LIFE AND MONEY

BOOKS BY EIMAR O'DUFFY

THE WASTED ISLAND

KING GOSHAWK AND THE BIRDS

THE SPACIOUS ADVENTURES OF THE MAN IN THE STREET

EIMAR O'DUFFY

LIFE AND MONEY

Being a Critical Examination of the Principles and Practice of Orthodox Economics

and

A Practical Scheme for Remedying the Present Industrial and Financial Chaos

PUTNAM

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I DEDICATE THIS BOOK TO

MY CHILDREN

BRIAN AND ROSALIND O'DUFFY

WHO ACCORDING TO ALL THE LAWS OF

ORTHODOX ECONOMICS

SHOULD NEVER HAVE BEEN BORN

INTRODUCTION

A FEW years ago I published a fantasy entitled *The Spacious Adventures of the Man in the Street*, which included a satiric presentment of modern economic ideas. That criticism was, so far as I was aware, original; and it was new to the public because its first presenter was never listened to. In my book it received equally little attention, being either ignored, or lightly enjoyed as a specimen of Irish dialectical fun. A friend of mine, however—Mr. Cyril Rock, of London—took me seriously, and proceeded to work out a scheme by which the defects which I had indicated could be put right, and the economic machine made to function properly.

That scheme we now present to the public. It does not involve the creation of a new economic machine. Still less does it involve the creation of a new social order. We are not, like the Socialists, concerned with rights or wrongs, or with questions of ownership. We accept human nature as it is, and do not propose that mankind should alter the bent of its mind, or the direction of its activities, or dispense with the ordinary incentives (unworthy as they are, in my opinion) that are the motives of its efforts at present. We do not propose, in short, to create a new heaven and a new earth. Our intention is merely to show that the economic troubles from which the world is suffering at present are due to a miscalculation in economic science, which is partly due to misapprehension of an economic fact or of its implications, and partly to a mistaken concept in ethics. We have crystallised our view in a phrase, as follows:

> 'The economic troubles of the world are occasioned by the fact that a monetary system which originated at a time when the demand for goods was greater than the supply, and when competition between man and man was inevitable, is still in use at a time when the supply of goods is greater than the demand, and competition is giving place to co-operation.'

Our proposal, then, is to adapt the monetary system to the new conditions, and we believe that thereby poverty and its attendant evils will be automatically and progressively ameliorated, and finally abolished. The construction of the practical scheme necessary to accomplish this has been almost entirely the work of Mr. Rock; my own contribution having been to play the part of 'devil's advocate', picking holes and finding flaws for him to set right. Indeed, the bulk of Part II of this book has come almost unaltered from his pen.

E. O'D.

LONDON,
December 1931

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'Here's a farmer that hanged himself on the expectation of plenty.'—*Macbeth*.

'No graven images may be
Worshipped, except the currency.'

A. H. CLOUGH

PART I

THE ECONOMIC MUDDLE

THE ECONOMIC MUDDLE

The Dilemma of Unemployment

NEW economic theories generally begin with a man on a desert island, and crumple up before the figures of Sir Josiah Stamp. I propose to begin mine with a man in the street, and to show that Sir Josiah Stamp's figures, however accurate they may be, are beside the point.

Everybody who reads the daily newspapers must frequently have come across the phrase 'in these days of strenuous and growing competition', and has probably passed it over without a thought, as though it were no more significant or memorable than a casual reference to the weather. It is, however, extremely significant, and gives perfect expression to the economic muddle in which the world is involved.

The most significant thing about the phrase is its apparent insignificance. It is passed over because it is taken for granted. Nobody ever stops to inquire 'why should these be days of growing competition?' It is assumed, apparently, as part of the order of nature that competition between man and man has grown steadily fiercer with the passage of time, and that it must grow fiercer still in the future; and it never occurs to the reader to wonder why the complete victory of man over nature, his manifold devices for the saving of labour and the multiplication of its fruits, and his increasing social aggregation should have so utterly incongruous a result. Still less does it occur to him to feel any qualms about the tigerish ferocity which must eventually be developed in the race if the process be continued.

The apparent platitude is, in fact, a paradox. That is to say, instead of being a truth so obvious as hardly to need statement, it is a truth so startling as to require careful investigation. What is the competition about? Can it be that, in spite of all our inventions, the necessaries of life are now actually or relatively scarcer than they were? Or is it that one section of the community is absorbing so disproportionate a share of the general wealth as to leave insufficient for the rest? If not, why on earth must the mass of mankind be engaged in an increasingly strenuous struggle for a livelihood?

We may begin our inquiries by questioning one of the victims of this fierce competition: one of our two and a half million unemployed. Ask such a man what he wants, and he will at once answer: 'Work'. Not 'food, clothing, shelter, and medicine', though he may be obviously hungry, ragged, ill, and homeless; not even 'money', which includes all these things; but 'work'. In short, the man is not answering your question truly, though he is answering it honestly. Nobody wants work. That is to say, nobody wants the toil forced on him by the necessity to earn a living: though all sensible people are ready to do it for the sake of getting the living. What the man really means, then, is that he wants food, clothing, shelter, and medicine, and is prepared to work in order to get them.

Now observe this. The unemployed man has no doubt that, if he can get a job of work and draw the pay agreed on, the food and clothing will be there for him to buy. He knows that they are lying for him in the shops at this very moment. If he cannot get the work, the bread he might buy will stale and go to waste; the shirt he might buy will remain a little longer on the shopman's hands, thus reducing his profits, and delaying his order to the factory for a new supply. There may be a 'glut' in the wheat market; the cotton growers in America may be desperately resolving to burn their 'surplus' crops, and the Lancashire mill-owners offering their 'overproduction' of shirts at fantastically reduced prices to the Chinese. Fruit may be rotting on the trees, the *Daily Express* clamouring against the 'dumping' of fruit from abroad, and the farmers gloomily wondering how they are going to dispose of their too generous supplies of milk and vegetables. In fact, there is not shortage, but abundance of all the things our friend needs.

Nevertheless, he cannot claim any share of this abundance unless he works for it. No effort of his has been required to produce it, or will be required to produce a similar abundance to-morrow. His work, as he has been told at the gate of every factory to which he has applied, is unnecessary; but all the same, he must work or starve. To make the situation more absurd still, and as if to emphasise that he is *starving in the midst of plenty*, it is not required that the work he does shall be productive. It may be utterly useless, or even positively mischievous. A lady may hire him to give her lapdog (which would be better dead) an airing. At once the shops are open to him to the extent of her generosity. But if she presently decides to keep the beast indoors, the man must go hungry again. If now, driven by despair, he hires himself out as a vendor of harmful drugs, a pedlar of indecent postcards, a gunman to a racketeer, or a procurer to a brothel, once again his money is as good in the shops as that of your honest workman. It is true that in such cases the law may have something to say in the matter: but that is not the point. The point is that the goods are there without any productive effort on the part of the purchaser; and if they are available for the pest and the parasite, they must be available for a decent man whose work does not happen to be required at the moment.

Our unfortunate friend's position may now be summed up as follows:

He is hungry and ragged because he cannot pay for sufficient food and clothing;

He cannot pay for these because he is not working;

He is not working because his work is not wanted;

His work is not wanted because all the goods required can be produced without his assistance;

In short, the reason why he must go without food and clothing is that there is plenty of both.

