane-loads of dysentery bombs, or diphtheria, typhus, typhoid, yellow fever, plague, malaria, cholera, or anthrax—the last accounting for beasts as well as for humans? And if these in turn are not considered practical, why not a few incendiary bombs containing phosphorus-thermite? Since chemical factories can get into uniform overnight it becomes a problem, as Mr Stuart Chase remarks, only of Government purchasing agents taking their choice.

And yet! Economically, at least, war is a rosy time. Ask the men who fought it. If they are honest they will confess that over and above their personal griefs

and losses and wounds they had the time of their lives. And they had. Physical insecurity, even unto death, was a trifle compared to the balm of economic security which descended on individuals and nations alike. The Machine functioned as it has never been allowed to function before or since; money, economic blood, at last flowed in proportion to the nations' needs (though still erroneously as a debt); all shared in the general plenty; and the more hardships we underwent the healthier we became. It is true that only the living can speak. But one can hardly suppose that the slain would hanker after a return to this world if they knew what it was like, or prefer a probably cancerous old age of enforced thrift to their short agony in what they believed to be a glorious cause. Their duty, as they saw it, is done. But peace they took with them. For just as war proved economic peace, so "peace" proves economic war. And what a war it is, this so-called peace! What casualties! While 165 people committed suicide from poisonous gases in Great Britain during the war year of 1917, the peace year of 1926 claimed 943 casualties from the same cause. The 1933 Report of the N.S.P.C.C. shows a rising curve of suicides among people of moderate incomes, and a rising curve of cruelty among the poor. (One begins to be cruel to a child when one has to look upon it primarily as another mouth to feed.) Truly our peace hath her casualty lists; but they are not tabulated. Said M. Caillaux: "When the bugles sounded 'Cease fire' peace was not made; papers were signed, and that was all."

The sum of the matter appears to be this. The present system, with its insistence that economic units must fight for the capture of disappearing export markets or starve, manufactures against its will all the ingredients of war; and only a spark or pretext is needed to combust them. The desire for peace, on the other hand, is in all hearts. Unfortunately, however, the commodity is not yet on the market for consumption, the machinery for producing peace not yet having been erected.

CHAPTER XI

WAR, TYRANNY, AND WASTE (*Continued*)

THE first of our three salvage expedients has expanded into a chapter by itself. And truly, if such isolated prominence brings it to the attention of even one additional father or mother of future potential cannon fodder, it is entitled to every inch of space its exposition occupies.

In the present chapter we must dispose of the remaining two expedients used to keep the System afloat, namely, the issue of fresh bank loans and the practice of sabotage.

THE POWER OF FINANCE

Finance gets its power from the fact that it, and it alone, supplies Industry with money. The relationship between the two is strictly that between moneylender and client, and Finance possesses all the chief attributes of the ordinary moneylender, including that gentleman's well-known grip. It seems curious that Industry should be in anybody's grip; one would think it was powerful enough to stand on its own feet, and itself be tempted to play the tyrant. It is not so, however, and the spectacle of Industry being swallowed by Finance reminds one of nothing so much as the slow but persistent passage of a hen down a snake's throat, feathers and all. You cannot believe the throat capable of swallowing the hen; the thing is clearly impossible. And then you see it happen.

Finance is proceeding to control the entire country, lock, stock, and barrel, and, by getting it into its debt, virtually to own it. In this sense how many farmers' farms does it already own: how many shipowners' ships: how many Lancashire cotton mills: how many factories: how many businesses: how many theatres and hotels: how many private and professional individuals' houses? The Simon Commission deplored the fact that the ignorant Hindu villagers were *owned* by the rascally moneylenders—but are we any better off or any wiser?

It must not be thought that only industries which cannot pay pass into the hands of Finance. These are poor game, and Finance is after the fattest birds. A most illuminating concrete example of this was the way Finance wrested an extremely prosperous film business from William Fox. Mr Fox was not only able to repay the money Finance had loaned him, but anxious and willing to do so. But Finance wouldn't take it! Being interested in power, it wanted, not the repayment of its loan, but ownership of the industry and the opportunities this gave to acquire more money and more power wherewith to gobble up other industries too. Well, Finance got Fox's film business away from him, with the natural and grimly consoling result that, knowing nothing about films, it found itself incompetent to run it, as its shareholders found out to their cost. The story is told, chapter and verse, with names and dates, by Mr Upton Sinclair, and we must remember that this author, in a life devoted to telling the truth, has never yet been sued for libel. It may be, of course, that the Fox case is exceptional, but this is not likely. And in any case, a system of

power-getting under which such things are *possible* (whether exceptional or not) stands self-condemned.

There is a further significance in this revelation: namely, that Fox fought Finance, not Labour. A typical capitalist, he had no quarrel with Labour, only with the financial system under which he and Labour had to work together. It is possible to generalise from this particular case and say that, while it is true that the System puts Capital and Labour at loggerheads often enough, the world's fight to-day is *not*, as advertised:

CAPITAL *v.* LABOUR

BUT—as *never* advertised—

INDUSTRY *v.* FINANCE
(*i.e.* Capital plus Labour)

The noisy fight, with its strikes and lock-outs, is the small one, and it is the convenient means used to distract our attention from the big, silent one. In a nation where so much attention is devoted to politics and so little to realities it is as well to know who is on which side, and what the issue is, and to remember these things at the next fatuous Election when we hear the Conservative and Labour pots and kettles calling each other black. They are not black; they are just pale dull grey. The black party does not offer itself for election; for it is already in office, and always in power.

The magnitude of Finance's power has been implied throughout this book, and the difficulty is not to understate it. Lest, however, this section take on the complexion of a scandal-sheet, we will content ourselves with enlisting a few outside opinions and offering a few facts.

His Holiness Pope Pius XI:

"Control of financial policy is control of the very life-blood of the entire economic body."

President Woodrow Wilson:

"The great monopoly in this country is the monopoly of big credits. A great industrial nation is controlled by its system of credit. The growth of the nation, therefore, and all our activities are in the hands of a few men who chill and check and destroy genuine economic freedom."

Again:

"We have been dreading all along the time when the combined power of high finance would be greater than the power of the Government."

And again:

"Some of the biggest men in the United States, in the field of commerce and manufacture, are afraid of somebody, are afraid of something. They know there is a power somewhere so organised, so subtle, so watchful, so interlocked, so complete, so pervasive, that they had better not speak above their breath when they speak in condemnation of it."

President Roosevelt:

"The practice of unscrupulous moneychangers stands indicted in the court of public opinion and rejected by the hearts and the minds of men."

Dr Hewlett Johnson, Dean of Canterbury:

"Jealously have we guarded the right to coin cash. Carelessly have we delegated the right to create credit. . . .

He who controls money wields sovereign powers. . . .

Producing nothing, the Bank of England can control all production, wielding a power not less tremendous because exercised so silently. . . ."

Mr G. K. Chesterton:

"The main mark of modern government is that we do *not* know who governs, *de facto* any more than *de jure*. We see the politician and not his backer; still less the backer of the backer; or (what is most important of all) the banker of the backer. . . .

Throned above us all, in a manner without parallel in all the past, is the veiled prophet of Finance, swaying all men's lives by a sort of magic and delivering oracles in a language not understanded of the people. . . .

Yellow journals talk a great deal about Red troubles. They ask indignantly where the Communist money comes from. But does anybody know where any money comes from?"

Mr Henry Ford:

"The British Strike was put over; but British Labour does not know it. It was jockeyed by the people who are always putting things over, the same people who put over the wars! If I named them you wouldn't publish it."

Major C. H. Douglas:

"Just think what it means. Two or three great groups of banks and issuing houses controlled by men, in many cases alien, international in their interests and quite definitely anti-public in their policy, not elected and not subject to dismissal, able to set at naught the plans of Governments; producing nothing, and yet controlling all production."

Mr F. C. Clegg (President of the Bank Officers' Guild):

"Industry is losing its position as the pivot of our social organisation, and that position is being taken by finance."

Mr Keppel (Administrative Commissioner to the International Chamber of Commerce):

"The most significant fact is the independence of the Chamber from Government control or Government influence. . . .

Probably the last field in which it will exert a direct and controlling influence will be upon Governments, but there is no reason for a lack of confidence as to ultimate success in this field also."

Mr Lloyd George:

"They (international bankers) swept statesmen, politicians, jurists, and journalists all on one side, and issued their orders with the imperiousness of absolute monarchs who knew that there was no appeal from their ruthless decrees. This settlement (the Dawes Reparations Pact) is the joint ukase of King Dollar and King Sterling."

Dr H. N. Brailsford:

"Finance is the real sovereign and arbiter of modern industry. It is the surviving autocracy of our age. It makes these ebbs and flows of trade as the moon governs the tides. It regulates business and rations employment. . . .

We must master this obscure financial power which lords it over the world."

Mr W. E. Gladstone:

"From the time I took office as Chancellor I began to learn that the State held, in the face of the Bank and City, an essentially false position as to finance. . . .

The hinge of the whole situation was this: the Government itself was not to be a substantive power in matters of finance, but was to leave the money power supreme and unquestioned."

(And Disraeli's frank opinion of the Bank of England after it had refused to lend the Government money to buy the Suez Canal?)

We are at least in good company. The considered opinions of men such as these, of different generations and countries, of all parties and professions, should be worth listening to; and if we cannot include the opinions of the archangels of the financial hierarchy it is because they are, perhaps wisely, silent—"Never explain, never apologise." Well, these representative men all agree about the power of Finance, and all except the two banking officials condemn it either explicitly or implicitly. There must be a basis of factual evidence for such unanimity. There is, and the facts are legion. It is impossible to deal with them at once fully and systematically. The few appended here are an indication rather than an inventory. They will at least show that while the power of Finance is on the one hand not only international but supernational, yet on the other it is concentrated, through absorption and amalgamation, in the hands of a few. They will show, too, the secrecy of Finance, so that the Consumer, our unfortunate hero, has neither knowledge nor redress.

1. Between 1918 and 1934 twenty-six new central banks were founded.

2. Each of these twenty-six banks contains an article in its constitution specifically placing it outside the control of the government of the country in which it is situated—an ambassador, so to speak, from the Court of Finance, enjoying immunity.

3. With the establishment in 1930 of the Bank of International Settlements the structure of the Kingdom of Finance is complete, the B.I.S. forming the apex. It is situated at Geneva, and is able to keep as close touch as it wishes with the League of Nations. (We cannot state the fact, but we can ask

the question: Which is top dog in Geneva, the Bank or the League? Just as we can ask the similar question in miniature: Which is top dog when the Governor of the Bank of England and the Chancellor of the Exchequer meet—which of them is temporary and which (apparently) permanent; which knows more about the business to be discussed; which is dependent upon the advice of permanent officialdom and which, being (apparently) a permanent official himself, is independent of advice; which is beholden to the see-saw votes of an ignorant stampedable electorate, and which secure in his position; and, most of all, which wants to borrow money, and which has money to lend?)

4. Loans are not made without conditions. For example, the U.S.A. made a loan to Belgium on condition that she reduced her budgetary expenses by approximately a hundred and fifty million francs. Belgian M. Jasper, finding this foreign finger in the domestic pie unpalatable, not unnaturally said that the only conclusion to be drawn was that Belgium was under the rule of American and English financiers, and exclaimed: "What, then, is the use of the Belgian Parliament?" Or, we may add, of any Parliament?

* * *

5. The Bank of England has no branches, but five strapping daughters—the "Big Five." Around 1926 for every new church which was built the "Big Five" built 100 branches. In 1926 they opened amongst them five branches a week; in 1927, seven branches a week. Even so, the "furious building of these extensions" (1927) "is barely keeping pace with the increase in banking business."

6. By interlocking directorates the Bank of Montreal, the Canadian Bank of Commerce, and the Royal Bank of Canada, across whose counters pass more than 75 per cent. of the deposits of the people of Canada, control the industrial system of Canada.

7. The chief officers of seven J. P. Morgan banks held between them 2242 directorships in industrial corporations (1933).

8. Twelve appointments were made to the Bank of England in 1926. Four of these contacted with Germany; eight with the U.S.A. Of the 1932 directorate, 9 of the 26 directors were associated with Anglo-foreign merchant banks, 6 with important foreign or international concerns, and only 8, or less than one-third, are partners in more or less exclusively British industrial companies.

* * *

9. The directors of the Bank of England have elected Mr Montagu Norman to the post of Governor each year since 1919.

10. After thirteen years' work as Governor Mr Norman broke silence to say: "I approach the whole subject" (the Depression) "not only in ignorance, but in humility. It is too great for me." He was re-elected Governor.

11. Mr Norman, at the beginning of his reign in 1920, and in collaboration with the late Mr Benjamin Strong, of the Federal Reserve Board of America, determined on a joint policy of deflation in England and America.

In America, where they do nothing by halves, the deflation assumed such proportions—by 1921 trade was at its lowest for twenty years, business failures rose in two years from 3 to 14 per cent., and the Comptroller of Currency stated that the deflation had cost the nation more than the War—that the policy was reversed. In Canada the deflation ruined tens of thousands of farmers, business men, and manufacturers, and was described in the Canadian House of Commons as having set the clock back for a generation. But in England, where we do everything by halves, the deflation was just bearable because it was gradual.

12. Mr Norman did not submit his policy to the electorate. The people are not consulted where their purse is concerned. As in the case of the deflation, so in the case of the return to the Gold Standard in 1925. As Finance's representative in England, Mr Norman has not been called upon to account for the disastrous results, the misery and loss, the bankruptcies and suicides, attending both his policies. We blame Winston Churchill for the return to the Gold Standard in 1925, and the Government—a platoon of yes-men where Finance is concerned—or fate, for the deflation. We blame events, while the man who helped to set them in train is re-elected for his fourteenth year.

13. Mr Norman can restrict foreign issues on the London market. No financial house finds it worth its while to bring out a foreign loan where Mr Norman disapproves. He regulates borrowing within the Empire; and his frown has been felt in Riga.

14. At home, Mr Norman helps to guarantee the tone of the *Times*.

15. Also at home, Mr Norman on occasion interferes directly with Government decisions. The *Manchester Guardian* correctly reported Mr Shinwell, ex-Minister for Mines, as saying: "I can say that with a certain public appointment Mr Montagu Norman, Governor of the Bank of England, not only objected to a decision reached by the responsible

Government Department and its Ministers, but insisted on the appointment of another person, and also further advised the salary he was to receive. In this case the views of Ministers were overruled and Mr Norman's advice accepted. The salary granted was also twice as high as that originally proposed."