This, you will say, is absurd, and therefore cannot be true; and promptly you will remember the many millions of the poor, and conclude that the abundance in the shops is only apparent, and that there really are not enough goods to go round among so many.

In that case, can you explain why our friend and his unemployed fellows are standing idle instead of helping to produce more goods? He is, let us suppose, a cotton worker. Why is he not engaged in producing shirts for the millions of people who need them? Because these people cannot pay for them. Why can they not pay for them? Because they are wageless through unemployment, or because, when employed, their wages are low. Why is labour left unemployed and poorly paid? Because it is plentiful, and what is plentiful is cheap. What does that mean in effect? It means that *part* of the available labour is sufficient to produce *all* the goods required. So that the reason why all the goods required are not produced is that they can be produced with little labour: which is equivalent to saying that goods are scarce because they are easy to produce.*

Our friend's misfortunes, then, are due to one or other of two causes. Either there is plenty, and *therefore* he must starve; or there is scarcity, and *therefore* he must not produce. Whichever way you take it you are landed in absurdity.

Such results could only follow from such causes if our economic mechanism were either hopelessly idiotic or sadly out of date. The ensuing pages, I hope, will show which. Meanwhile, as an apt symbol of our civilisation, I want you to carry in your mind a picture of several millions of rational men begging for what they don't want, and unable to get what they do want (of which there is plenty) because there is none of what they don't want available.

Thinking it Out

Now do not suppose that I am juggling with words, playing at logic, or trying to be funny. The two chains

* This argument disposes of the contention that unemployment is due to the loss of foreign markets. It will be time to worry about foreign markets when the home market is satiated. When every Englishman has a dozen shirts the surplus can be safely and profitably exported.

of reasoning which I have just put together are exactly what orthodox economists say, only that they use different words, which sound scientific because they are long. They do not, of course, follow them to their logical conclusion, as I have done. As soon as that appears in sight they either turn up their noses and walk right away from it, or else emit a fog of verbiage to prevent it being seen. And if anyone tries to point out the truth they are trying to smother, they call him a fool or a crank, and refuse to listen to him. But they never argue with him in plain language. If they did, they would have to admit that their verbiage either means nothing at all, or means that poverty is irremediable under our present economic arrangements, which is perfectly true.

Now go back to the two chains of reasoning set forth above. You will find one link common to both, though differing slightly in form in each case:

Our unemployed friend (let us call him John Smith) is idle *because all the goods required by the community can be produced without his assistance*; and

Labour is cheap because it is plentiful, that is, *because* part *of the available labour is sufficient to produce* all *the goods required by the community.*

There is the crux of the matter. There is no scarcity of goods: there is abundance, and there could be greater abundance still. Modern industry is so well equipped and organised that it can produce enough goods to satisfy everybody's wants without calling on everybody to work. But in spite of this, society insists that no individual shall take a share of the product unless he works. In consequence, the goods which an unemployed man would consume are presently left unproduced, with the result that those who would have made them are unemployed in their turn, and a fresh shrinkage of production follows, leading to more unemployment, and so on *ad infinitum*.

Virtually, then, society says to John Smith (who, please note, is a decent, sober man, only too anxious to work for his keep*) : 'Unless you work, you shall not eat; but there is no work for you to do; therefore you must starve.' Pleasant prospect for John Smith, who, perhaps, has a wife and children to support, and a little home which he is in process of buying, and furniture bravely saved up for, in which he and Mrs. Smith take some pride. But these considerations are not economics. Economics says: 'No work, no home', so out Smith has to go to find work in a world where work is being steadily done away with, and to sink from the condition of a healthy, contented, useful citizen to that of a shabby lounger with a grievance.

John Smith has been very patient so far. But, besides being a man of industrious habits, he is also a man of spirit, as he showed with rifle and bayonet a few years ago when his country *had* work for him. How long do you think he will submit to his remorseless exclusion from the abundance he sees about him? If society goes on saying: 'You must work or starve, and there is no work for you to do', will he not presently come to the conclusion that society is his enemy? Try and put yourself in the place of a man going from

* The notion that our 2½ million unemployed are worthless idlers who could 'find work if they wanted to' is now almost confined to the suburbs.

factory to factory asking for work, and everywhere being told that there is none for him, and that therefore (understood) he must go on starving, he and his wife and children. Try and imagine the growing anger in his heart, the dumb, heavy anger of impotent despair, the growing sense that every man's hand is against him. Society is making itself enemies of such men in thousands. At this moment there are two and a half millions of them under its implacable ban, and day by day the iron is entering deeper into their souls. Will they be patient for ever?

The Dole, and its Significance

At this point you will probably raise the objection that the picture of the unemployed man which I have just drawn for you is an exaggeration, and that nobody is allowed to starve in a modern civilised state. You will remind me of Unemployment Insurance Benefit (commonly called the Dole*), the Poor Law, and the vast sums distributed by public and private charity, and will perhaps suggest that by these means society is doing all that can be expected of it to support those who for one reason or another are unable to support themselves.

To this I must reply in the first place that I am concerned not merely with Great Britain, but with the world, and that many countries, including the United States, which is the most highly industrialised of all,

* I shall use this term throughout this work, here disclaiming all offensive implication. Unemployment Insurance Benefit is too long; and Dole has the sanction of general usage.

have no system of unemployment insurance. In the second place, not everyone in Great Britain who is unemployed comes under the system. The unfortunate fellow I have depicted might have been an agricultural labourer, a clerk whose earnings when employed were more than five pounds a week, a journalist, an actor, a young man starting life, or even a failure at one of the professions. The number of persons thus disqualified for the dole must run into tens of thousands. As for the Poor Law, it is well known (and it is one of the finest traits of human character) that most people shrink from the humiliation of applying to it, and will beg for work till they drop sooner than do so.

The fact is that multitudes of people do starve, even to death, in this teeming civilisation of ours. A few years ago in Ireland a farm labourer and his wife were found dead in their cottage. Too proud to appeal to the Poor Law, they had simply lain down and died. The *Daily News* of June 4th, 1927, reported a case which I find summed up in my notebook as follows:

> 'John Grierson, musician and author:
> entertained at many courts,
> wrote on philosophy and art,
> wrote a biography of Lincoln,
> sold a watch, given him by King Edward VII, to buy food,
> died of starvation at Los Angeles.'

And here is a cutting from the *Westminster Gazette* for April 5th, 1927—just two months earlier:

> 'Colonel Kills Himself.
> 'Tragic Failure to Find Work.
>
> *New York, Monday.*
>
> 'The Great War claimed another British victim here last night when Colonel John Innes Brown committed suicide by inhaling gas in a cheap lodging house.
>
> 'Colonel Brown, a brother-in-law of General Sir Archibald Murray, was well known. He had, however, a long spell of bad luck.
>
> 'He came to the United States three years ago and got a job as a hospital clerk, and later as a night watchman.
>
> 'He had some sort of business venture in Canada, but this had failed. He was, however, silent about himself.
>
> 'The funeral is being arranged by the British War Veterans.
>
> 'It is tragic to have to record that in the richest city of the world and in a land with 207 incomes of over a million dollars, no room could be found for this educated man of 60 years.'

Los Angeles and New York! where wealth is poured out like water in the service of folly and vice. Close to this cutting in my album I notice the following jolly item from the *Daily Express* for February 3rd, 1930:

> *New York.*
>
> 'London has its beauty parlours for dogs and cats —but I have yet to discover any such establishment rivalling in sumptuousness one which I visited here.
>
> 'The specialists who conduct it care for the personal appearance of the pets of some of America's

> wealthiest men and women. They claim that three times as much money can be spent on beauty treatment for a cat or dog as for a woman.
>
> 'Twenty-two of their customers are griffons belonging to the much-married Miss Peggy Joyce. Miss Gloria Swanson, the film star, sends her sheepdog to be shampooed regularly six times a year.
>
> 'He is charged the maximum price—£3 3s.—because his hair is so long that it touches the ground.
>
> 'Cats, I learned, cannot be shampooed, as they are liable to become rheumatic.* Instead, they are dry-cleaned by a secret and expensive process, used elsewhere only for the sacred cats of the royal household of Siam.
>
> 'Health as well as beauty is cared for by these enterprising experts. They conduct a country sanatorium, where dogs who are jaded by the hectic luxuries of city life go for a few days' rest cure.'

A dog's life, truly! No wonder there is nothing to spare for the poet or the old soldier, especially as the latter was 'silent about himself'.

But the number of those who actually die of starvation is as nothing to the numbers who are crippled and degraded by the life imposed on the poor. Go down some night to the Thames Embankment and see for yourself the human wreckage known as the 'down and outs'.

Even those who do draw the dole are anything but well provided for. In Great Britain at present, under

* Sleeping out on cold nights has a somewhat similar effect on human beings.

the Act of 1928, a man draws 17s. a week,* a woman 15s., and the allowance for a child under 16 is only 2s. a week. Life on such a scale must be a poor thing indeed; but what I want to emphasise at the moment is not the privations of the individuals directly concerned, but the effect of their reduced purchasing power on the economic condition of the community in general. It is because we reduce the pay of these people whose work is not required for production that our shops and factories are full of unsold goods. Every unemployed man means so much custom lost. Unable to sell the goods these people would have bought, the factory-owner has to get rid of some more workers, or else to reduce their wages. These in turn have to buy less, and so the thing goes on in a vicious circle which no orthodox economist can suggest a means of breaking.

Finally, I should like to point out that the very existence of the dole itself (it was first instituted in Great Britain in a small way in 1912) is a confession that our economic system is at fault, and an admission of the two points which form the basis of the new methods which I shall presently propose.

It is an admission, in the first place, though a grudging one, that pay may and should be awarded without work;

And in the second place it is an admission that the goods are there for the having in spite of the fact that a particular individual has not worked to produce them. If this were not so, even the meagre dole we grant could not purchase anything. Our orthodox

* Reduced by 10 per cent. by the Economy Act of 1931.

economists have gone so far as to concede that even if a man does no work at all, there is 17s. worth of goods for himself, 7s. worth for his wife, and 2s. worth for each of his children ready for him in the shops every week. We shall presently see that there is a great deal more, and that even the unemployed actor or journalist, or the doctor's widow, need not go hungry or shabby either. Better still, we shall see that their feeding and clothing need not be a charge on anybody.

Sir Josiah Stamp's Figures

This, I know, sounds Utopian, which in the ordinary man's speech means impossible; for the idea of a society freed from poverty seems to be outside the range of the ordinary man's imagination. Let me hasten to assure him that it is not only not Utopian in that sense, but it is not Utopian even in the proper sense: that is to say, it does not require a radical or violent alteration in our existing social system to bring it into effect. That everybody could be tolerably well off is a *fact* which is hidden from view by misconceptions and miscalculations due to habits of thought formed under conditions of long standing only recently reversed.

It is here that we join issue with Sir Josiah Stamp's figures. Sir Josiah Stamp is an eminent industrialist and economist who, in 1921, worked out that if all the people with more than £250 a year put the surplus money into a pool, and this were then distributed among the whole population, it would only provide five shillings a week for each family.

The *Westminster Gazette* of August 3rd, 1925, reported a subsequent speech of his on the same subject as follows:

> 'Sir Josiah said that the whole idea of such a distribution was artificial in the extreme, and the calculations had very little value except to show that the millennium lay not so much in the redivision of the present cake, as the whole community setting to work to make a bigger one.
> 'The calculation was useful as forming rather a drastic check to imaginative efforts.'

I would suggest to Sir Josiah that, instead of decrying the rare faculty of imagination, he should make a little use of his own. What on earth is the use of telling the community to set to work to make a bigger cake if it is incompetent to utilise its own labour and to distribute the cake it has? I quite agree with him, however, that these calculations have very little value. Sir Josiah is thinking in terms of money; and it is probably true that if you divided all the money in England it would amount to no more than he says. But money is not wealth: it is only a means of exchange. You have to think in terms of *consumable goods*; and not merely of *existing* consumable goods, but of *potential* consumable goods: that is to say, of the goods which could be produced if all our factories and all our men were working full time. I do not suppose that all the existing consumable goods are enough to go round, though they are obviously more than enough for the numbers who at present can afford to buy them: as anybody accustomed to using his eyes, instead of blinding them with printed statistics, can see for himself by going round the shops during a season of sales, or reading the clamorous advertisements of manufacturers. But if all our powers of production were set to work, then you would have wealth in full measure, pressed down and running over.*

Money and Goods

Let me put the case of our unemployed friend from another point of view that may make this clearer. Suppose that he was at one time employed in making buckles for ladies' shoes, and that he has lost his job as a result of a change of fashion. Will there be less corn and cotton grown in the world, less fruit on the trees and less fish in the sea, because buckles are no longer worn? Must less bread be baked, and fewer shirts and socks manufactured because pompons are now the rage? Clearly no; and therefore, as I have said, the goods are waiting for our friend if only he could pay for them. If he used to work in a corn mill or cotton factory, the case is even stronger. The fact that he is unemployed is a sign that those goods are, or at least could be, abundant.

Again, take the case of the widow and children of a young doctor, who has been earning, say, £600 a year, but who has not yet had time to save much. It cannot be that the cessation of such a man's activities has reduced the general productivity, yet, unless private charity steps in, they are left to starve. What has become of the goods they would have bought if the

* See the first Supplementary Note at the end of the book for quotations confirming this.

father had not died? They have not gone to the two other doctors between whom his patients have now distributed themselves. These have all the food and clothing they want already, and they spend their increased wealth, perhaps on motor-cars or holidays, or else they save it. So what has become of the food and clothing so badly needed by the widow and orphans? At first they simply go to waste, and presently, as there is no demand for them, they are not manufactured. The capital and labour (that is, the material and energy) formerly used in providing Doctor A's family with food have not been diverted to supplying Doctors B and C with cars, as a hard-headed orthodox economist might suggest. There is capital and labour unemployed in *both* groups of industry, so that what has happened is that the energy formerly used in supplying the needs of Mrs. A and her children is now lying idle; and other energy, formerly lying idle, is now employed in building cars. The only transference has been a transference of *money* which is neither energy nor wealth, but a means of exchange for these things. If you think in terms of goods, you will realise that the cars could easily have been produced before Doctor A's death, and that the food and clothes could easily be produced still. The capital and labour (that is, the material and energy) to supply both have always been available, and still are. Why, then, can they not both be used? Why must Doctor A die before Doctors B and C can have their cars? Why can they not obtain their cars without inflicting starvation on Doctor A's family?