16. For the rest—trifles. Mr Norman gives no interviews; he has travelled as Professor Skinner, registered in a hotel as his valet, stopped a ship when he wanted to leave it, and caused the concierge of the Hotel de Cap at Antibes to exclaim, out of the wealth of his experience of the regime of royalty at the hotel, that kings and princes never received such marked attention as this soft-hatted Currency Dictator of Europe.

* * *

17. The rest of the world has its small quota of Montagu Normans scattered about it. And the Bank of England has its equivalent abroad in the Federal Reserve Board, the Bank of France, etc.

18. The Morgans, Zaharoffs, Warburgs, Kahns, and Kuhns of the world, like Mr Norman, shun the publicity which mere statesmen and industrialists bask in; and they are not more strictly accountable to-day to the nations among which they operate than the Rothschild of a hundred years ago, who misled London about the result of the battle of Waterloo, though he himself had witnessed it, and made a million pounds out of the panic he manufactured before news of the victory came to hand.

With such facts passing in perpetual review before him, the Consumer lifts his voice to confirm the opinions already quoted. It is clear, he says, that the world's sovereign is Finance, and the Gold Standard its crown; Debt its sceptre, and the peoples its footstool.

It is not necessary to impugn the honesty and motives of those who wield the money monopoly, for with the best intentions in the world they cannot solve an economic problem by a mechanism which is mathematically incapable of "delivering the goods." The men may be good men, but the system they operate remains obsolete and definitely injurious to mankind. And the nature of financiers' despotic activities is such that we shall probably not go far wrong if we say of them what Goethe said of Napoleon, that they went forth to seek Virtue, but, since she was not to be found, they got Power.

Sabotage

The word, as we saw, was coined from the sabots thrown by angry French workmen into machinery—an action performed with disguised sabots ever since.

Sabotage is the third device by which the System has postponed its breakdown. If you start with a state of affairs that makes it impossible to disburse enough money to buy Industry's output, nothing is more natural than that you should proceed to destroy some of that output. This procedure we can call Active Sabotage, and the following are some typical examples:

Throwing coffee into the sea, or burning it.

Slaughtering 60,000 sheep in the San Julian area in the Argentine and burning them (1933).

Stoking engines with wheat.

Throwing away thousands of pounds of tripe, a staple dish of the French middle class, at Les Halles in Paris.

Burning or throwing on the refuse dump vegetables and fruit at Covent Garden.

Destroying 2,500,000 acres of English arable land by allowing them to revert to pasturage or go out of cultivation between 1919 and 1930.

Throwing fish back into the sea.

But there is a simpler way. Why go to the crude trouble of growing things and then destroying them, when the same object is attained by refraining from producing them in the first place? This, the neater, subtler method, we can call Passive Sabotage, and can define it as any deliberate act which prevents and discourages production while consumption remains unsatisfied. Clearly, this expedient is of vast range, and includes such devices as the substitution of man-work for machine-work, the shelving of new inventions and technological processes, rationalisation and restriction schemes, schemes for "making work," and ca' canny methods of performing it after it has been "made," *et cetera*.

In the matter of shelved inventions it is very difficult, for obvious reasons, to obtain authoritative information. Once in a while details leak out and will be revealed by some public-spirited public person; but even then, only in a vague unsubstantiated way. Thus the phrase, "It is said," must precede the statements that "American oil interests have retarded the investigation of fuel alcohol," and that "English oil interests have smothered an admirable substitute for petrol derived from paraffin." Perhaps the most invigorating indictment of the process of secret sabotage is the bitter cry of the Powermistress-General in *The Apple Cart*, a cry inspired in her creator by the shelved invention of the late A. W. Gattie for effecting an enormous saving of labour and breakages in the handling of crates in transportation. Says the author in his Preface: "But instead of being received with open arms as a social benefactor he found himself up against Breakages Limited. The glass blowers whose employment was threatened, the exploiters of the great industry of repairing our railway trucks (every time a goods train is stopped a series of violent collisions is propagated from end to end of the train, as those who live within earshot know to their cost), and the railway porters who dump crates from truck to platform and then hurl them into other trucks, shattering bulbs, battering cans, and too often rupturing themselves in the process, saw in Gattie an enemy of the human race, a wrecker of homes and a starver of innocent babes." But neither Bernard Shaw nor his Powermistress-General distinguishes between Industry, the practitioner of sabotage, and Finance which forces the practice upon it.

Instances of "making work," on the other hand, and of using man-work where machine-work is available, are broadcast for all to know and applaud, since such devices, though wholly against the grain and spirit of progress and modernity, are regarded as laudably quixotic attempts on the part of national and municipal governments to stop the leaking ship. Here are a few of the teacups which are being used to bail out the sea:

> Coal instead of oil is being used on Rumanian railways in order to "make work" (1933).
>
> For the same reason river barrages being constructed in Germany are being carried out with man-work instead of machine-work (1933).
>
> For the same reason the contract for the new bridge at Saskatoon strictly limited the amount of machinery to be used in its construction (1933).

> For the same reason New York State, in granting money for making roads, stipulated that 90 per cent. of it should be allocated to man-work, thus debarring the use of rock-crushers and other labour-saving machinery (1933).

In the case, too, of restriction of output all is open and above board and nothing privily hidden away. The word *Rationalisation* is a stroke of genius, for who can stand up to this six-syllable-shooter which promises, above all things, reasonableness? From the producer's angle restriction of output *is* reasonable under the duress of the present economic system; it is not only reasonable but imperative: but under no economic system can it be called either reasonable or just from the standpoint of the consumer, unless and until he is sated with the commodity the output of which is to be restricted: and, so far, Production and Real Demand have never reached this devoutly to be wished for state in respect of any commodity.

The difficulty in submitting examples of restriction of output is that they will most likely be superseded by the time they appear in print by more drastic and intensive ones. Under the stress of the System's accelerating toboggan-slide restriction schemes are drawn up, operated, found wanting, amended, cancelled, and drawn up again in intensified form almost daily. We take our examples, therefore, irrespective of date and of whether the particular schemes and edicts have lapsed or not. If they have, we may be sure that they have been followed by others more drastic, and can confirm this by referring to the daily newspaper. Delving back nearly a decade for data has this advantage—it makes clear that the sabotage of the restrictive type is practised in prosperity as well as in depression.

In 1926 the Egyptian Chamber of Deputies passed a law limiting the cotton acreage for three years to a third of every plantation.

The President of the Texas State Banking Association said that Texas was taking the lead in an effort to curtail the 1927 cotton crop. (A newspaper report observes: "Bankers are expected to exert considerable influence in this direction since they hold the whip-hand when it comes to loans.")

The Cuban sugar-growers recommended their President to limit 1927's sugar crop to 4,500,000 tons.

In 1933 the U.S.A., Canada, Australia, and the Argentine agreed to reduce their acreage of wheat by 15 per cent.

Restriction of rubber under the Stevenson and subsequent schemes is familiar to all.

So is that of tea under the Indian Tea Association.

So with coffee, potash, diamonds, oil, silver, etc., until the list grows long.

(At this point the Old Economic Adam in us waxes strong. He is bursting to exclaim, "But these things are absolutely necessary to keep up the *price*." The New Economic Adam in us thanks the Old One for coming to the point so quickly. He agrees with every word, though he would say, not "to keep up the price," but "to *try* to keep up the price." For it remains the fact that not a single success has been attained—except a partial one in the case of Tin—in keeping up the price of commodities by restriction. What you keep up, Old Adam, is not the price, but the present method of price accounting. And as long as you follow this method, by which all costs must go into price, and all price must be collected from the consumer, and do not—as you do not—distribute purchasing power enough for this to be done, you cannot keep up the price. It is precisely from this whirligig that the New Economics would rescue you. May we proceed then? . . .)

Commenting on the sabotage of restriction the *Financial News* says: "It is an ironical reflection upon our present state of civilisation that the only real successes of internationalism in recent years, in the economic field, seem to consist of co-operation in reducing the supply of certain much-needed materials."

Somewhere between the active and passive brands lies another kind of sabotage. In this case the goods produced are not destroyed but withheld from consumption. We might name this kind Abortive Sabotage. Thus in 1925 nature blessed Iowa with one of the biggest maize crops in her history. But Iowa considered it a curse. In the words of the *Times*: "The bountifulness of nature threatened her with financial catastrophe"; and she was forced to appeal to the banks for help, with the result that financial loans were made to the farmers to enable them to withhold their maize from the market indefinitely. Let Mr Wade, City Editor of the then *Daily News*, comment on this exhibition of an economic system standing on its head. It matters not at all that Mr Wade writes about cotton and Lancashire and 1926, instead of about maize and Iowa and 1925, since whatever the thing, the place, or the time, the cry is the same. Says this Editor:

> "A good many people must have rubbed their eyes during this week, when they read that prospects of a great American cotton crop had caused a dismal outcry in Lancashire. Anyone would have thought that the people who a very few years ago were organising all sorts of movements to prevent a world

shortage of cotton, and were really dreading that scarcity, would this year, on hearing of a great cotton crop for the second year in succession, sing aloud their doxology for the bounty of God. A crop estimated at 15,600,000 bales. Here is the fat year indeed. 'Let us lament,' say the Lancashire cotton spinners."

Thus does sabotage, at one time a damper on Industry and at another its bonfire, save the world from collapsing from glut. But its acts are criminal for all that. They are criminal because the goods are wanted. Consumption is *not* sated: mankind does *not* receive for consumption anything like as much wheat, maize, cotton, rubber, oil and the rest as it needs or could do with. Men, women, and children the planet over have a gnawing Real Demand which they perpetually cannot turn into Effective Demand, and goods have either to be destroyed or denied them because the financial system is unscientific and haphazard, unrelated either to Real Demand or to Potential Supply. Think of the Real Demand there is for houses: with Industry bursting with materials for making, furnishing, and stocking them, with the Prince of Wales inveighing bitterly and righteously against slums, and (in 1933) a quarter of a million men in the building and allied trades twiddling their thumbs! Imagine what kind of an outcry there would be if the Postmaster-General should coolly inform the nation that he could carry only a limited number of letters by post, because, although he had plenty of pillar-boxes and mail-bags and postmen and sorters and vans, he was not prepared to authorise the printing of the necessary stamps—a stamp being the ticket, or purchasing power, for mailing letters. The System, in failing to issue money tickets as and when and where

required, corresponding to the goods available, fails to link Real Demand with Real Supply, or Consumption with Production; though this, as we have agreed, is Finance's one and only proper, worthwhile function.

We will halt the unending procession with two further facts. The *Financial Times* reported both of them in June 1933:

> The U.S. Secretary for Agriculture, Mr Wallace, announced that the *maximum tax* under the Agricultural Relief Act *would be levied* to pay benefits to farmers and *to finance operations for a gigantic crop reduction* for three years.
>
> The appearance of salt water in some of the East Texan oil-wells means that this oil-field's best days as a producer are numbered. No drastic reduction in the field's production, however, is expected overnight. "Nevertheless," the report proceeds, "*oil-men feel that*, with the unmistakable signs of salt water, *this field has shot its bolt and that better days are ahead for the oil industry*, from crude to petrol. The feeling is that *the big record-breaking production of the East Texas field is no longer the menace it has been to the oil industry*."

These two gems are offered to the reader as souvenirs, so to speak, of the spirit of sabotage, with no comment beyond the writer's italics, together with the suggestion that the boll weevil and the rat—for being tireless workers in the cause of Sabotage—be pronounced holy creatures, and held immune; on the ground that no *reductio ad absurdum* can plumb the depths of absurdity already reached by a system, which, like the present one, inverts its purpose.

For the Reader's Examples and Notes

Power of Finance

Pages 202 to 209

For the Reader's Examples and Notes

INTERPOLATION ELUCIDATORY

concerning

THE PERMANENCY AND GROWTH OF UNEMPLOYMENT

In looking back over the past chapters we seem to have taken this point much too much for granted. We have all along *implied*, and frequently *asserted*, that the displacement of men from employment as a direct consequence of the introduction of machinery was a steadily progressive phenomenon. But in dealing with such a vitally important, interesting, and human question it is not enough merely to imply and assert. We must produce the facts, and draw unprejudiced conclusions from them.

Until this century it was impossible to answer the question with any degree of assurance or accuracy. The industrial process was incomplete, the facts were still in the making. Men could only grope—and hope. But round about 1920 facts were disclosed which tended to show that our industrial civilisation had reached its saturation point as far as "employment" was concerned, and that the modern world had silently stumbled upon a fateful and gigantic milestone.

There have always been two sides to this question, and two schools of thought trying to answer it, both schools being equally sincere. One school maintained, and still maintains, that although a piece of machinery may throw large numbers of men out of work,

nevertheless these men are eventually re-employed in other work which further scientific invention brings into being: that they find work in making the machine which makes the machine which has thrown them out of work: or in new trades which science alone made possible (the radio industry, for example): or in the work of distributing the mountain of goods which the new machinery pours out (petrol stations, for instance): and so on. The other school of thought agrees with this, but it goes further. It maintains that there is a limit to the process: that sooner or later the rate of displacement will exceed the rate of reabsorption: that we neither need nor want a petrol station at *every* corner, as it were: and that in being reabsorbed into the industrial process of the Machine in the past, men were merely equipping the monster to dispense with them altogether.

So we find these two schools of thought in constant conflict for more than the last hundred years, but unable to reach a conclusion because their weapons, being fashioned out of guesses, opinions, and half-established facts, were necessarily inadequate. As a typical piece of umpiring in this long and ineffectual conflict Charles Babbage wrote, in 1835: "That machines do not, even at their first introduction, invariably throw human labour out of employment must be admitted; and it has been maintained, by persons very competent to form an opinion, that they never produce that effect. The solution of this question depends on facts, which, unfortunately, have not yet been collected." The question is whether they have been collected to-day, a hundred years later. Let us see.

It is certain that in its early stages the Industrial Revolution caused no net unemployment. On the contrary, it caused a huge increase in employment. As the volume of articles increased, so their price fell and the flood-gates opened to a world-wide wave of demand: the foreign market opened its mouth, and England alone was equipped to feed it. Not only was there new work for all the displaced hand-labour, but the very loins of England were called upon to double her population in fifty years, so that there might be workers enough to operate her new machines. True enough, it was a case of more inventions, more dismissals; but it was equally a case of more inventions, more goods, cheaper goods, more trade, more trades, more engagements. Always the slack of one cycle was taken up by the expansion of the next cycle; and the cycles overlapped. During the nineteenth century and the early part of the twentieth the unemployment problem literally solved itself. In Stuart Chase's telling phrase, "The total firing rate did not exceed the total hiring rate over the whole period."

And so the world sailed along, without crisis from this quarter at least, until 1920 or thereabouts. From that date onward? We shall see. Now England's unemployment figures since the War, accurate and striking though they are, cannot fairly be used as guides, since they too, like so many other things, can be put down to what was so conveniently called "the Depression." What we have to find, if we want a reliable guide, is a community flourishing and shipshape; then, if we can examine its statistics of employment for its most prosperous period, we shall be able to see what is really the tendency. America supplies us with just such a spectacle—the flourishing America of the years 1921 to 1929, with its up-to-date equipment, its eagerness, its initiative, its powers of organisation, its wealth. And with no "dole" to discourage

work and swell the ranks of the unemployed. If the present economic system were able to operate successfully anywhere, America during those years would surely have been the place. What do we find? An array of impregnable facts, all proving that during increasing prosperity the demand for human labour was falling.

1. According to the U.S. Department of Labour, *the drop in the number of factory workers in the U.S. between April 1923 and April 1928 was approximately 1,250,000 persons.*

2. The *New York Times* published the following index figures compiled by Mr Evans Clark:

	Factory Employees.	Production.
1914	100	100
1919	129	147
1924	*116*	158
1927	*115*	170

3. According to the U.S. Department of Commerce, the number of workers decreased, while production increased, as follows:

	1919.	1925.	Decline.
Agriculture	11,300,000	10,700,000	600,000
Manufactories	10,670,000	9,770,000	900,000
Railways	2,035,000	1,860,000	175,000
Mines	1,050,000	1,050,000	..
	25,055,000	23,380,000	1,675,000

(*The decline for 1929 registered over 2,000,000*, but that year touches the beginning of America's depression, and we are expressly avoiding that for the reason that it is unnecessary for the proof of our case.)

4. According to the Report of the U.S. Committee on Recent Economic Changes, the relation

between the total output and the total number of workers employed in the same four major industries —agriculture, manufactories, railways, and mines—in the U.S. was as follows:

During the period 1900 to 1920—

Output increased 70 per cent., and the number of workers increased 40 per cent.

And during the period 1920 to 1929—

Output increased 25 per cent., but the number of workers DECREASED *more than 7 per cent.*

At last we can appreciate what thoughtful men of all nations mean when, after carefully considering the facts, they are moved to say such things as these:

> "For a hundred years every census tabulated an increasing number of persons employed in factories; now suddenly since the War, with an increasing population, there are fewer persons in factories. Something cardinal has happened; some mighty corner has been rounded."
>
> American STUART CHASE, in *Men and Machines.*

> "We are face to face with something entirely new in human experience."
>
> British G. W. GRAY, in his Presidential Address in 1933 to the Institution of Mining and Metallurgy.

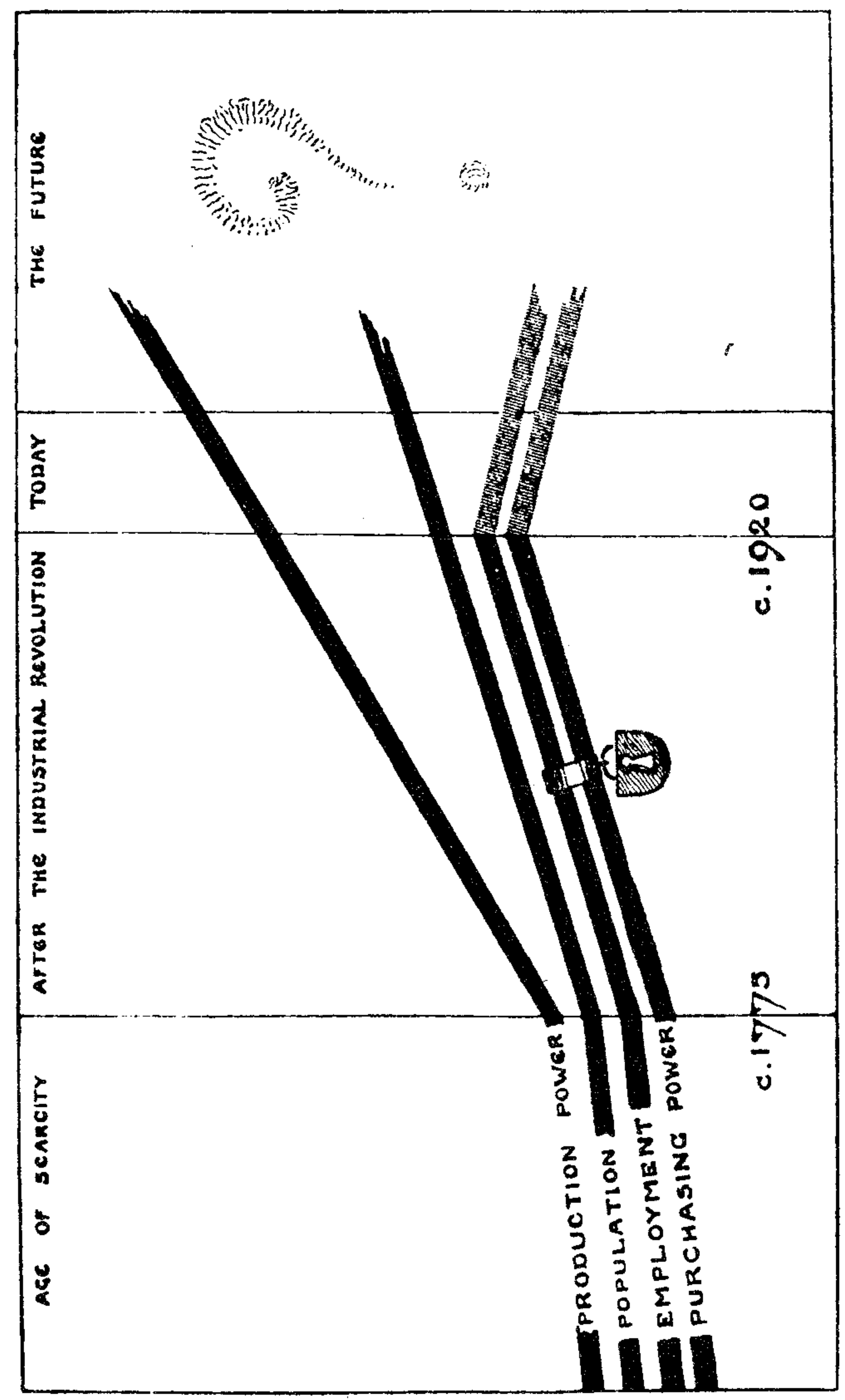
If the reader happens to be one of those people who cannot be bothered with figures or who habitually distrust them, the same tale is told by *tendencies* as is told above by figures. Consider, for instance, that the tendency of every healthy modern industry is to progress, through the semi-automatic process, to the automatic process (the very proper object of a human-

labour-saving device being *to save human labour*!). To fix the matter in our minds with a striking example, consider the particular automatic process for making, say, motor-car frames. There is a plant in existence in which the raw material, in the form of steel strips, undergoes twenty-one processes without either human aid, interference, or even human supervision, and after one hour and fifty minutes the motor-car frame emerges complete down to its coating of enamel. This plant requires no sleep and is no respecter of the Sabbath. The "displacing" tendency is not confined to factories. It is in our lives, in our streets, in our homes. Thermostat furnaces, dial telephones, talking pictures, traffic control lights . . . there would be no end to the list. Consider, too, both the acceleration of the modern process and the consequent speed with which new inventions in one field press against new processes in another, so that between them a double quota of men are squeezed out of work. The Macmillan Committee in its Report on the Relationship between Finance and Industry concluded that

> ". . . recent mechanical inventions have created a problem of surplus labour in the agricultural regions of the world, at a time when technical changes were tending to reduce the chances of employment in industry, and when simultaneously the substitution of artificial products (for example, artificial silk for cotton) was narrowing the market for, at least, some agricultural products."

The picture here is a muddled one; but then the state of affairs it depicts is a muddled one. But one impression stands out clearly. It is one of Man as Employee caged within walls of steel, which represent the Machine: the walls move, now from the front, now from the rear, now from the sides: the enclosure grows ever smaller, slowly: and in the middle of it is a bloody pit. In short, it is a nightmare.

Whether we pay attention to figures or consider tendencies instead, there can be little doubt that the world is in possession of enough evidence (the absence of which a hundred years ago Mr Babbage deplored) to make it pause. For ourselves, having considered both the figures and the tendencies, we see the matter as a diagram—a diagram so simple that it can be drawn, with sufficient accuracy to establish its point, on the back of an envelope. Here it is:



THE WORLD SITUATION IN ITS SIMPLEST TERMS

While the alarmist may obtain a certain gloomy satisfaction by extending the lines of this diagram in their respective directions *ad infinitum*, others will be content to realise that something is bound to happen, for better or for worse, before the lines extend themselves in their present directions for any appreciable distance. That constructive realist, the New Economist, on the other hand, would turn the diagram from one of incipient tragedy and disaster into one of release for mankind from bondage, by the simple device of removing the manacle which binds together the Money and Employment Lines, and allowing the Money Line, instead, to coincide with the Production Line. Then, and then only, you have a true diagram representing a sane people living in a sane world; increasing gradually in population; producing just the amount it needs or wants for all purposes; having just the right amount of money to buy what it produces; sweating just the right amount to produce all it needs or wants for all purposes; making the Machine do as much as possible; and so finally liberating itself for the more strenuous and exhilarating work of leisure.

To sum up, then. He would be a rash or an obstinate man who would still insist that the workers, white-collared and collarless alike, who are thrown out of work by the introduction of machines, will be reabsorbed by new inventions and new machines. But there is probably no man so rash or obstinate that he would not be careful to add the words, "in the long run." For our part, we would not care to base a case on, or to take refuge behind, so dubious and perhaps fateful a phrase, since the most rational reply to it is the prayerful question, "*How* long, O Lord, *how* long?" We shall rather ponder over those figures and tendencies, and realise that they reveal what

happened during the most propitious period in the affairs of the most highly developed community which this earth has yet seen, and so join the company of the open-minded and foreseeing. For these Mr Gray and Mr Chase are two of the spokesmen, and we join with them in announcing, Something mighty has happened to mankind, something new.

PART III

THE REMEDY

That, since under modern scientific conditions productive capacity is unlimited, and since the existence of indigence and unemployment throughout a large portion of the population demonstrates the fact that the present monetary system is obsolete and a hindrance to the efficient production and distribution of goods, in the opinion of this House the Government should bring forward immediate proposals for the economic reforms necessary to enable the subjects of this Realm to enjoy the benefits to which their present productive capacity entitles them.

Motion proposed in the House of Lords on 15th December 1932 by LORD MELCHETT

(It is interesting to note that this motion was lost by four votes —only four. Speaking for the Government, the Earl of Stanhope intimated that the desirable objective aimed at in Lord Melchett's motion would, it was hoped, be reached as a result of the Ottawa Conference and—yes, the World Economic Conference! Admirable example of the way things happen—or don't happen.)

CHAPTER XII

FOURFOLD REMEDY—PART I

When you go to a doctor because you are suffering from you don't quite know what, it may take him some time to examine you, but once he has settled what is the matter with you, it will take him only a minute or two to prescribe a treatment. So with our present patient, the body economic. We have taken some time to overhaul it: we have stripped it, laid it on the table, turned it over, made it open its mouth (and say a number of things besides "99"), and generally—so far as space and the modest consulting fee of three and sixpence have allowed—turned it inside out. And the longer this has taken us, the more quickly and surely we should be able to jot down on our pad the right prescription. In other words, Part III of this book should be considerably shorter than Parts I or II; and if we have performed our diagnosis with accuracy, what follows should be short and simple.

We have found that the body economic is suffering from a faulty organ of Distribution, and that the fault lies in the financial system, which is the mechanism through which that organ tries to function. To help us to put this mechanism *right*, then, let us recapitulate what we have found to be *wrong* with it, on the ground that if we can be clear about what we do not want, we shall be more than half-way towards knowing what we do want. Let us look back, therefore, through the previous chapters and comb them for what we can call a List of Evils. Such a list would run something like this:

EVILS ARISING FROM THE PRESENT SYSTEM AND CONTRIBUTING TO THE PRESENT STATE OF POVERTY IN PLENTY

Personal Fear.

Personal Insecurity.

Excessive individual saving and investment (because of this fear and insecurity) in further unpurchasable Production.

The acceptance of the idea that money is a commodity to be traded in for profit.

The inability of the system to issue money except by creating a corresponding debt.

The impossibility of repaying this debt in full.

The growth of this debt, individual, national, and international.

The spectacle of the world trying to "borrow itself out of debt."

The creation, issue, destruction, and control of money by private corporations.

The supernational and therefore often antinational interests and outlook of these corporations.

Their irresponsibility, their secrecy, their power, and their scope.

The basing of a money system on a commodity (gold), which has, essentially, nothing to do with the need to consume on the one hand or with the ability to produce on the other.

The automatic deficiency of purchasing power.

The necessity for Industry to recover its total

Cost through Price in order to remain in business, and the impossibility of Industry being able to do this because Consumers, who alone pay Price, have not the money to pay it in full.

The impossibility of increasing Consumers' purchasing power without simultaneously increasing Producers' producing power; or, in other words, the impossibility of pumping money into Consumption except by first pumping it into Production.

The consequent unceasing war for export markets.

The alternatives to this kind of war being either an increasing economic misery or an increasing prospect of naval, military, and aerial warfare.

Sabotage.

The necessity, for the sake of self-preservation, for Labour to resist labour-saving machinery.

The necessity to do unnecessary work—which either need not be done at all or else can be done better by a machine—for work's sake; that is, for bread's sake; and the prostitution of Industry to the task of "making work" rather than of producing wealth.

The consequent comparative industrial inefficiency.

The taxation of one body of citizens in order to keep from starvation another body of citizens, whom the Machine, thanks to our magnificent inventions, orderliness, co-operation, and goodwill, has successfully released from excessive and often dangerous and unpleasant work.

The——

Halt! Help!! Stop!!!

Was there ever such a straggling unwieldy company since Falstaff's ragged recruits? Expansion, however, although the list is by no means complete, would add to the unwieldiness and straggling. What, then, are we to do? Throw up the sponge? Go back to writing to the papers, damn whatever Government happens to be in office, and continue to sweat to pay outrageous taxation? No. Happily none of these things is necessary, for the unruly mob of Evils submits quietly to classification; and it will be found that every item on our list, together with as many others as might justly be added to it, can be placed under one of four headings. There are thus Four Evils from which all the others spring:

1. The private control of money.
2. The basing of money on a commodity (Gold).
3. The automatic shortage of consumers' money, or purchasing power.
4. The stipulation that income should be honestly come by only through work for wages and salaries.