Let us try and work out these problems in simple figures. Doctor A's income was £600 a year; Doctors B and C had £300 a year each. Total income of the three, £1,200.

That money was enough to supply the ordinary human needs of the three families, and also a car for Doctor A. It was not enough to provide cars for Doctors B and C as well, who, having to walk to their patients, were harder worked than Doctor A, though their practices were not so lucrative. Meanwhile, the cars they wanted to buy were on the maker's hands, or else he had not ventured to manufacture them; and the men who might have worked on them were pinching themselves on the dole. Suppose the cars are worth £150 each. That means that industry can produce for the benefit of the three doctors £300 worth of goods over and above what the money issued to them can buy; and the same remains true after the entire £1,200 is divided between Doctors B and C, only that now the 'surplus' goods are not cars but food and clothes.

Does not this suggest that one cause of the trouble is that there is not enough money going about to purchase all the goods that can be produced? And that the reason why enough money is not issued is that there is no way of conveying it to people whose work is not necessary to get the goods produced?

Why could not Doctors B and C afford to buy cars before the death of Doctor A? Because they were underpaid.

Doctor B's patients were wealthy, but few. He was therefore under-employed. That is to say, the whole of his healing power was not required to keep the community in sufficiently good health to produce a car for him.

Doctor C's patients were many, but poor. He was therefore underpaid. His patients were poor because their labour was cheap, that is plentiful, that is more than enough to supply the goods required. Some of them were unemployed motor workers—unemployed because all the motors required could be produced without their assistance. Doctor C required a motor, but could not have it because he had not the money to buy it; he had not the money because his patients were poor; and his patients were poor because he could not buy the car and the other goods they could have produced. All this is set right—this vicious circle is broken—by the death of Doctor A, but only by starting another vicious circle elsewhere. What we must aim at, therefore, is to break the vicious circle without starting another; and the way is clearly indicated in the example given above. The vicious circle was broken by the introduction of *fresh money*.

My point is sharpened by another absurdity. Suppose that after a period of starvation Mrs A rouses herself to earn a livelihood by needlework, which she sells to her friends. It is very bad needlework, and they are ashamed to be seen wearing it, but they buy it out of charity. Mrs. A can now buy food and clothes for her children though she has done nothing more than before to produce them. But now the money she spends is taken from some other industry, because her friends, in order to give it to her, must spend less themselves. Mrs. A's vicious circle is broken by the introduction of fresh money, but again only by helping to start another vicious circle somewhere else. Does not this suggest that the fresh money should have been introduced at the beginning, before the food and clothing needed by Mrs A had ceased to be produced? Then Doctors B and C could have had their cars without starving her, and the motor trade could have had its boom without depressing the food and clothing trades.

Don't Worry About the Rich

Once again, therefore, we come back to the point that people are starving in the midst of plenty. The cars could have been available before, and the food could be available still, if there were money enough to buy them. The problem is not one of relieving scarcity, but of distributing abundance.

If Sir Josiah Stamp's figures can be thus disposed of, the Socialists are equally at fault in denouncing the extravagance of the rich as the cause of the poverty of the poor. There is plenty in spite of that extravagance; and as the rich can have no part in the kingdom of heaven, it seems unfair to complain of them for making the most of the kingdom of earth. For my own part, so long as I can have my little home in the suburbs, my books, my friends, an occasional trip to the Continent, and the comfort of tobacco, I do not grudge the millionaire his palaces and steam yachts. He can have them without robbing me. It is only when he uses his wealth to obtain political power over me that I have any quarrel with him. But that is not economics.

Particularly wide of the mark are attacks on the *idle* rich, because for them, just as for the idle poor, there is no work to do. They 'consume without producing' because we can produce enough for all without their assistance. Certainly they consume more than their share, but not of anything that matters, for nobody in his right mind would want most of the things they consume—I mean such things as *foie gras*, five-shilling cigars, night clubs, and lackeys. It is claimed that they divert to the manufacture of luxuries labour and capital that would be better employed in making necessities for less fortunate people. But they don't: for it is in the trades that supply the needs of ordinary people that unemployment is worst. The whims of the rich merely occupy labour and capital which, under present economic arrangements, would be doing nothing.

No. There is no need for the economist to worry about the idle rich. That is a moralist's job. A much more real peril is the industrious rich—the men who get hold of and manipulate industry to gratify their own love of power or desire for money, and subordinate to these ends its proper function of producing goods. And even from them the danger is not mainly economic. It is generally agreed, for instance, that the buying up of the Press by a handful of millionaires is a thoroughly bad thing. In their hands the papers have tended more and more to sensation-mongering and stunt-promotion, to flattering and corrupting the minds of the ignorant, to vulgarity, prurience, quackery, and mere silliness, while truth and freedom of opinion are in infinitely greater danger of suppression than under the most despotic of governments. But these are not economic evils, and it is not the business of an economic machine to find a remedy for them. What I am concerned to show now is that the rich are not the cause of poverty, and that social reformers waste too much good ammunition on them. The human mind likes drama, and to represent the economic situation as such, with hero and villain and disputed fortune all complete, makes things simple and thrilling to the average voter. But the rich are no more villains than the poor are heroes, and the fact is that both are being helplessly whirled along by a machine which they don't know how to work.

Machinery the Cause of Unemployment

It is abundance, then, that is the cause of unemployment, and, through unemployment, of poverty. Every mechanical device invented by man, every scheme of industrial reorganisation for the economising of time and labour, throws men out of work while increasing the general resources of the community. The very bounty of nature has the same effect, a bumper crop of wheat or fruit in any part of the world being regarded as a calamity by all who live by the toil of cultivation. Unemployment began, in fact, the very first time a man used a sharp flint for a tool instead of his naked hand. But of course it was not then a 'problem'. The problem at that time was the other way round: that is to say, not to find oneself *work*, but to get oneself a sufficiency of goods without having to spend one's whole life working for them. Unemployment only became a problem when the displacement of human labour by machinery began to deprive large numbers of men of their only recognised means of livelihood. The Luddites, who, in 1811, took to smashing the machines which had thrown thousands of wool workers out of employment, were not quite so 'unenlightened' as hard-headed economists called them. They were taking the obvious way out of their misfortunes, and the only way visible to minds accustomed to the traditional modes of economic thinking. As we shall see presently, the remedy they sought was the exact same in essence as that proposed by the eminently respectable school of economists called Protectionists.

Are We, then, to Abolish Machinery?

Of course not. You might as well suggest that we ought to limit the fertility of nature, which is equally a source of unemployment. Those who, like Mr. Chesterton and his Distributist League, propose to regenerate society by returning to hand labour and small farming are simply asking us to throw away all the advantages over circumstance which human ingenuity has won, and forgo all the abundance which it has created and can go on creating. They want us, in effect, to work *harder* to produce *less* result. Mr. Chesterton will be horrified to hear it, but the reason why he proposes such a remedy is that his reasoning is vitiated by the exact same fallacy as inspires that of his capitalist opponents. Because work is necessary to produce wealth, he imagines that work *is* wealth, and that wealth is to be measured by the amount of work expended in producing it.