Every item on our list, every item which might be added to it, everything contained in this book in the way of criticism of the present system, every economic evil in the world to-day, can be traced directly or indirectly to one of these four. (We pause while the reader tests this by referring to our list.)

If and when the reader is satisfied that this is a statement of incontrovertible fact, we can proceed: otherwise he or she may just as well lay this book down here and now, and not re-open it.

These Four Evils have to be looked squarely in the eye, calmly and, above all, without prejudice. We are not dealing with passions or party politics or *yesterday*; we are dealing with facts and problems; with the fact and happiness of ourselves, our fellows, our country, and of the world—*to-day*. It is precisely because we have hitherto allowed our ingrained passions and habits and prejudices to fashion and dictate our economics that we are in our present plight, and

are presenting the gods gratis with the tragic, yet ludicrous, spectacle of Poverty in Plenty. We all need to be bullied out of our complacency, our stupidity, and our laziness. Among many others, Archbishop Creighton and Walter Bagehot remarked on the instinctive hatred with which we are wont to meet a new idea, and the terror with which we approach the mere contemplation of one. This attitude is eminently understandable when the new idea involves, if carried into action, either toil or self-sacrifice, or disinterestedness. But it is not understandable when the boot is on the other leg, and when there would accrue from the inauguration of the New Economics nothing but benefit to rich and poor alike. It annoys the New Economist, not to see rich people, but to see poor people. It annoys the New Economist to see people torn by anxiety when they might be secure, and miserable when they might be happy, and most of all it annoys him, or her, to see people who are so mentally lazy that they are comparatively content in their wretched harassed state. The truth is we are so used to the curse of man that we are enamoured of it, as Titania of an ass's head. What bewitchment are we suffering from that we have to be dragooned even into prosperity, when the way lies open before us?

The next step, then, now that we have looked the Four Evils in the eye and contemplated them without prejudice, is to set down what we *do* want.

1. *We want the nation's money to be under the nation's control.* As we shall see, this does not involve the "nationalisation" of Industry or any interference with it at all. The New Economics would simply restore the control of money to the Crown; that is, to you and me.
2. *We want our money to be based on our national wealth,*

to increase as that wealth increases, and to diminish as that wealth diminishes. We want, that is, a money based on reality. The New Economics would base the nation's money on the nation's Real Credit; that is, the nation's combined ability to produce goods and services.

3. *We want our money to flow in such a volume and at such a time that it is mathematically and automatically sufficient to buy what we produce immediately we have produced it.*

The New Economics would effect this by a National Discount operated by what it calls the "Just Price."

4. *We want to be able to look upon release from unnecessary work, in practice, as a blessing; instead of, as now, a calamity. The* ONLY *way to do this is to regard citizenship, that is, life itself (rather than work), as the* PRIMARY *claim upon the means of life.*

The New Economics recognises this, and out of the National Balance (if any) it would distribute a National Dividend to its citizens, all of whom are really shareholders in Great Britain, Limited, by virtue of their birth and the fact that the energy of brain or body in each citizen is a piece of Real Wealth, a piece of Real Credit in the capitalisation of that redoubtable firm—Britain, whose true wealth, in two words, is nothing but her Good Name.

Are we agreed so far? This does not refer to the important question of whether such things are possible: it does refer to the infinitely more important question of whether such things are *desirable*. Are they? Four changes in the existing order are being suggested: three of them are administrative, one of them ethical; three of them can be effected by legislation, but the fourth rests for sanction not on the nation's parliament so much as on its conscience and common sense. Are all four changes desirable? All four must be taken together, for the New Economics is a full, rounded, and

synthesised whole, whose parts all fit together. (Nor need it be considered at this point whether such changes are possible, or, if possible, how they can be brought about.) The first thing is, we repeat, are they desirable? Individually and collectively, are the four changes suggested changes in the direction we want to go? Answer!

(*Reader*. For goodness' sake, get on!

Author. No! I apologise, but stand pat! Present hold-ups, like the one you are objecting to, will, believe me, make easy any problems we may stumble on later. *Now* is the time for you to weigh the policy of the New Economics. If you agree with it, good: if you disagree, shut the book. But I am sorry if I have offended. If I have, it is because I want to make sure that *you* are doing the thinking at this all-important point, and am therefore still in something of the bullying vein.)

We are now at the cross-roads, and the following table will act as a sort of map or signpost as we take the road to the unexplored but very friendly country of the New Economics. For brevity's sake, the terms used are graphic and suggestive rather than definitive and technical.

For	Substitute	By means of
1. Private control of money	National control of money	Act of Parliament
2. Gold	Real credit	National Account
3. Deficiency of purchasing power	Sufficiency of purchasing power	National Discount
4. Work—the *only* claim to money	Life—the *primary* claim to money	National Balance

This table, which will lose its cryptic character as we discuss it, contains the essence of both the philosophy and the science of the New Economics. On, then, with the discussion!

National Control of Money

If a majority of voters elect a majority of representatives to Parliament, they can enact any piece of legislation they wish, if they wish it strongly enough. In other words, there would be no difficulty whatever about the actual framing and passing of a Bill to remove, to any extent desired, money and monetary policy from Bank control and place them under National control. The essence of such a Bill, including the King's signature, could be put on a half-sheet of notepaper. Incidentally, one wonders whether any Bill could give a King of England greater pleasure to sign than one which restored to him his ancient prerogative. And now that there is no danger of his abusing that prerogative, seeing that our monarchy is now a constitutional one, his people's pleasure in presenting it would equal his own.

But what is meant by "national control"? Do we propose to jump from the frying-pan into the fire by sacking the bankers and putting politicians and bureaucrats in their place. Is the banking system to become just another inefficient Government Department? Is money, that delicate thing, to become the football of party politics? Is the public purse to lie open for plundering by a "spendthrift Labour Government"? The answer is, No.

Our "national control" means this. Just as the State takes the nation's census: just as the State once registered the nation's able-bodied citizens: just as the State keeps an import and export account, and

publishes the figures: just as the State keeps an account of the nation's births, deaths, diseases, lunatics, criminals, patents, unemployed, aliens, sunshine, rainfall, radio sets, motor-cars, motor-car accidents, and a hundred other things of national concern: and just as the State does all these things quite irrespectively of what political party happens to be in office at the time: and, lastly, just as the State seems competent to do all these things accurately and without "cheating" —so the State, when armed with statutory authority, would control the nation's money by the simple device of keeping a *National Account Book*. (As we shall see, no one keeps this Book now for the sufficient and amazing reason that it does not exist!) And that is all. The rest of the control is mathematically automatic.

The question of "cheating"—or rather that of "not cheating"—cannot be appreciated until we have discussed all four of our proposals, but since it is one of the first questions which raises itself in the mind of the uninitiated reader, we will make some assertions here in passing, leaving the next chapter to prove them. A rascally Chancellor of the Exchequer who tried to "cook" the National Account would find that he had diminished his own income (as well as everybody else's) if he cooked them in one direction, and if he cooked them in the other he would find that his increased income would have less value and so would buy less things. Similarly there would be no inducement for a "spendthrift Government to plunder the people's purse": such a phrase would be meaningless: there would be an account showing year by year exactly what the balance of unspent national wealth was, and the Treasury would automatically proceed to convert this balance of wealth into convenient, transferable form—*i.e.* into money—and spend or distribute it; not a penny more and not a penny less. Does anyone suggest that the figures at present compiled by Government officials for Budget purposes are "cooked," or that if they were anyone but a lunatic would think he could make himself a penny richer by the "cooking"? Of course not! Equally foolish, then, is the suggestion that anyone could make a penny out of the National Account, even if it were practicable to cook it. In short, "cheating" with the National Account under the New Economics would be just as possible, and just as impossible, as it is, say, with the Budget Account under the Old Economics to-day. The Auditor General, who investigates the expenditure of the State's budgetary revenue with both the watchfulness and power of a judge of the High Court, would also investigate and check the keeping of the National Account.

As regards "Government interference" (in the bad sense), this need no more obtain in a national system of money than it obtains to-day in our national system of weights and measures, for which that body of experts, comprising the National Physical Laboratory and appointed by the Government, is responsible to the nation. In a word, our weights and measures are under national control, but do not suffer from Government interference or mal-administration. On the contrary, national control is regarded by the community as both a necessary and certain safeguard.

No "Nationalisation"

It is hoped that the foregoing remarks will have helped to make clear that Nationalisation, in the sense in which the word is dear to Socialists and other parties of the Left, is not intended. Perish the

thought! Only people who are almost wholly ignorant of the proposals of the New Economics—people who have "heard of them"—connect the two ideas together at all.

What devilish things words can be, with their meanings and their mis-meanings. . . . Frankly, the writer does not know exactly what Nationalisation means. But then he doesn't know exactly what Socialism means. To him they are antique words, smelling mustily of an age gone by, and ill-defined. For instance, were many of President Roosevelt's actions in 1933 Socialistic or not? He certainly "interfered" with Industry. In the same year a law was passed in Italy forbidding the iron and steel, the rayon, cement, glass, coal, aeroplane, and many other industries to build new factories or extend existing ones without permission from the Ministry of Corporations. How does this differ from Russian Communism? It is certainly State regulation, even dictatorial regulation. Or to come nearer home, is the Board of Fisheries an institution having a Communistic tendency? It at any rate exercises State supervision. Or the London Passenger Transport Board? Was that a piece of triumphant Socialism slipped under the unsuspecting public nose? The writer does not know. And he has concluded that it no longer matters. On the other hand, what the writer does know and what does matter very much indeed, is that in a welter of prejudice and loose thinking, conversations which may be summarised as follows are taking place every day:

First Person. Don't you think that the nation's money should belong to the nation?

Second Person. Decidedly.

First Person. So do I. But I don't think we shall be able to get money nationally controlled until——

Second Person. Excuse me! You misunderstand me. I don't approve of Nationalisation. Those damned Socialists . . .

And before you know where you are, your best friends meet you next day and tell you that they have heard that you have gone Bolshevist. All because in talking about the state of the world you had used the phrase "nationally controlled"!

Let us have done with blathering about old words the meaning of which none of us can any longer be sure about, hollow names that do nothing in a hard-pressed world but provoke our most stupid passions and obstinacies! In any case, the triumph of the Machine has rendered them obsolete if not meaningless, drifting old landmarks and twisted old shibboleths. Yet there are people, unfortunately a majority, though a dwindling one, who still invest the old words with their old meanings, bowing so reverently to some and cursing so fanatically at others, that they are oblivious of the fact that the world itself has been changed by the coming of a mighty Plenty. Seen in that light, modern politics are even less real than ever they were. Their fights are sham, their truces tactical, their very enmities friendly: their slogans vote-catching, their programmes forced leaps from one burning boat to the next, and their Conferences the day-dreams of an old-fashioned child blowing bubbles. It is this feeling of the utter unreality of the political issues of to-day as ushered by the politicians into the arena and "fought" over—though perhaps it is still more the feeling that empty words still retain some of their ancient power to mesmerise the layman—that has made the writer eschew the name of Social Credit, though it is by this name that the proposals of the New Economics are now most generally known. There is nothing whatever

amiss with the name, but people meeting it for the first time *will* infer that it has something to do with Socialism—an unfortunate inference, because a wholly erroneous one. The New Economics does not plan for any levelling of humanity. Shakespeare was quite wrong: there is much in a name; though it may no longer mean anything of value it may yet remain as a means with which to conjure and even stupefy.

The comic bewilderment into which sticklers for the old names and party divisions are apt to be thrown is well exemplified by what happens when such a body as the aforementioned London Passenger Transport Board is formed. A glance at this typical modern solvent for obsolete shibboleths will do us all a deal of good. Commander Stephen King-Hall, who told the story succinctly soon after the Board's formation in July 1933, wrote as follows:

> The London Passenger Transport Board is what is called a *Public* Corporation.
>
> It has three jobs:
>
> (*a*) To give Londoners the best and cheapest transport in the world.
>
> (*b*) To pay a good wage to the 70,000 people who drive the buses, trains, and trams, sell you tickets, punch your tickets, clean the carriages, and look after the stations.
>
> (*c*) To pay a fair rate of interest to the people whose money has built the buses, trains, trams, stations, and offices.
>
> The L.P.T.B. is called a public corporation because it is run by a small group of people appointed by the Government, but then left free from Government interference. The chief man in this group is Lord Ashfield.

The idea of the L.P.T.B. is that it shall work for the profit of the public rather than only for the profit of its owners, and that when the latter have been paid a fixed amount, any money left over is used to make travel in and out of London cheaper and more comfortable.

The new company has started life with 6000 buses, 3000 trams, 2200 electric trains, and 226 stations. It will buy 35 million gallons of petrol and 400,000 tons of coal a year.

It is a splendid example of British common sense, because it brings together important and useful ideas of Socialism and Capitalism. It is an example of team-work and service, and if it is a success other industries may be able to copy it with advantage to themselves and everyone in the country.

There the thing is: created without a bloody revolution, or even a municipal election; legislated for gladly by the Government of the day; and functioning without friction. Devised by a Labour Minister, it received the support of all the political parties of the National Government and all the commercial interests involved. With its invested capital intact, with the public's confidence in its soundness reflected in a rise in the value of its shares after its formation, with its Lord Ashfield content to remain in administrative charge, with the nation in control of its policy but not of its administration, and with the public its profit-sharers—there it is! But what is it? We leave it to the reader, being, as we said, ourselves uninterested in the answer. It is new, and it works: that is enough. If you like, it is a compromise, and where should compromise be more at home than in Great Britain, which knows more than any other nation how to

adapt herself, how to give and take, how to test things by the work they do, not by their names.

To return to our subject, it can be stated categorically that the operation of the New Economics programme involves no "nationalisation," no confiscation, no displacement or replacement of the existing banks, no change in their staffs or managers. In none of the detailed schemes (of which some half-dozen have been published) for putting the New Economics into operation here and now is there any clause dismissing the present banking system as an administrative institution. Indeed, why on earth should the keeping of a National Account Book involve the shutting of the branch bank you deal with, or require a different kind of bank clerk to serve you?

To hammer home the nails in the coffins of these bogies, let us turn direct to Major Douglas's views on the subject. Major Douglas, with experience of both private and governmental enterprise, looks at the former and finds it good. Indeed he finds it so good that, compared with it, everything else has lagged behind. On the other hand, he looks at governmental excursions into business and concludes that nine times out of ten they would have been more efficiently performed under private enterprise. And we other Consumers reach the same conclusion—sometimes with no little vigour and feeling!