Of course he would not actually *say* this. He does not even know that he thinks it. Neither does he act on it in his personal affairs. He does not, for instance, write his books on papyrus with a quill pen and sepia: he uses paper and a fountain-pen, or at least a steel pen and manufactured ink. If he wanted to hang up a picture in his home, he would not try to drive the nail with a pebble from the garden: he would use a hammer. Yet, when he comes to think of society as a whole, he urges it to do the exact opposite, and so do his opponents. A cabinet minister would not try to 'make work' for himself in his own home: but his contribution to the solution of his country's economic difficulties is to try to 'create employment' for the poor.

The Philosophy of Sisyphism

To this habit of mind Frederic Bastiat, a French economist who wrote in the eighteen-forties, gave the name of Sisyphism. Sisyphus, in Greek mythology, was condemned, in punishment for his sins, to spend eternity in rolling up a hill a huge stone, which rolled down again as soon as it reached the top. His sterile labours furnish an excellent symbol for the policy of 'making work' instead of distributing the product.

'Industry' says Bastiat 'is an effort followed by a result.'

The result is wealth, or prosperity; and the greater the result in proportion to the effort, the better off we must be. That, at least, is everybody's personal experience. If we can get five pounds in return for a week's labour, we count ourselves richer than if we have to work a fortnight for it. A housewife uses a vacuum cleaner because it does its job better and with less effort than a broom.

Common sense therefore tells us that the way to prosperity is to increase the proportion which result bears to effort: to get the maximum result from the minimum of effort.

The Sisyphist will not have it so. Instead of concentrating on the result, he concentrates on the effort. Instead of aiming at the production of goods, he aims at the promotion of work. He sets the means above the end. In homely language, he puts the cart before the horse, and so gets the minimum of result from the maximum of effort. Mr. Chesterton's attitude to machinery illustrates this perfectly. He objects to mass production not merely because it gives us *standardised* goods, but because it gives us *plenty* of goods. He thinks that to reduce that plenty will make us wealthier because it will make us work harder.

Sisyphism is the basis of nearly all the thinking done on economics, whether by experts, politicians, industrialists, or the man in the street. A fine example of it is given by Bastiat, who quotes a French Minister of Commerce of his day as opposing the cultivation of beet on the grounds that it required little land, little labour, and little capital to produce a large quantity of sugar.

A better example still was the action taken by the British Government in Ireland during the famine of 1847. Owing to the failure of the potato crop, the peasantry were starving. Obviously what they needed was food: but the Government in its wisdom decided that what they needed was work. It also decided that 'the normal course of trade' must not be disturbed by giving them useful work. The unfortunate victims of the famine were accordingly employed in building towers and pulling them down again, digging trenches and filling them up again, and destroying roads and reconstructing them again. It all reads like madness now, but it was done at the solemn dictation of the economists of the day. Our present economists will look eaually foolish to the next generation.

Mr. Lloyd George furnished us with a modern example of Sisyphism when he told a Labour deputation in 1921 that France had been saved from unemployment by having had her territory devastated by the war. His common sense compelled him to add that she was mortgaging her present and future in order to repair the damage, and that it must not be thought that she was suffering nothing because the work of reconstruction gave temporary employment. But the mere fact that he found it necessary to make these remarks shows how thoroughly men's minds are imbued with Sisyphism.

When Mr. De Valera said that Ireland had been well served by the civil war of 1922 because the repairing of the damage done would give employment to the workers, he was talking the pure language of Sisyphism.

Last year the wife of an American millionaire, living apart from her husband, went to law to demand that her maintenance allowance should be increased to £84,000 a year; which sum, her lawyer explained, was barely enough for her necessities, leaving nothing over for luxuries. The *Daily Express*, commenting on the case in a leading article, asked: 'Is such a woman an asset to society, or an economic misfit? Does spending on this prodigious scale set such a pernicious example that *all the good it does in promoting employment and circulating wealth is undone*?' These questions are the product of Sisyphism.

The acme of Sisyphist absurdity was reached when, after the Great War, the Allies found that they could not accept reparations from Germany without ruining themselves. Coal, for instance, was dear in England; so dear that many people had to do without it. Yet the reception of German coal *for nothing* was regarded as a calamity. One would think that Sisyphism should have perished in the realisation of that fatuity; but it takes a lot to kill a bad thing.

Typical Sisyphism is seen in the following extract from Professor Stephen Leacock's recent book, *Economic Prosperity in the British Empire*:

> 'Mill thought, and all the economists of his time at least tried to think, that a mere demand for labour—money spent on labour—was useless unless the labour made something useful. According to Mill, the spendthrift who called for champagne and cigars and then consumed them was of no benefit to society. He merely turned labour into smoke and bubbles. According to Mill, the heavy snowstorm that "makes work" for 10,000 men in a Canadian city was a dead loss to society, not a benefit. According to Mill the hailstorm that breaks all the glass in a rich man's conservatory, and thus sets a band of glaziers busily to work, is a mere example of destruction which has to be made good.

> The glaziers never accepted this theory. Indeed, popular prejudice, as opposed to text-book economics, always favoured anything that "made work" and stimulated trade.'

For the last sentence Professor Leacock ought to have written: 'Popular ignorance, as opposed to economic science, always favoured anything that made work.' Instead he appeals from the wisdom and knowledge of Mill to the interested and necessarily superficial view of the glaziers; which is like appealing from the theories of Galileo to the observation of the man in the street to prove that the world is flat. Professor Leacock may depend upon it that Mill was well aware that the glaziers would benefit from the hailstorm. His contention was that the damage done was a loss to the community as a whole. Wealth was lost, and energy and material had to be used up in restoring it. In the process, *money* (that is, purchasing power) was *transferred* from the rich man to the glaziers, who were thus enabled to buy things which would otherwise have been wasted or left unproduced; but on the other hand, the rich man had to do without something else in order to pay them the money. Surely it would be more economical (if nothing else) to transfer the purchasing power without requiring the destruction to be done first? Surely it would be better still to create new money to enable the glaziers to get the goods, which are waiting for them in the shops, without taxing the millionaire?

If Mill is wrong and Professor Leacock right in this matter, then the best fortune that could befall England at this moment would be the destruction of a dozen big cities, or of her whole railway system, roads, and bridges. 'Text-book economics' might deplore it, but 'popular prejudice' (always so clear-sighted) would see that it would 'make work' for everybody. If not, that would only be because the magnitude of the absurdity would have restored people's common sense. It is because Sisyphism is fundamentally false that it cannot be pushed to its logical conclusion. My theories, being true, can. The Sisyphist may say: 'Destruction is sometimes a benefit.' He cannot say: 'Destruction is always a benefit.' But I can say: 'Destruction is never a benefit.' Again, I can say: 'The more goods we have, and the less effort we use to produce them, the richer we are.' The Sisyphist cannot say the opposite.

Through all the opinions and actions I have just recounted there runs one confused thought: that the function of industry is not to produce goods, but to induce labour. It is because of this misapprehension that the Sisyphist sees ruin in abundance, and value and virtue in ploughing the sand. A community simply cannot be ruined by abundance, especially when many of its members are in want. A woman who spends extravagantly simply cannot be an asset to society: she is not circulating wealth, but wasting it. A country cannot enrich itself by merely repairing destruction: it simply uses up energy and material that might otherwise be used to create new wealth. Once again, you will observe, none of the persons concerned would apply these ideas to his own case. Neither Mr. Lloyd George nor Mr. De Valera would be under any delusion that he would be enriched by having to repair his own home. Nor would the *Daily Express* leader writer consider himself enriched by the whims of an extravagant wife. Nor would any man in his senses deem himself ruined by a free gift, whether presented to him by a friend, or awarded as damages in the law courts. It is only where the community is concerned that the Sisyphist proclaims destruction a blessing, wastefulness a virtue, and abundance a curse.

Unemployment and the War

Sisyphism is not even consistent in its absurdity, as is shown by the widespread belief that unemployment in Great Britain is due to the destruction of wealth by the war. Surely in a crippled and impoverished country there must be *more* work to be done in order to repair the damage and create fresh wealth, as the Sisyphist himself recognises when contemplating with envy the herculean labours of France. The contention is really disposed of by the arguments with which I have shown that it is not scarcity but abundance that is at the root of our economic troubles; but it is worth while adding a word for the benefit of those optimists who declare that unemployment is due to 'bad times', and that it will disappear when prosperity returns. To listen to these gentry one would think that Prosperity was a goddess who was awaiting a propitious moment to return and smile on us. It seems a pity to blight such a fancy, but really prosperity is something very concrete. It means abundance of consumable goods. It is the *result* of work, not the *cause* of it. It is no use, therefore, whistling for prosperity to come along and set us working. What we have to do is to create prosperity by setting our unemployed capital and labour to work.

A personal anecdote may illustrate what I mean. In a conversation I had recently with a distinguished journalist, the subject of unemployment cropped up. 'Of course' he said, with the philosophic resignation of the thoroughly comfortable, 'you can't have a great war without paying for it.' Not being inclined for an argument as long as this book, I let the imbecility pass, but I might very justly have said: 'Surely the way to pay for it is to set the unemployed working? I could understand society saying to members of ornamental professions like you and me: "Now, then, my lads, in hard times like these we can't afford to pay you for writing novels and reviews. You'll have to take pick and spade and do a man's job." But I can't understand society saying to productive workers: "We're so poor that we can't let you do anything at all that might enrich us."' Without a preface on Sisyphism, this would have been utterly meaningless to the great man.

The Economics of Waste

A very crude form of Sisyphism is shown by those who advocate *spending* as a solution of our problems—I mean spending not for one's own purposes, but for the sake of 'giving employment' to others. A short time ago it was seriously proposed that the textile industry should be helped out of its difficulties by women patriotically adding a couple of inches to the length of their skirts; and a year or so earlier a well-meaning person wrote to the papers urging householders to assist the miners by burning as much coal and gas as possible—that is to say, to waste an irreplaceable national asset; for the supply of coal is strictly limited and cannot be increased.* It never seemed to occur to these bright intellects that if people spend more on one thing they will have less to spend on other things, and that therefore the employment given to the miners and textile workers would be taken away from workers in other trades. Thus Sisyphism defeats itself.

A prominent advocate of the spending policy is Professor Keynes, an economist of such learning and renown that an amateur like me is terrified at the thought of clashing wits with him. Still, I must be brave and do it.

In *The Listener* for January 14th, 1931, Professor Keynes wrote:

> 'There are to-day many well-wishers of their country who believe that the most useful thing which they and their neighbours can do to mend the situation is to *save* more than usual. If they refrain from spending on buying a larger proportion of their incomes than usual, they believe that they will have helped employment. If they are members of Town or County Councils they believe that their course at such a time as this is to oppose expenditure on new amenities or new public works.

* So far as we know there is less than enough for four more centuries. The supplies of petroleum are also limited, and are being even more lavishly expended.

> 'Now, in certain circumstances all this would be quite right. But in present circumstances, unluckily, it is quite wrong. It is utterly harmful and misguided—the very opposite of the truth. *For the object of saving is to release labour for employment on producing capital goods such as houses, factories, roads, machines and the like. But if there is a large unemployed surplus already available for such purposes, then the effect of saving is merely to add to this surplus and therefore to increase the number of unemployed.* Moreover, when a man is thrown out of work, in this or any other way, his diminished spending power causes further unemployment amongst those who would have produced what he can no longer afford to buy. And so the position gets worse and worse in a vicious circle.'

Now I would have said all this to Professor Keynes several years ago, if I had had the honour of his acquaintance; but, not being a Sisyphist, I would have phrased it differently. For the words italicised above I would have substituted: 'The object of saving is to release labour to produce capital goods such as factories and machines, *which in turn will produce more consumable goods*. But if there is already a large surplus of goods over and above what the community can purchase, then the effect of saving is merely to add to this surplus—*which, by the way, is only surplus because those whose work is not needed to produce it are not allowed to take part in consuming it.*' Saving, in fact, under present conditions simply means allowing goods already produced to go to waste, in order to create means of producing more goods. But woe betide the individual who does not save. What will become of him in his old age when his work is no longer needed?

Professor Keynes gaily continues:

> 'Therefore, O patriotic housewives, sally out to-morrow early into the streets and go to the wonderful sales which are everywhere advertised. You will do yourselves good—for never were things so cheap, cheap beyond your dreams. Lay in a stock of household linen, of sheets and blankets to satisfy all your needs. And have the added joy that you are increasing employment, adding to the wealth of the country, because you are setting on foot useful activities, bringing a chance and a hope to Lancashire, Yorkshire, and Belfast.
>
> 'These are only examples. Do whatever is necessary to satisfy the most sensible needs of yourself and your household, make improvements, build.
>
> 'For what we need now is not to button up our waistcoats, but to be in a mood of expansion, of activity—to do things, to buy things, to make things. Surely all this is the most obvious common sense. For take the extreme case. Suppose we were to stop spending our incomes altogether, and were to save the lot. Why, everyone would be out of work. And before long we should have no incomes to spend. No one would be a penny the richer, and the end would be that we should all starve to death—which would surely serve us right for refusing to buy things from one another, for refusing to take in one another's washing, since that is how we all live.'

With the greatest respect I must insist that that is *not* how we all live, and that the ancient proverb maker was wiser than the modern professor when he said that we *cannot* live by taking in one another's washing. We do not live by making one another work, but by consuming the produce of one another's work. And if we stopped spending altogether, the cause of our starvation would be, not that we should be *out of work*, but that we should be *without goods*. In that case we should be much better out of work, as we should thus conserve out energies a little longer.