Says Major Douglas:

"A dangerous and subtle delusion is that our present difficulties arise out of what is called the 'private ownership' of the means of production, and would be solved by something called 'public ownership.' This delusion proceeds from a failure to distinguish between the inherent nature of administration on the one hand, and the policy of distribution upon the other. There have been a number of instances, more especially in the last fifteen years, of Government incursions into industry, notably the shipping industry, and it is obvious that no problems arising in any of the industries so invaded have been materially simplified thereby."

It is thus clear that the founder and moving spirit of the New Economics is no friend of bureaucracy. Again and again in his writings Major Douglas drives this point home. In his short Draft Scheme for Scotland (see the Bibliography at the end of the book) he goes out of his way to insert a clause expressly forbidding any Government Department to engage in business of any kind whatsoever either "directly or indirectly." Indeed, fixed enemy both of bureaucratic administration and of any scheme for the wanton regimentation of human beings, Major Douglas is a champion for the individual, and for his or her inalienable right to individual initiative. Especially, we think Major Douglas would add, in an age of Plenty for All.

It must not be thought that the New Economists are alone in urging for National Control of money. The wilderness in which they cry is gradually becoming populated, though it must be confessed that this slender population, outside the New Economists, seem to have only the vaguest notion of what should be done with money when it is nationally controlled. Examples of such gropings towards National Control of money can be seen, in the case of a country, in the establishment of the National Bank of Australia; in the case of an individual, in the remarks of Mr Vincent Massey, Canadian ex-Ambassador to the United States. This thoughtful and respected man, rich enough to be able to speak his mind, urges the need for "a public or semi-public body which, without attempting to interfere

with the banks, would exercise general supervision over the volume of credit and the broader aspects of banking policy, the question of credit control having become too important to be left in private hands," even, he adds in effect, when these hands are both efficient and clean.

Nor must it be thought that National Control of money is a new idea. The fact that Bishop Berkeley advocated it two hundred years ago is, of course, unimportant, but the fact that a hundred years ago the self-ruling island of Guernsey not only advocated the principle of National Control but put it into effect is important. The story of Guernsey's experiment, too long to detail here, is one of unbroken and unqualified success lasting more than a century. And it still continues, for the happy island still exercises National (or, in this case, State) Control. The famous Guernsey Markets, built in 1816, were only the first of a long series of additions to the island's Real Wealth—solid witnesses to the experiment's success. All of them were carried through by Guernsey State money based on Guernsey's Real Credit. And that, too, without a penny of debt ever being owed to any banking institution, or a penny of interest ever being paid. Guernsey managed without: she took charge of her own affairs, and by the aid of State control, simple arithmetic, and common sense, flourished, and still flourishes.

So, you see, money not only *can* be nationally controlled, but *has* been—with success.

* * *

Reader. But where are the details?

Author. There are none.

Reader. WHAT?

Author. There are none! There is only one thing to remember—and, incidentally, it is not a detail, and we have of course mentioned it already.

Reader. Don't muddle me. What? When? I don't remember.

Author. When we said that *the passage of a Parliamentary Bill to restore to the Crown its sovereign right to issue, control, and destroy money was all that was necessary to enable the nation, through its Treasury, to keep a National Account Book,* AND TO TRANSLATE THE APPROPRIATE FIGURES IN THAT BOOK INTO MONETARY FORM.

Reader. You never said that.

Author. In effect I did. You see, this—the first joint of our fourfold remedy for our fourfold Evil—consists of little more than the obtaining of statutory permission to set the New Economics working. The details you are rightly on tiptoe about concern the Account itself—what are its items? what its figures? etc.—and we shall settle all these matters when we come to the other three joints of the remedy. But before we worry about *how* to keep the Account let us get permission to keep it! National Control is only the unlocking of the door, so to speak, the ringing up of the curtain. I hope it's clear now?

Reader nods indulgently.

Author. Good. Is there anything else?

Reader. No, thank you. Except perhaps to point out that you have been a devil of a time ringing up that curtain.

Author. And don't I know it! But it was essential to bury fast and deep that bogey of "nationalisation," for unless you are a very, very, very exceptional person, if I hadn't laid it you would have raised it! If you deny this, it only shows that you *are* a very, very, very exceptional person. Agreed? Well, then . . . shall we get on with it? . . .

CHAPTER XIII

FOURFOLD REMEDY—PART II

HAVING obtained control of our money, the next thing is to find out how rich we are—or how poor. Obviously this depends on what we mean by the word *wealth*, and here a few definitions will help us.

The *wealth* of a nation is its ability to deliver goods and services when and where and as it requires them: the *credit* of a nation is the belief in that ability: and the *financial credit* of a nation is the estimate of that ability expressed in monetary form, or, as it is called, "monetised." In order to distinguish credit from financial credit, the former is commonly called *real credit*; and in order to distinguish the New Economic thought from the Old, wealth in its fullest meaning is commonly called *real wealth*. In this sense, if we prefer a less formal definition, we can say with Ruskin that wealth is the ability to use all things, and use them nobly.

How rich are we, then—and how poor? Are we rich "beyond the dreams of avarice" or poor to "the verge of national bankruptcy"? Are we "living beyond our means"? Is poverty in the midst of plenty a true, deserved, inevitable phenomenon, or is it merely the result of a faulty system of distributing money? These are questions to which the present economic system can give no satisfactory answer, for the nation's wealth is something very different from the haphazard amount of bankers' money which may be in existence at any given time. Created for private purposes and for profit, and only dimly and indirectly related to Goods, money to-day does not measure wealth.

THE MEASUREMENT OF A NATION'S WEALTH

The basic principle upon which a National Credit Account rests is this: that a nation's Real Credit is not only a very real thing but also an eminently measurable one, and that the larger its Real Credit, the larger ought to be the figure of Financial Credit representing it in the National Credit Account. Only so will Financial Credit reflect Real Credit, and money become a true measure of wealth.

Putting the matter in its broadest form, the Real Credit of Great Britain is greater now than it was when this island was little more than a stretch of forest and marsh inhabited by ignorant people who painted themselves blue and lived in wattle huts. The difference between then and now is the measure of the increase in our Real Credit. And as we look at the country to-day we see that our progress is due to such things as the industrial plant of the country, its network of communications, by land, water, air, wire, and ether, its ability to defend itself, to keep itself in health, etc., etc. If we can measure, or put a value on these things, we shall then have a measure of the nation's Real Wealth. And once we have measured it, we shall be able to keep track of any increase or decrease at any future date. In accountancy, of course, such increase is called *appreciation*, and such decrease *depreciation*.

The astonishing thing is that no such measurement or census has ever been undertaken, and probably the

only conscious effort to assess the nation's wealth was in the eleventh century when William the Conqueror started to compile the Doomsday Book. Omission to keep a National Credit Account has been fraught with the gravest consequences, however, and is responsible for the spectre of Financial Poverty stalking through a land nigh to bursting with Real Wealth. For note what it has meant.

It has meant that the erection of a factory, let us say, which supplies goods desired by the citizens of the nation, while obviously entailing an increase in the nation's Real Credit, entails no corresponding increase in its Financial Credit. For the Financial Credit, or money, which is created and issued for the erection of the factory is withdrawn from the nation through the channel of Prices. The *whole* of this money is withdrawn. There can be no mistake about this, for it is only another way of saying that the cost of the factory has to be *paid for*, or its owner will go smash. Now it is quite right that the cost of the factory should be paid—it is right that every cost in the world should be paid—but it is quite wrong that after the factory is built and functioning successfully for the greater contentment of the nation, the nation should have nothing to show, financially, for the very real addition to its Real Credit which the factory has brought about. It is no argument to say that the nation has the factory's product to show for it: it hasn't, because it has to *pay for* that product, *through prices*. It is no argument to say that the nation has dividends from the factory to show for it: it hasn't, because it has to *pay for* its dividends (since these too are part of the factory's costs)—*again, through prices*. It is no argument to say that the nation has the factory to show for it: it hasn't, because in this case, too, it has to *pay for* the factory, *and again through prices.* Rather the argument runs like this—the nation *does possess* the factory's Real Credit, and nothing short of dynamite can alter that fact, since there the factory stands four-square on British soil; but, lacking an account book, it is unable to enter the item in a credit column. In short, although the erection of the factory has definitely increased the Real Wealth of the nation, the fact literally has not been "accounted for." Until it is accounted for, and until every increase in the nation's Real Credit is accompanied by a corresponding increase in the nation's Financial Credit, our money will remain what it is to-day—a grotesquely distorted and wholly insufficient measure of our wealth.

The *New Age* puts the matter thus:

> Supporters of the Social Credit Movement contend that under present conditions the purchasing power in the hands of the community is chronically insufficient to buy the whole product of industry. This is because the money required to finance capital production, and created by the banks for that purpose, is regarded as borrowed from them, and, therefore, in order that it may be repaid, is charged into the price of consumers' goods. *It is a vital fallacy to treat new money thus created by the banks as a repayable loan, without crediting the community, on the strength of whose resources the money was created, with the value of the resulting new capital resources.* This has given rise to a defective system of national loan accountancy, resulting in the reduction of the community to a condition of perpetual scarcity, and bringing them face to face with the alternatives of widespread unemployment of men and machines, as at present, or of international complications arising from the struggle for foreign markets.

The italics are the present writer's, and the passage is quoted in full as a gem of lucidity and concentration.

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Our job, then, is to measure the nation's Real Wealth—or, rather, to order that this shall be done. For this a yardstick, or unit of measurement, is needed. Some people—the Technocrats, for instance—suggest, or suggested, using energy-units, but one cannot easily conceive a simpler way of throwing a nation into complete mental collapse than by trying to set it thinking in terms of "joules" and "ergs." We have an excellent unit ready to our hand in the £, and there is nothing whatever to be said against our using it as a unit of measurement, and everything to be said for it, provided we remember that we are using it as a yardstick for Real Wealth. As such, it has no connection with amounts of bankers' money.

About the actual work of measurement there is little difficulty; where there's a will there's a way. Every business worthy the name puts a £ value on its capital assets every year, and if Great Britain, Limited, is incapable of performing the routine work performed by every other firm in existence, then she thoroughly deserves bankruptcy and ruin through wanton incompetence. It is not as though the information required was not for the most part already compiled. It is being compiled day in day out by such bodies as the Treasury, the Board of Trade, the Board of Inland Revenue, County, Municipal, and Local Rating authorities, and also, of course, by the accountants of each industrial firm, etc. Indeed it is questionable whether the information we want is not actually available at this moment from several sources and several times over. But we cannot be sure of this, because the facts and figures which these bodies are collecting daily are not looked on in this light nor set out in this way.

Collect from the already existing agencies, then, figures representing the value of the whole of Great Britain's capital assets; of such items, that is, as its land, buildings, plant, ships, minerals, livestock, raw materials; of all public amenities and facilities such as roads, railways, reservoirs, harbours, and defences: and of all "intermediate" and semi-manufactured goods; *et cetera*. Add together the figures so obtained, and the result will be one representing the total price value of Great Britain's non-human capital assets.

[Now the *details* of a National Credit Account, like the details of any economic system, no more concern the ordinary citizen and consumer than the details of an electric power-station concern users of electric light. Is everyone who has a shilling in his or her purse acquainted with every detail of the present economic system? Does a person have to know all the details of the London Clearing House before he or she writes a cheque on a London bank? Of course not. Such knowledge is not necessary. None the less it will be salutary to glance at a specimen detail just for the sake of seeing what degree of detail the programme of the New Economics has reached. But since it is outside both the scope and purpose of this book we ask the printer to put the matter in as small a type as he pleases, and to place the whole paragraph in brackets.

The first part of Clause 1 of the Draft Social Credit Scheme (for Scotland), drawn up by Major C. H. Douglas, is as follows:

"(1) Obtain from existing sources, such as company balance-sheets, land registration offices, and insurance companies, such information necessary to place a money

valuation upon the whole of the capital assets of Scotland, such as land, roads, bridges, railways, canals, buildings, drainage and water schemes, minerals, semi-manufactured materials. No distinction between public and private property. Replacement values to be used where the property is in use."

The Credit Study Group comments on the above as follows:

"(*a*) The word 'buildings' is intended to include every kind of structure recognised as a building for rateable purposes; *e.g.* shipyards.

(*b*) Replacement value is taken to avoid reference to purely financial valuations, which are written down to represent the use value of premises under the existing conditions of financial restraint of trade."

Whereupon the Liverpool Social Credit Association inquires as follows:

"Does the money value of productive agencies mean the amount of subscribed Capital; or twenty years' purchase of annual profit; or the productive capacity in £'s at maximum output? Between any two of these evaluations the result can vary as much as 100 per cent."

To which the Credit Study Group replies:

"The values to be taken are to be Replacement Values of the physical assets, without reference to the amount of subscribed capital in the cases of industrial units. Industrial plants are therefore to be valued for this purpose solely *as* buildings and plant and not on the basis of their monetary capital value which (as the Liverpool commentators remark) 'may vary as much as 100 per cent.' according to whether there is a market for the output or not. Under the Scheme it is assumed that the product of every efficient unit of production would speedily be required. Where the property is not 'in use' the market value on the accepted basis 'as between a willing buyer and a willing seller' would be ascertained. In Clause 5 provision is made for unwanted or unsuccessful units of production to be 'struck off the register'—and therefore written down in the national capital account."

So much for our specimen of detail. It will be noted that on their own initiative Groups and Associations are in active debate about the Draft Scheme referred to, just as political parties and M.P.'s go into active debate about a Draft Bill when it is before Parliament in the Committee stage. And the other thing to note is that every principle, every point, every clause of the New Economics programme for Economic Nationalism has been detailed and debated in the manner of our specimen. If we do not deal with them here it is because they have been dealt with in other places by other speakers and other writers.

After this lengthy interruption let us go on from where we left off. We were just about to add together, if you remember, the value of the items of the nation's non-human capital assets.]

We can go a step farther. Our national wealth is not *only* the sum total of the money value of all the material assets in the country. There are human assets too. If our National Credit Account is to contain realities, it must embody the very obvious one that a factory, say, is no earthly use, and possesses no Real Credit whatsoever, unless there are men either to run it or to consume its product. In other words, the population of a nation, too, has its capital value. A man, as a man, is clearly an item of Real Wealth to the nation, either as a producer or (what is equally important) as a consumer, or both. We are not unaccustomed to evaluating men in the economic sense: thus we say that a man is worth one-tenth of a horse's power. To-day, thanks to our insurance companies and other fruits of our organising genius, we can arrive at a figure representing the capital value of the population. Thus the Metropolitan Life Assurance Company of New York has estimated the

commercialised value of a U.S. citizen of twenty-five, healthy, educated, and with his wits about him, to be a figure around £10,000. The British insurance companies could work out a figure for the Briton. Most likely they have already done so. It would be a rough figure, an average figure, and a big figure. The bigness of it, when taking the whole population into account, need not alarm us. There is no need or obligation to turn it into money and spend it if we don't want to. It is only a matter of book-keeping —so far. BUT—it is true book-keeping. Our Account Book contains the facts and reflects realities.