It is hard to say which is weaker, Professor Keynes's economics or his logic. Seeing that the community is in distress, and also that people are not spending much, he has jumped to the conclusion that the latter fact is the cause of the former; and to prove it he asks what would happen if everybody stopped spending altogether—forgetting, apparently, that what is contingent on an impossible assumption is itself impossible, and therefore proves nothing. So much for his logic. His economic remedy is based on the fundamental idea (Sisyphist in origin) that the purpose of consumption is to make work. It isn't. The purpose of consumption is to support life. To consume we must produce, and to produce we must work. In logical order, the purpose of work is to produce, the purpose of production is to consume, and the purpose of consumption is to live. No economic remedy that is not based on the recognition of these realities is worth discussing. People spend or save, not to 'help employment' but to live. They spend as much as they can afford, and they save the rest against the evil day when they can work no longer, or when their work will no longer be needed, and a Sisyphist society will leave them to starve in consequence. A propaganda campaign may induce them to buy a few bargains now with a view to saving money later on. But it can do nothing more. It is merely tinkering with our troubles.*

Sisyphism, as I have just said, compels people to save in self-defence; and if society is thereby injured it is only because it is organised on Sisyphist principles. Discard that view of things, and you will see that a person who abstains from consumption merely leaves more to be consumed by others, except in the unlikely event of there being a greater abundance than the community could possibly consume, when his leavings

* A friend of mine who has read this book in manuscript asked me why I have concentrated my attack on those economists, like Mr. Keynes, who have shown themselves the most enlightened, the least hidebound, and the most determined to find a way out of our difficulties. As other readers may ask the same question, I had better answer it now. It is precisely because they are enlightened that I criticise them: the others are hopeless. And it is just because they are trying to find a solution of our difficulties that it is necessary to point out that their efforts are being frustrated by the false principles which are directing them. I know none of these distinguished men personally, and I am not attacking them personally. For me the names Keynes, Stamp, and so on represent nothing but ideas; though I feel the deepest respect for Mr. Keynes, if only as the author of *The Economic Consequences of the Peace*.

The same friend has said that it is unfair to criticise Mr. Keynes on the strength of an article in the popular Press, where his views would necessarily be compressed, and adapted to the understanding of the general public. But my criticism is addressed to the same audience, and therefore must deal with the same matter; and no amount of compression could change a sound first principle into a false one. However, to be quite fair, I have now selected corresponding passages from Professor Keynes's latest work, *A Treatise on Money*, and criticised them in the Supplement to this book.

would simply be wasted. A fair analogy would be a family breakfast-table where the mother denies herself a piece of toast which she thinks one of the children would like. If the child does not eat it after all, it will be left over, and the only person to suffer will be the mother. The family budget will not be affected. It is only on account of Sisyphism that one man's abstinence involves another man's starvation.

Mr. McKenna, who is less tainted with Sisyphism than other orthodox economists, puts the case about saving more sensibly, in my view, than Mr. Keynes. At the last general meeting of the Midland Bank he said:

> 'It has long been the custom to give an unqualified blessing to thrift, mainly on the grounds of personal discipline and the due recognition of responsibilities. Whatever blessings thrift may confer, however, on the individual, there are times when, judged by the interests of general economic welfare, it may be carried to excess. To realise the truth of this statement it is only necessary to consider the two extreme suppositions in which, first, everyone saves all his income beyond the amount necessary to keep body and soul together, and next, nothing is saved, but the whole of all money expended is devoted to consumption. In the first case it is obvious that the greater part of industry would rapidly run down and cease operations for lack of customers for its output, while in the second, plant and machinery would ultimately break down for want of proper maintenance and renewal. Somewhere between these two extremes lies the point of maximum advantage, which may be roughly defined as the amount

> of saving necessary to meet all demands for capital which can be profitably employed. The subject is worth mentioning because there are indications that in the United States the expenditure of the American people on consumption is less than is required to keep the existing business organisation going, and below what their earnings would justify.'

Mr. McKenna, it is refreshing to note, is not worried about 'employment'. He recognises that the purpose of saving is not to 'help employment' but to provide the means of producing more consumable goods in the future. But when he comes to consider whether saving can go too far, he slips into Sisyphistic thinking. If a whole community were to restrict itself to bare necessities, it would not matter in the least that the machinery of industry would come to a standstill. Its products would no longer be needed. Society would be deliberately reducing itself to a state of natural poverty, that is, poverty due to scarcity, as a substitute for its present condition of artificial poverty, or poverty due to unemployment, that is, abundance.

I must repeat that in these criticisms I am not playing with words, but being entirely serious about their meanings. Unless we use words correctly, we cannot be sure of our meaning, and therefore, though we may talk learnedly, we cannot talk sense. It is no more than plain common sense to say that consuming cannot benefit anyone except the consumer (sometimes not even him), and that abstinence can harm nobody but the abstainer. Professor Keynes urging people to spend, and Mr. McKenna worrying how much they can safely save, are in the same boat with Mr. Chesterton preaching hand-labour; and that boat will not get them out of the whirlpool.

The Savings Fallacy

Nevertheless, Mr. Keynes and Mr. McKenna have got hold of part of a truth—and of a most important truth. Our whole system of saving and investment is out of date. The idea that new production can only be financed by saving is a survival from the time when scarcity was the dominant fact in human economy. It is obvious that, when there was a shortage of labour and material, new capital goods could be produced only by diverting a certain quantity of both from the production of consumable goods. In other words, people had to be thrifty in the use of things like food and clothes and furniture in order to conserve their resources for the creation of fresh machines and factories in which to make them. In an age of plenty this has ceased to be true. We have labour standing idle, and material going a-begging (witness the slump in the prices of tin, rubber, and other raw materials). There is no need for us to deny ourselves anything to enable the one to get to work upon the other. Yet we stick to the old methods, financing the operation out of money that ought to be spent on consumable goods, which remain unsold in consequence. As we have seen, the amount of money in circulation is already insufficient—owing to low wages and the pauperisation of the unemployed—to purchase the abundance of goods produced by industry. Saving for investment aggravates this evil.

What Mr. Keynes and Mr. McKenna have proved, therefore, is not that the individual housewife ought to turn spendthrift, but that the whole system of financing new industries out of savings ought to be scrapped. Let me quote Mr. Keynes's words again in support of this. In the middle of the first extract given above he says:

> 'The object of saving is to release labour for employment on capital goods. . . . But if there is a large unemployed surplus already available for such purpose, then the effect of saving is merely to add to this surplus and therefore to increase the number of the unemployed.'

Surely this implies that, under present conditions, capital goods can be produced without money-saving; and, translating the last words, as before, into non-Sisyphist terms, that saving for investment in capital undertakings involves the waste of consumable goods, or prevents their production. There is the grain of truth out of the bushel of chaff. Money saving is needless for capital expansion, and is injurious, under present conditions, because it aggravates the insufficiency of the currency.

From this there is one inevitable conclusion: that new capital undertakings ought to be financed out of new money or credits created for the purpose. There is no other way out of it. This plain and obvious remedy stood right under Mr. Keynes's nose as soon as he had discovered that there was something amiss with the savings policy. What blinded him to it was that extraordinary preconception that what people want is not goods but work. Thus incapacitated, he blundered off the broad highway that would have led him to the New Economics, and went dithering down the blind alley of Spending.

We have now diagnosed yet another cause of artificial poverty, and discovered an appropriate remedy along with it. I do not propose, however, to develop the point here, as it will be dealt with fully later on. What I want to emphasise now is that in treating our economic troubles simply as 'the problem of unemployment', and therefore trying to cure them by 'creating employment', our economists and statesmen have got hold of the wrong end of the stick. The problem is not to find work for the workless, but to distribute the goods we can produce in abundance among those that need them.