Add these two figures together—the human and the non-human—and the result will be a figure measuring the capital assets or Real Wealth of Great Britain, in £.

* * *

The figure so arrived at, all-important as it is, is only a figure. What we do with it depends entirely on what we wish to do with it. It represents a fund of unspent wealth which has accrued, if we like to put it so, to Great Britain, Limited, a firm engaged in the Living Business in the Age of Plenty, A.D. How Great Britain, Limited, wishes to spend this fund, if at all, is a matter for its citizen shareholders to decide by electing directors to the board room of Parliament pledged to carry out those wishes. There are three courses open. We can disregard the existence of the fund, as hitherto, and pay still further penalties for not keeping a National Credit Account: or, recognising its existence, we can "monetise" part of it: or we can "monetise" all of it. Whichever course be adopted, one thing remains certain—the nation would not be living beyond its means unless and until it monetised and distributed and spent a greater amount of wealth than that represented by the total figure in the National Credit Account. Until that wholly improbable point is reached, the nation is bound to live within its means: simple arithmetic sees to that, and forbids otherwise. If even the whole of the fund in question were monetised and distributed now, gratis and equally, to every man, woman, and child in the kingdom, the nation would be living exactly *up* to its means; not a penny below it, not a penny above it. In short, money would be based upon, and limited by, not the chance amount of yellow metal dug up from beneath the surface of the earth or that part of it which found its way into private bank vaults as a result of obeying the rules of an international game, but upon, and by, Real Wealth, or the ability to deliver goods and services as and when and where required. Our money would be on a goods and not on a gold basis.

In conclusion we may note two points, one of a cautionary nature, the other of an interesting one. The cautionary point is that we must remember that some of the National Credit (about £2,000,000,000) has already been monetised by the banking system, and the fact that the method of monetising this sum has been a haphazard and labyrinthine one, and its purpose a private one for profit, does not affect the legal and effective existence in the country of this amount of available money. Therefore, if we wish to know the amount still unmonetised we must subtract this monetised amount from the sum total of the National Credit figure. The other thing—the interesting one—is that it has been estimated for Scotland that a sum of about £300 for a family of four, or about £75 per person, could be distributed by monetising no more than 1 per cent. of Scotland's Real Wealth.

CHAPTER XIV

FOURFOLD REMEDY—PART III

It is strange to think that only a few years ago responsible men were able to advocate a policy of "Produce More and Consume Less," and not be placed under medical restraint. To-day, thanks in large measure to the spread of Major Douglas's ideas, this particular form of bleating has ceased. Sanity in that respect has returned, and the cry is now, "Equate Consumption to Production"—a cry taken up by all, from President Roosevelt, whose declared aim on assuming office was to "forget about Production for the time and think about Consumption," down to the meanest intelligence capable of realising that A can never buy A+B.

So far so good; but the trouble is that politics do not conduce to exact thinking, and on the platform any slogan will raise a cheer from some quarter or other provided it is not more than half a dozen words long. So in the present connection. It is worse than useless to shout that the world is suffering from a shortage of purchasing power unless we add the vital phrase, or mean it—"*compared with the aggregate prices of the goods to be purchased.*" We draw attention to this obvious fact at the start in order to dispose, however regretfully, of what may be termed the American Experiment of 1933. Much as one admires President

Roosevelt's energy, sympathises with his hopes, and agrees with his aims, it is certain that these are foredoomed beyond a peradventure to waste and unfulfilment. For what has he tried to do? He has tried to increase Consumption by pumping some three billion dollars into Production; and he has further tried to increase Consumption by urging or ordering a rise in wages. There can be only one result to these measures. Every dollar of those three billion allotted to public works will have to be repaid to the banking system which created them, and taxation levied on the consumer accordingly; and every dollar of that rise in wages will have to be recovered in prices. In short, in America or elsewhere, you cannot increase the net purchasing power of the community in proportion to Production by increasing either Production or wages. On the contrary you decrease it, for the stream of fresh costs issuing from fresh Production is always greater than the stream of fresh purchasing power released. The experiment will fail, because it is an attempt to create a balance by always entering the amount on both sides, purchasing power on the one and prices on the other. What America distributes in higher wages with one hand she is forced to take away with the other in higher prices; so that her problem remains the same, but in an exaggerated form and on a larger scale.

* * *

It is absolutely essential, firstly, as a growing number of people are beginning to see, that the money required by Consumption to enable it to purchase Production shall reach it by some channel other than that of Production. Indeed, *why*, in the name of all that is sane, with Production already glutted with more money and more goods than it can dispose of, *why*

should the only way of getting money to Consumption lie in forcing Production to receive still more money and in making it produce still more goods, so that a part of this money shall trickle through to Consumption? *Why?* No one replies. There is no reply.

It is also absolutely essential, secondly, if we can find a source of purchasing power outside the channels of the Production system, that this source, on being tapped for the benefit of Consumption, shall not lead to "inflation." This misused word we make haste to nail down and define. It is the innocent cause of probably more slipshod thinking to-day than any other word in the language, and it is only a step from slipshod thinking to faulty conclusions and disastrous actions; as the late Lord Inchcape said, "A State can be laid low just as effectively by wrong ideas as by an invading army, and there is no agency of destruction known to the chemists that is half as formidable as the T.N.T. of bad economics." The wrong idea in this case is the idea commonly held concerning the meaning of the word "inflation." There is little use in ignoring the fact that the word has lost its original meaning and has come to mean something undesirable and pernicious. Very well. We accept that meaning, and with it in mind shall once again define inflation, *not*, be it noted, as an increase in money, but as an increase in money *accompanied by an equivalent rise in prices.* Between these two, the slipshod and the accurate, there is all the difference in the world.

Thirdly, it is absolutely essential that our new source of purchasing power, if we can find one, shall be out of the reach of juggling or interference by political parties or private individuals.

Fourthly, it is absolutely essential that the new purchasing power shall be regulated scientifically, mathematically, and regularly, so that the handling of it shall follow the chief principle of the New Economics, namely, that purchasing power shall increase as the country's prosperity waxes and decrease as it wanes, money always being related and tethered to a basis of Real Wealth.

Does such a source exist? If so, is it possible to devise a method of tapping and administering it without violating the four principles mentioned above? Yes. Major Douglas discovered just such a source and devised just such a method soon after the War, and his Scheme, though shot at in the interval from many quarters and with many weapons, stands to-day still unpierced and commanding a growing body of assent.

* * *

In order to appreciate the extraordinarily satisfying nature of the Douglas Proposals, we must know exactly what we mean by these three things: (1) Purchasing Power; (2) Production and Consumption; and (3) the Cost of Production.

(1) Purchasing Power

The phrase means exactly, but only, what it says. Purchasing power—the power to purchase. If your money is doubled and you joyfully run out to spend it and discover that the price of everything you want to buy has also doubled, you have not doubled your purchasing power. Therefore—and this is the point we wish to drive home—purchasing power and money are not necessarily the same thing. We should keep this distinction clearly in mind in examining the Proposal which follows, for this concerns purchasing power primarily. Purchasing power may be increased in one of two ways: either the volume of

money may be increased while prices remain stationary; or, conversely, prices may be decreased while the volume of money remains stationary. Or, provided we treat these devices as complementary to one another, we can use both of them simultaneously. And this is exactly what the New Economics proposes to do; for if we are agreed that at present Total Incomes cannot pay Total Prices, and if we are agreed that they *ought* to be able to do so, then clearly we *must* either decrease Total Prices or increase Total Incomes, or employ both of these methods at once in complementary and mathematically correct proportions, in order to *make* Total Incomes able to pay Total Prices. The New Economics, therefore, would increase incomes to a certain extent and decrease prices to a certain extent, simultaneously.

(2) Production and Consumption

These terms are used in their widest sense of Total National Production and Total National Consumption. Each consists of three main items, the reasons for including which are, upon a little consideration, self-evident. Thus, if we consider any given accounting period, its Total National Production will be the Ultimate Goods produced during that period, plus the Capital Appreciation since the last period, plus the Goods Imported during that period. Imports? Clearly. Imports are in the country not to be buried but to be consumed and enjoyed, since presumably they consist of desirable commodities calculated to add to the Real Wealth and well-being of the nation into which they are imported. Similarly, Total National Consumption consists of Ultimate Goods consumed, Capital Depreciation, and Exports. For brevity's sake, however, we shall continue to use the simple terms "Production" and "Consumption," especially since the reader will have no difficulty in knowing from the context when these denote the full gamut of "Total National Production" and "Total National Consumption" respectively.

The mention of Imports and Exports in the above connection makes it expedient to assure those of us who are accustomed to think in terms of a "favourable balance of trade," that in a nation practising economic nationalism in the manner advocated by the New Economics, *Total Imports and Total Exports would be duly equated.*

(3) Cost of Production

Judged by its vocabulary, in which one word often has to connote more than one meaning, economics scarcely deserves to be called a science; it seems rather to be the accumulation of devices which, like Topsy, just "growed." Thus, just as we found two kinds of wealth and two kinds of credit, so there are two kinds of cost, and here again we have to distinguish them by calling the one *Real Cost* and the other *Financial Cost.*

Every producer knows what the Financial Cost of his product is. He has simply to add up all the expenses he has incurred in making the product, and the total is its Financial Cost.

But what is its *Real* Cost? What would its actual cost, its physical cost, be on an island without a money system? A moment's consideration shows us that the Real Cost of anything is the amount of energy and material used up or *consumed* in the making of it. In order that one thing may be produced a variety of other things have to be consumed; and since all of these have either literally gone into the making of the

new thing or been lost in the process in wear and tear, friction and general depreciation, we can say that the production of that new thing has *cost* that amount of consumption. Consumption, in other words, is the minimum price we have to pay for Production. This use of the word "cost" is not alien to us, for we use it when we say that such and such a thing "cost us a great effort." In a general way, then, we can say that the cost of Production is Consumption; and in an exact way, distinguishing between the two kinds of cost, we can say that *The Real Cost of Production is the Financial Cost of Consumption.* (Remember this; it is the primal fact of all sane political economy; also, we shall make use of the fact in the simple sum that follows.)

*   *   *

The Proposal is that goods should be sold to consumers at their Real Cost instead of as now at their Financial Cost; and that the sellers should be reimbursed by the Treasury or other duly appointed national authority for the amount they were consequently out of pocket. Let us take the two parts of the Proposal separately.

1. *That goods should be sold to consumers at their Real Cost instead of as now at their Financial Cost.*

First, is there anything objectionable in this proposal *per se*, or anything which seems unjust or unscientific in the idea itself, apart from all other considerations? Very well, then; let us proceed.

The Real Cost of Production is a *proportion*, a *fraction*, of Financial Cost. In order, therefore, to reduce the Financial Cost of Production to its Real Cost we must multiply the former by a fraction. What fraction? We do not know. For the moment we must call it x, the unknown, and solve our simple problem by algebra.

$x \times$ Financial Cost of Production = Real Cost of Production.

$$\therefore\ x = \frac{\text{Real Cost of Production}}{\text{Financial Cost of Production}}.$$

But the Real Cost of Production is the Financial Cost of Consumption.

$$\therefore\ x = \frac{\text{Financial Cost of Consumption}}{\text{Financial Cost of Production}},$$

or, more shortly,

$$x = \frac{\text{Consumption}}{\text{Production}} \quad \text{or} \quad \frac{\text{C}}{\text{P}}.$$

This ratio, $\frac{\text{C}}{\text{P}}$, is known as the price-factor. It is this which present prices must be multiplied by in order to reduce them to the desired prices. The true price of an article, that is to say, must bear the same *ratio* to its present price as the contemporary value of Consumption bears to the contemporary value of Production. The price so arrived at is commonly called the Just Price. In short:

$$\text{Just Price} = \text{Present Price} \times \frac{\text{C (Total National Consumption)}}{\text{P (Total National Production)}}.$$

The above conclusion can be reached by so many different routes that there is a real temptation to set out half a dozen of them, in the hope that one will strike home more quickly than the rest and be grasped by the reader instantaneously. But we have room for only one more, which we take from Mr Marshall Hattersley's excellent book, *This Age of Plenty*.

Mr Hattersley denotes "the financial cost of all

national production (including both capital and consumable goods) during any given period" by P; and "the financial cost of all national consumption during the same period" by C; and proceeds:

"Granted that goods should be sold at a fraction of the financial cost of their production, let us suppose this fraction to be represented by x. Now, pricing at Px what it has cost P to produce is equivalent to offering additional purchasing power of P − Px to the consuming public. But the net appreciation of wealth during our given period was P − C. If, therefore, our money system is to reflect the economic position accurately, we must equate this potential additional purchasing power with the additional power to provide goods. As P − Px = P − C, it follows that Px = C and $x = \frac{\text{C}}{\text{P}}$."

So much for the simple mathematics of the Just Price. As to the actual application of it, this presents no more difficulty. The respective amounts of Consumption and Production are (like that of the National Credit Account) ascertainable, if indeed they are not in some form or other already available. As a matter of fact, calculations have been made by which the price-factor, $\frac{\text{C}}{\text{P}}$, worked out roughly at one to four, or $\frac{1}{4}$; and that some years ago; so that, had this fraction been applied during the period for which the calculations held good, consumers would have been able to buy goods at the Just Price of $\frac{1}{4}$ of what they actually paid for them. For if there is one thing in this modern world more certain than another, it is that the rate of Production is greater than the rate of Consumption. Even in the War, when Consumption was "all out" and goods were consumed—largely by exploding them—as fast as they were produced, the net result was a vast increase in the nation's Capital Appreciation, in some units the appreciation amounting to some 400 per cent. And Capital Appreciation, by our definition, is part of our Total National Production. We must be careful, however, not to dislocate the existing order, and a price-factor of ¼ might prove too sudden and steep to start with. It might be wise to use a price-factor of three to four, or ¾, in the initial stages of applying the Scheme. This would give the nation a National Discount of 25 per cent. on every purchase of "ultimate" goods.

Lastly, the price-factor would be published, much as the Bank Rate is published to-day, but at regular accounting intervals, say yearly or half-yearly.

2. *That the sellers should be reimbursed by the Treasury or other duly appointed national authority for the amount they were consequently out of pocket.*

There is nothing in this Clause to conjure up a vision of "a flood of paper money," or anything of the sort. The economic justification for a National Discount is plain enough; it is that by it Consumption shall be enabled to keep pace with Production. The economic justification of the creation of enough money to cover the amount of the National Discount is also plain enough; for unless it is created the seller is going to be undeservedly out of pocket. But, asks the reader—unconscious victim of generations of bankers' propaganda—will it not mean the State creation of a vast sum of money which goes on accumulating for ever and is never cancelled, and therefore will rapidly depreciate in value? This question, which is a very natural one under the circumstances, brings us to our last important point. The answer to the question is a

categorical NO. Because—

> EVERY PENNY CREDITED ON BEHALF OF THE NATIONAL DISCOUNT WOULD BE *DEBITED* AGAINST THE SUM STANDING TO THE NATIONAL CREDIT IN THE NATIONAL CREDIT ACCOUNT.

Thus, although we are dividing our fourfold remedy for clarity's sake into four parts, it is seen how the four parts make one indivisible whole. Take but one part away and the structure totters. The remedy must be applied as a whole, or not at all. And the cement binding its four parts together is the Golden Rule of the New Economics, namely, that a community's money shall measure, reflect, and vary as its capacity to produce wealth.

For the rest, it is a question merely of deciding on the best technique for making the National Discount effective to consumers. Of possible methods there are plenty. For instance, the needed information already exists in the orderly form of retailers' sales returns. These could be checked and audited by the retailer's bank, which would thereupon credit the retailer's account with the amount that he, the retailer, was out of pocket through having sold goods at the Just Price, and the bank itself would be credited with a similar amount by the National Treasury. It is no criticism of the Proposal to suggest that the difficulties of administering it would prove insuperable, when we have at our disposal a banking system, an industrial system, and a Governmental organisation, which among them already perform, in their present-day routine, wonders infinitely more complicated than those which would be required to make the National Discount effective. Again, only a wilful obstructionist would maintain that it would be impossible to apply a National Discount to the purchase of a pennyworth of sweets by a child in a village shop, with such an example as that afforded by the Co-operative Societies under his nose. These, which number their consumers at about one-fifth of the entire population, appear to find no insuperable difficulty in not only keeping a record of every single purchase from a halfpenny upwards, but also in recording every purchase in the personal account of the consumer concerned, and, in addition, keeping current, deposit, savings, investment, and club accounts for many of their customers, and, finally, paying a periodical dividend in cash based on the total amounts of purchases made by the total numbers of consumers in the Society concerned. What work there is, the "Co-op" Discount and the "Co-op" Dividend make it worth while to do; consequently it is done gladly, efficiently, and without fuss. In short, the important thing is to know what we want; the technique for doing it will follow and will be of the best. For however disastrous some of our policies may have been in the past, our administration of them has always been superb.

* * *

This is not the place to dilate upon the beneficial results of instituting the Just Price and the National Discount: space forbids. It is practicable, however, to call attention very briefly to one or two obvious advantages and perhaps incidentally to clear up some uncertainties.

1. Inflation *cannot* result from an issue of money which is itself the result of *low* prices. As prices rise so this issue drops; until finally if and when $\frac{C}{P}$ ever reached unity, the issue would stop, until the ratio once more dropped below unity.

2. It is true that the State would create money to cover the National Discount; but it is also true that the State would simultaneously destroy an equal amount of money by entering an equivalent figure in the debit column of the National Credit Account, and thus reducing the National Credit fund by that amount. The money is being taken from one fund (the backing for which is the national collective ability to produce goods) where it is not being used and is lying immobilised, and quite simply transferred to another fund (consumers' purchasing power) where it is very badly needed.

3. The purchasing power of each individual purchaser is increased at the most desirable and scientific moment—the moment of purchase.

4. A retailer who did not choose to sell his goods at the Just Price would have only himself to blame for his lack of customers. Fools, on the other hand, who paid the Financial Price for an article which they could have got at an equally good shop next door for the Just Price would have only themselves to blame. The New Economics does not, and does not wish to, eliminate healthy competition. Nor does it profess to teach shopkeepers their job, or to make fools wise.

5. Increasing the purchasing power of consumers by a lowering of retail prices is a perfectly satisfactory way of increasing it. It ensures that the new-found purchasing power shall be used for *purchasing*, which is the object of issuing it. It was *not* issued to be saved or invested. Yet that might happen in a number of cases if we increased people's purchasing power only by increasing their incomes. The old habit of postponing consumption until to-morrow would urge them to save such additional income and send it back to

Production by investing it. Every time this happened, it would mean that a financial soldier, specifically enlisted to swell the ranks of Consumption in its desperate effort to hold its own with Production, had gone over to the other side.

6. A nation's price-factor would act as its economic barometer. It would be liable to change each year or half-year. We have compared it to the Bank Rate; it can also be compared to the Exchange Rate, for it would indicate to the people of other countries the degree of a nation's prosperity. There the comparison stops, however, since the price-factor would be a true index to national prosperity and would bear no resemblance to a figure which, as to-day, can be "pegged" or "hammered" to suit, not the physical realities of a nation, but the convenience of international finance. The price-factor, on the other hand, would be controlled by physical realities and calculated by arithmetic.

7. The present banks could continue their present system of "producer-credit" with the proposed system of what we can call "consumer-credit" working alongside it simultaneously. Neither would harm the other. But what a difference in the two systems! For remember that the condition of the National Discount is that it shall not and cannot be issued until a purchase *has* taken place. Under the present system of "producer-credit" the producer says:

> "Kindly issue and lend me a round sum of money because I hope to produce some goods; and if and when I have made them I hope they will be the kind people want; and if so I hope people will have the money to buy them with; and if they have I shall be able to repay you."

Under the proposed system of "consumer-credit," on the other hand, the producer says:

> "I have not only made so many articles, but I have also sold them, and as a result a certain number of citizens are the richer and the happier for having them. Kindly, therefore, reflect this increase in these people's real wealth, and therefore in the community's at large, by issuing an exactly equivalent amount of financial wealth, and credit same to my account. Here are my sales-vouchers."

Which of these two systems is more truly "sound finance"—the one based on hopes, or the one based on accomplished facts? Ask those Martians whom we met in an earlier chapter.

* * *

Lastly, Foreign Trade

The dependence of Great Britain on imports—of food, for example—cannot be changed overnight. The practical question therefore arises as to how imports and exports should be priced in a community which has adopted the Just Price. Clearly, since both imports and exports figure in the computations of the price-factor, the one being included in Total National Production and the other in Total National Consumption, both of them should be treated just like other goods. Imports should be treated as though they had been made in Birmingham, say, and not in the Argentine. The importer of meat from the Argentine will pay for it exactly as he pays for it now, but the butcher who retails it will do so at the Just Price, and of course be reimbursed in the usual way.

Exports, on the other hand, would be sold, as they are sold now; namely, for what they would fetch. To sell them at the Just Price would be improper for two reasons. One is that other nations would immediately raise the cry of Dumping and regard, rightly or wrongly, the Just Price of the exporting country as a subsidised price by which their own manufacturers would be undersold; and promptly, in the heat of reprisals, up would go their tariff walls and their tempers. The other reason against allowing other nations to share in our Real Credit by being able to buy goods at our internal Just Price becomes clear the moment we ask the question, Why should they? They do not, and would not, contribute to the National Wealth (what they send us in imports we would *pay* for in exports), so why should they share in it?

From the foregoing it will be seen that if our exports tended to exceed our imports the price-factor would tend to move against us and to make for higher prices. That would be right and logical, for we should be sending more wealth out of the country than we were taking into it. Accordingly we should find this loss of Real Wealth reflected in an increase in the fraction, $\frac{C}{P}$, and we should have to pay the price—in higher prices. Thus the principle of the so-called "favourable balance of trade," which is based on the curious notion that the more Real Wealth a nation sends out of its domains the better off it is, would be sent to join the rest of the junk of obsolete economics in limbo.

As for the credit or esteem in which our money was held abroad, and the amount of foreign moneys exchangeable for a unit of it, both of these would stand high, since our money, being able to buy much more than it does now, would increase in value, so that the foreigner would be only too glad to get hold of as much

of it as he could. The chances are that it would become so valuable, and we should simultaneously be so prosperous and independent, that other nations out of self-defence would speedily have to adopt a similar economic system.

The tendency, it is clear, would be for Industry to produce with its eye primarily on the home market, as is the natural and desirable thing to do. Distribution, like charity, should begin at home. And at last the home market would possess the wherewithal to buy Industry's product. The tendency would be to import only what we were unable to produce at home, and to export (as a necessity) only what was needed to pay for what we imported. Then, with imports and exports equated, with the home producer given every incentive to produce for the home market, and with the fear that Russian, Japanese, or any other foreign goods would be dumped against him in the home market gone, at long last we should have what the whole world is groaning for—sane foreign trade. That is to say, true trading among the nations, equitable and peaceful; nations enriching one another in variety through an exchange of diversified goods and services. None would have to strain its eyes to the ends of the earth in an effort to find peoples, fast disappearing, whom it could saddle with goods which it could not dispose of at home, and saddle with a debt, too, or foreign loan, for them to buy the goods with. In short, a foreign trade from which the incentive to war would be entirely removed, and the consequent necessity for trading nations to be ready to turn their ploughshares into swords and their fertilisers into explosives at a moment's notice would be gone for ever. This, and nothing else but this, is true economic nationalism.

CHAPTER XV

FOURFOLD REMEDY—PART IV

AND so we come to the fourth and last part of the remedy.

It is not enough to offer goods to the consumer at a reduced price, because he may not have enough money to pay it. He may have no money. And this, far from being a point dragged in for the sake of argument, is one of the major steady happenings of the modern world. For with the shifting of the burden of production from the shoulders of men to the steel shoulders of the Machine, an increasing number of men get no money, "employment" still being the only way recognised by the present economic system of getting money at all. True, there is the "dole," but the dole is paid in spite of the system, not because of it. The dole is not part of the system: it is the high price we are apparently willing to pay to keep the system from breaking down altogether. In any case the present dole is guilty of two grave injustices: one is that it comes out of the pockets of those who are *in* work, and the other that no pains are spared to make its recipients aware of this and to rub in the fact that they are parasites living on the earnings of their fellow-citizens. Quite apart, however, from the dole and its disadvantages, the realities of the situation offer us three alternatives, and three only.

Either (1) we can continue as at present, more and more taxing those in work in order to find the gradually increasing sum of money required to pay the gradually increasing number of those out of work, and so continue to penalise industriousness and put a premium on laziness.

Or (2) we can, so to speak, behead our benefactors, and treat scientists, inventors, and engineers as traitors to the community for having been so foolish-clever as to raise up for us a wondrous saviour to deliver us from menialities and drudgery.

Or (3) we can frankly and gladly recognise that the workless are entitled to money—in the true full meaning of the word *entitled*—and make payment in some way which shall no longer induce in the recipients a feeling of shame.

We can take our choice of these three. But since there is a limit even to taxation, and even to folly, neither (1) nor (2) seems to offer a satisfactory way out.

* * *

Let us approach the matter from another angle. If it was vitally important to you to make a piece of dry barren land fruitful, and if you found a stream nearby which was not being used for any purpose whatsoever, what would you do? Obviously you would divert some of that stream so that it irrigated that land. So in the real world. *If* we can find a stream of money within our domain which is not being used for any purpose whatsoever, and *if*, all things considered, we find it both desirable and necessary to give money to the workless, the obvious thing to do is to divert some of that stream into the pockets of the workless. There can be no argument about that: the obvious course is also the sane, proper, and, as good luck will have it, the easy course.

Now is there such a stream? There is, and, as we know, it flows through the National Credit in the form of National Appreciation, and is charted in figures in the National Credit Account. But, someone will instantly point out, this stream is already being diverted to pay for the National Discount. *Some* of it is. We have quite deliberately not proposed to use all of it for the National Discount. Exactly how much is available altogether can be answered with absolute certainty the instant the nation takes the trouble to keep an Account Book and examine its figures. Even to-day abundant figures are available for those who care to ferret them out. And unless two and two have ceased to make four, and unless we are to brush aside as worthless the calculations and judgments of disinterested men who have made it their life-work to answer just such questions as this one, it is absolutely and undeniably clear, and absolutely and undeniably certain, that it is both possible and practicable for the stream of National Appreciation to take care of both a National Discount and a National Dividend. At any rate we shall assume this conclusion to be right on the excellent ground that there is no reason why it should be wrong.

In our mind, then, let us proceed to divert this stream into the pockets of the workless until they have received as much as they receive from the dole to-day, and behold! what have we done? We have saved the workless from starvation *without* touching the pockets of those in work; no longer are we borrowing from an industrious Peter to pay an impoverished Paul; in short, we have saved that amount of taxation. Moreover, if money were still left in the stream, as

it most certainly would be, the same process could be applied to such State payments as Old Age Pensions and Health Insurance. (It is worth noting, by the way, that the very existence of such funds is an implicit recognition of the right of citizens, as citizens and not as workers, to claim money from the nation.)

And suppose the stream still flowed strong with unused, undiverted money even after it had taken care of these payments and relieved the taxpayer to that extent? How should we proceed in that case? Should we continue to pour it into the pockets of the workless, the old, and the sick? We think not. What about the working, the young, and the healthy? Are they beneath the nation's consideration? We think not. Clearly, to come to the point without more ado, we would act as follows. We, or rather the Government as the agency of the nation's policy and will, would ascertain the sum of money left over after allowing for the National Discount, and would divide it equally among the population without distinction of creed, class, age, or sex. The resulting sum would be the National Dividend.

The dole, or Unemployment Insurance Benefit, together with all the other funds for which a moment ago we were so proud of being able to assume the payment, would lapse and pass out of the picture: the National Dividend would take their place. And far from any feeling of shame attaching to it, the mere act of declaring a National Dividend would inform every recipient of it that Great Britain, Limited, was solvent, while the size of the Dividend would indicate the nation's degree of prosperity at the time.

* * *

A nation which paid a National Dividend would be able to act impartially and justly. It would not be forced to penalise those who, if any, should be rewarded, in order to "reward" those who, if any, should be penalised. Above all, such a nation would act mathematically and therefore accurately. Keeping its book in order, it would keep its house in order.

At the same time, as in the case of the National Discount, caution and common sense would have to be used in the initial application of the Scheme, and probably the first Dividend distributed would have to be much smaller than that warranted from the figures in the National Credit Account. Even so, erring almost grotesquely far on the safe side, it has been calculated that a Discount and a Dividend of these dimensions could be declared simultaneously and now: a National Discount of 25 per cent. on the cost price of every article offered for sale in a retailer's shop, and a National Dividend of £3,000,000,000, or £75 per person, distributable to every man, woman, and child born and resident in Great Britain.

* * *

For some unfathomable reason the mere idea of a National Dividend, quite apart from its size, seems to have the effect of persuading some people that on receipt of it the nation would suddenly stop working, throw itself into a hammock and spend the rest of its life sipping long drinks through a straw.

The best general answer to this is that, were such a metamorphosis to take place, it would be a very short-lived one. For the National Dividend would immediately dwindle and shortly cease, since the calculations for the subsequent accounting periods would show that National Appreciation was rapidly becoming a minus quantity and turning into National Depreciation. Also, of course, $\frac{C}{P}$ would increase and result in higher

prices. In short, the nation, which according to the pessimists would be living on its capital, would find out that it was a case of No Appreciation, No Dividend.

But probably the best answer of all is the one each of us can give out of his or her own personal experience. The writer, for instance, is already in receipt of a payment made to him by a grateful nation on account of what he chooses to call "a slight accident in France" in 1915. It is in the form of a pension, and therefore, so far as the immediate argument is concerned, equivalent to a National Dividend. The amount is £65 a year. Now I am not aware (if the writer may intrude for a moment in the first person) that I am any lazier or any more of a ne'er-do-well for receiving this money from the nation every year. I work just as though I wasn't due to get it, in spite of the fact that its regular remittance does ensure me at least against literal starvation. If I am out of a job I still spend most of my energy in looking for another one, and if I have any energy left over after that I find myself trying to perform some congenial kind of leisure-work, because, like you and every other member of the human species, I am and cannot help being a dynamic and not a static organism. And of course I follow the conduct of Jack who found that all work and no play made him a dull boy. In short, I am just as anxious to earn £10,000 a year as if I had never seen that £65. But I am very grateful for it, for by ensuring me against starvation it saves me from a thousand unconscious petty cares and worries and leaves me freer to work better. The only thing which annoys me about my pension is the realisation that it comes out of taxpayers' pockets—including my own.

The man who is as satisfied with £65 as with £165

—well, he is not of this world and this book is not for him. But so long as a man prefers £165 to £65, so long will the incentive to work remain. And this is putting the matter on its lowest plane, since it quite omits to mention that subtle, but none the less very real thing, the "creative urge." People who, like Professor Soddy, then, visualise the hammock and the long drink and shake their heads will find, we think, that they are shaking them at a false vision—a vision rendered false by both the essential dynamic nature of man and his natural acquisitiveness. The world, as these otherwise astute observers point out, offers a tremendous amount of work to be done. With the payment of a National Dividend the work would be done not only as well as it is to-day, but with a far greater will. For, quite simply, good work would spell higher Dividends. Everyone would be interested in *results.*

* * *

The last remark brings us to an important consideration. Technological improvements and the general progress of the Machine result in an increase of Real Wealth. Very well, then: if the size of the National Dividend depended directly upon the size of that increase in Real Wealth, as it would—for that is precisely the nature and the structure of the Dividend—then gone at last and gone for ever would be Labour's hostility to labour-saving devices. At present this hostility is natural and implacable, but with a National Dividend every form of sabotage would cease, including the obstructive form used by Labour. For there would be no inducement to indulge in sabotage. Indeed the inducement would be all the other way, because once again efficiency and results would make for a higher Dividend.

Furthermore, schemes have been drafted, and we do not doubt that there are a dozen more unpublished in Major Douglas's desk, by which wages generally would gradually be superseded by dividends generally. This can be done in such a way that when a man is "sacked" simply because the Machine is going to do his work for him, and do it better, he will benefit financially through the change and not, as he does now, suffer. The economic mechanism is set forth in Major Douglas's Draft Scheme for the Mining Industry (*Credit Power and Democracy*).

Let us hail those whom we have met in these pages, the French workmen, the Montreal tram-driver, the stage-hand, the coal-miner, and the plumber and his mate. How do they take to the National Dividend? Do they slack? Do they go on strike? Do they try to cling to jobs long after the Machine has rendered them unnecessary? Do they weep when they are released from an unpleasant or dangerous job? The answer to all these questions is that if they wanted to maintain and increase the National Dividend they would do none of these things, for it would be to the interest of every workman and every magnate, of every employer and employee, to do what work there was to be done as well as possible and with as little man-work as possible. The French workmen, then, instead of throwing their sabots into machines would throw their caps in the air and shout for joy. And they would be shouting for all Labour, since "getting the sack," now a tragedy, would become what it truly and in fact is—a triumph and a release.

* * *

The technique for distributing the National Dividend, as in the case of the National Discount, is a matter of administrative detail. A nation which successfully kept accounts for about seven millions of its citizens during the distractions and disturbances of war, and which kept other accounts for the dependants of these and distributed money to them by means of quarterly books of drafts cashed weekly at the local post office, has no occasion to balk at the idea of distributing a uniform dividend to its citizens in time of peace. A few more clerks would be needed? More ink and paper? Undoubtedly. But there are, happily, plenty of clerks and plenty of pens. Are these too great a price to pay for abolishing poverty from the heart of plenty?

In the Draft Scheme for Scotland the suggestion is that payment should be made by a quarterly draft on the Scottish Government credit. In support of the practicability of this proposal the writer begs to state that he receives *his* national payment by a quarterly draft on the British Government credit, and finds no difficulty in cashing it and putting it to the best possible use.

* * *

The justification of the National Dividend is both moral and economic, and can be viewed from many angles.

It resides, for instance, in the fact that consumers, simply and solely as consumers, are every bit as important to the health and functioning of the economic body as are producers or any other of its members—as both Æsop and Shakespeare realised. It is in Consumption that the aim of all economic effort is fulfilled and the end reached. Consumption is the crown of an economic system.

Again, a citizen who is called upon to pay taxes

towards the material and spiritual upkeep of the nation, by so doing is automatically entitled to share in the results of his payments, if they have been used to increase the general wealth. The old cry of No Taxation without Representation, is joined by the new cry of No Taxation without Participation. The citizen's rôle of taxpayer is an expedient one; it *may* be necessary on this or that occasion for this or that particular purpose to take money from him and spend it elsewhere: but his rôle as shareholder in Great Britain, Limited, is an inherent one; a shareholder for life, he is born to claim and hold a share of the National Dividend.

Or we can approach the matter in another way. By 1857 it was possible to say that about eight hundred inventions had been incorporated in the spinning machinery of that date. Similarly, by 1928 over 1,699,145 mechanical patents had been taken out in the United States alone. Such a state of affairs being common to the civilised world as a whole, no man can point to a machine and say with truth, "That is mine," nor any group of men, neither "Capital" nor "Labour," say of it, "That is our doing." The Machine is a trinity of invention, development, and operation, one and indissoluble, and, like civilisation itself, it belongs to nobody except everybody. The progress of the industrial arts, as the late Thorstein Veblen called it, is a thing common to all men, including a host of people now dead and for the most part forgotten. It is a legacy augmented by generation after generation, and also inherited by generation after generation. We are its heirs. Now the nature of a legacy is that it is inherited and not purchased or left unclaimed. This particular legacy we can call the common cultural inheritance of mankind, and unless we claim it we are out of sense, out of pocket, and out of luck, for as Wordsworth wrote:

> Our life is turned
> Out of her course, wherever a man is made
> An offering, or a sacrifice, a tool
> Or implement, a passive thing employed
> As a brute means, without acknowledgment
> Of common right or interest in the end.

And the poet's convictions are supported even by the prosaic laws of copyright, by which no invention can remain private for long. Even the law sweeps it into the stream of the common cultural inheritance.

The National Dividend, then, is not "something for nothing." Rather it is the interest on the capital which the race has accumulated for itself since it became conscious of itself; and this interest is payable for as long as we cherish our inheritance and keep it bright.

Conclusion

We have outlined the fourfold remedy for our fourfold evil, and can summarise it as follows: *Measure yearly the value of the nation, and declare yearly according to this value both a National Discount through the price-factor and a National Dividend. Do these things through the exercise of a nation's sovereign right to control its own monetary system, having reinvested the nation with that right through legislation.*

A structure built upon these principles is one of true economic nationalism; that is, a nation in control of its own affairs and at peace with the rest of the world. Unfortunately but perhaps inevitably, with the failure of economic *inter*nationalism at the World Conference in 1933, the phrase Economic Nationalism—coined

by the New Economics and long current in its vocabulary—was pounced upon to do service as a political slogan for what is called Empire Free Trade. Thus its true meaning was smudged. Empire Free Trade is not Economic Nationalism—it is Empire Free Trade, and differs in no essential whatever from the State Free Trade practised by the forty-eight States of the U.S.A., with what disastrous results the world knows. An economic system is not turned from a failure into a success merely because oceans and seas flow between the units practising that system. Empire Free Trade simply means America's economic troubles in Empire proportions. And the accurateness of the comparison between the United States of America and the United Nations of the British Empire is still further intensified by the fact that they are both equally self-supporting; that is, about 98 per cent. self-supporting, America lacking rubber and the British Empire lacking oil. Economic Nationalism, then, has nothing whatever to do with Empire Free Trade, because Economic Nationalism means exactly and only what it says.

As has been implied, some half-dozen schemes embodying the principles of Economic Nationalism have already been drafted, and reference to the Bibliography at the end of the book will show where some of these are to be found.

But this half-dozen could easily be expanded into a hundred, and the details of the hundred could easily vary by the thousand. That would not matter, for each of the thousand variations would be founded upon and bounded by its particular scheme's abiding principles. Indeed, if Economic Nationalism is to be applicable to any community with a money system, no matter what its size or geographical position, a certain elasticity and variation of details in its application is both necessary and desirable.

The details, as has also been pointed out, do not concern us, nor at any time would it be necessary for us to have them at our finger-tips. Do we have to pass an examination in physics before we can turn on the radio, or in electricity before we can switch on the electric light? Do we have to study the intricate mechanism of the present monetary system before making use of it, and satisfy ourselves that we fully understand the present system of accountancy before we dare spend a shilling? Indeed not. The present system works—as far as its administration is concerned—with perfect smoothness to the accompaniment of a profound ignorance on our part concerning it, an ignorance aptly summed up by the Chancellor of the Exchequer who said, on introducing the Finance Bill of 1927, that it contained alterations which he might say with safety very few people would understand.

Principles, on the other hand, a child can understand. Policy, as distinct from administration, *is* our concern. How best to put those principles into practice, how best to administer that policy—that is for the experts to decide. If they tell us that it is impossible to administer a certain policy, they must also tell us why. Until they do so, the nation is entitled to say, "Do this thing—or get out."

And so we draw to an end. Here, no doubt, the orator would move his audience with an eloquent peroration; here, no doubt, the gifted writer would play a purple light upon a patch of noble prose. But this is a book written for the prosaic "consumer"; it is also written by one; and we are plain blunt men all, and busy ones too. And so, in place of swelling diapason or rounded period, we turn for a message

and a text to the symbol of our nationalism and the source of all our earthly authority, to one who is outside both the tyranny that binds us and the politics which play with us and are themselves under the heel of that tyranny—the King, who with right royal emphasis, thereby making memorable an otherwise abortive conference of the world, on the 12th of June 1933, and in words listened to by his subjects all over the earth, said this:

"It cannot be beyond the power of man so to use the vast resources of the world as to ensure the material progress of civilisation. No diminution in those resources has taken place. On the contrary, discovery, invention, and organisation have multiplied their possibilities to such an extent that abundance of production has itself created new problems."

What these problems are this book tries to state; and how they should be solved it tries to indicate.

BIBLIOGRAPHICAL NOTE

THE appended list, if it can be called a list, is a peculiarly arbitrary one, and peculiarly personal, because I shall set down the names of only those books which have particularly interested or helped me, as a layman, to grasp the New Economics. I shall, therefore, doubtless be guilty of grave omissions, but as I am trying to answer the question which I hope many readers are asking at this moment—"What shall I read next? Put me on to some more books on this subject"—I can only answer it out of my own experience.

As the next step I recommend either

Social Credit, by Major C. H. Douglas, M.I.Mech.E., (Eyre & Spottiswoode); or

This Age of Plenty, by C. Marshall Hattersley, M.A., LL.B. (Pitman).

After reading these two books, the first of which contains its author's Draft Social Credit Scheme (for Scotland), the reader will be able to find his or her way round the literature of the New Economics without further help, Mr Hattersley's book containing a full and descriptive list of the worth-while books on the subject.

Other books (not dealing with the New Economics) to which I am indebted in the present volume and which come under the term "light reading" are:

Men and Machines, by Stuart Chase (Macmillan); *What is Technocracy?* by Allen Raymond (McGraw-Hill); and *Upton Sinclair Presents William Fox*, by Upton Sinclair.

No Note of this kind would be complete without mentioning the *New English Weekly* and the *New Age*, each of which boasts a New Economist in its editorial chair. I am immensely indebted to each journal, both in the present volume and as an invaluable weekly *vade-mecum* and barometer of current events.

Finally, there are the works of Major Douglas, who, "discerned in retrospect as having been one of the great contributions of re-oriented Scottish genius to world affairs"—as a fellow Scot puts it—is responsible for the body of thought alternatively known as the New Economics, Social Credit, or Economic Nationalism. Major Douglas's works are published by Messrs Stanley Nott, 69 Grafton Street, Fitzroy Square, London, W. 1.

Books and pamphlets on Social Credit other than those by Major Douglas are published both by Messrs Nott and by Figurehead, 13 Orange Street, London, W.C. 2.

The reader seeking information can obtain it from the Social Credit Secretariat in London. This office publishes the official weekly organ, *Social Credit*.

M. C.

EPILOGUE

If anyone advance anything new, which contradicts, perhaps threatens to overturn, the creed which we for years respected and have handed down to others, all passions are raised against him, and every effort is made to crush him. People resist with all their might: they act as if they had never heard nor could comprehend; they speak of the view with contempt, as if it were not worth the trouble of even as much as an investigation or a regard; and thus a new truth may wait a long time before it can make its way.

Goethe

For the Reader's Examples and Notes

General

MAURICE COLBOURNE
Author of "Economic Nationalism," has already made his name known, especially in English-speaking countries of the world, by his vivid bare-fisted writings, which include: "The Wicked Foreman," "Unemployment or War," "The Real Bernard Shaw." His present work is a development of "Unemployment or War," published in U.S.A. in 1928, and quickly sold out. He has always been interested in economics, for as he says: "Anyone who has a shilling is automatically interested in economics, and anyone who hasn't is even more interested."

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