Work and Wealth

This reminds me of a point that I might have developed in an earlier section but deferred to a more convenient opportunity. To say that the unemployed are without work because there is no work for them to do is not absolutely true. It is only true so far as the work necessary to produce consumable goods is concerned. Anybody who uses his eyes can see that there is plenty of other work to do. For instance, there are slums to be pulled down, and decent homes to be erected in their place, and there are large areas of agricultural land badly in need of drainage. Both these works would be of enormous value—the one in improving the health and happiness (and efficiency) of millions of our hardest-worked people, the other in redeeming unprofitable land and preventing the costly damage done every winter by floods. Between them they constitute a task immense enough to please the most exacting of Sisyphists, and to appal anyone who does not realise the vastness of the powers at the disposal of man. Why are they not carried out? Because, say the economists, we cannot afford them.

What does that mean? We have the men, the material, the machinery, all standing idle. We have 'over-produced' the food and clothing which the men require. Why can they not start working at once?

Because, says the economist, we have not the money.

True. And that, so far as orthodox economics are concerned, is the end of the matter. So much the worse for orthodox economics. Not only does this alleged science compel us to starve in the midst of plenty: it compels us to stand idle when there is necessary work to be done. Is not a system which involves two such absurdities worthy of double damnation?

Analysed, this particular proposition is easily demonstrated to be nonsense, starting, as it does, with the false premiss that money is wealth, and proceeding to the fallacy of confusing cause and effect—representing wealth as the cause of work, instead of work as the cause of wealth (in plain language, putting the cart before the horse). If wealth had to come first, and work afterwards, we should never have developed a civilisation at all: the first man would not have ventured to chip the first flint; father Adam would have been unable to dig his bread even in the sweat of his brow.

If money is wealth, the only way to obtain it is by working for it. We cannot expect it to spring into being spontaneously while our men and machines stand idle; and we have already seen that there is no sense in 'saving' what we already have—by stinting ourselves in food, clothes, and gramophones—in order to get a spade-and-shovel or bricks-and-mortar job carried out.

But if, as I maintain, money is not wealth, but a means of exchange, a mere token, the position becomes more absurd still. We have the men, we have the machines, we have the material—but we cannot use them for lack of tokens! Suppose a party of men, equipped with axes and spades, were wrecked on a fertile island, would they refuse to till the soil or build themselves a shelter because they had no money? Yet that is exactly what we are doing. Taught by the economists, we say: 'We have millions of unemployed because we are poor', whereas, guided by our common sense, we should say: 'We are poor because we have millions of unemployed', or (with better knowledge): 'We are rich, but, if our millions of unemployed were working, we should be richer still.'

In brief, what we have to do is to reverse our policy, and put the horse in its proper position in front of the cart. Instead of waiting until we are rich enough to employ the unemployed, we must employ the unemployed to make us richer.

The Liberal Unemployment Scheme

Mr. Lloyd George showed that he had had a glimpse of this truth when he said (in the House of Commons on November 9th, 1928) that Unemployment ought not to be treated merely as a misfortune to be regretted, but as an opportunity to be taken advantage of; and urged that the unemployed should be regarded not as a burden, but as a reserve of labour to be used in creating new wealth. However, this was no more than a glimpse, for all Mr. Lloyd George's other utterances on the subject were soundly Sisyphistic.

The Unemployment Scheme on which the Liberal Party subsequently fought the General Election of 1929 was an attempt to put this view into practice by employing the unemployed on vast constructive undertakings such as road making, slum clearance, land drainage, and so on, financed by a national loan. The conception was mainly Sisyphist, and most of its supporters talked unadulterated Sisyphism, but the effect would have been to enrich the nation with valuable property, besides putting wages into the pockets of hundreds of thousands of workers. This latter result, however, would have been only temporary, even if long-lasting, for the wealth produced by the new constructions would have added to that abundance which is the cause of unemployment, and thus the vicious circle would remain unbroken. The electorate ultimately turned down the scheme, largely influenced by counter-propaganda as Sisyphistic as that of its promoters.

Protection

The worst example of Sisyphism that I ever came across was in a novel recently published, the hero of which invented a machine which could supply enough energy to do all the work of the world, and then broke it up because of the horrible realisation that it would throw everybody out of employment. It seemed to him (and, I suppose, to the author) that it was quite natural that the greater part of mankind should starve if its work were not needed; and his readers, obfuscated with Sisyphism, would agree with him. As a matter of fact, under our present economic arrangements, that is exactly what would happen.

Sisyphism of this sort is the basis of the very popular policy known as Protection. The Protectionist sees his countrymen 'driven out of employment by floods of cheap foreign imports', and demands that these shall be kept out by taxation. Last summer, for instance, the *Daily Express* raised an outcry against the swamping of the English market with cheap fruit from the Continent, which could hardly have been more violent and panicky if the whole country had been swamped with poison gas. The markets full of cheap fruit! What a disaster! What dastardly enemies these foreigners are, forcing their fruit on us for practically nothing! How ruinous to the health of the children in our slums to have raspberries and cherries in plenty!

The same outcry was raised on the importation of cheap wheat from Russia. Those rascally Bolshies were starving themselves in order to ruin us with a surfeit of the staff of life!

Now, if I have succeeded in freeing your mind of Sisyphistic ideas, you will see that such importations are merely a part of that abundance which modern industry can provide us with. The bounty of nature in France or Russia has produced an unusually generous supply of food, and rapid transport has enabled it to be brought to our shores. If we cannot distribute it among us without ruining ourselves, it means that something is wrong with our economic mechanism, and we ought to set that right instead of flinging the good gifts of God back in his face.

The same thing is true of manufactured goods. If we can obtain cups and saucers from Czecho-Slovakia cheaper—that is, by using less labour—than by making them ourselves—then we ought to regard that as an advantage to be reaped, not as a calamity to be averted. The point is clear at once if you realise that wealth consists of *goods*. A country simply cannot be impoverished by being filled with plenty of goods.

Unable to grasp this fact, the Protectionist sees foreign traders as enemies and their wares as weapons, and therefore thinks and acts as if trade were a kind of war. If it is war, then trade with the Dominions is also war, but no Protectionist treats it so, even though the Dominions, by their tariffs, show that it is war in their eyes. No Protectionist regards private trade as a hostile act. He does not look upon his grocer and butcher as enemies; yet if international trade is a kind of war, private trade is at least a kind of assault and battery. Would a Protectionist set the dog on the grocer's boy for delivering the goods he has paid for?

Would he even repel the bootmaker's boy for importing into his house goods which would 'give him employment' if he made them himself?

In the same spirit Protectionist cartoonists (notably Strube of the *Daily Express*) have developed a habit of depicting foreign traders as burglars, and Cabinet ministers as policemen neglecting their obvious duty. The analogy is childishly false; for, whereas a burglar takes away and leaves nothing in return, an importer leaves plenty and takes little in return.

The case against Protection was very well put by Bastiat in a parable. Robinson Crusoe and Friday are working hard cutting up a tree into planks, when some planks from a wrecked ship are cast up on the shore. Their first impulse is to collect them; but on reflection they realise that if they do so they will have less work to do—they will be throwing themselves out of employment; so they push the planks back into the sea. That is exactly what the Protectionist does. Instead of distributing the abundance which the foreigner is willing to sell us cheaply, and using the labour saved to create more wealth, he keeps the abundance out, so that the resultant scarcity compels us to work harder to produce the same or a smaller return.

Free Trade is Not Enough

Bastiat, and the group of economists known as the Manchester School, thought that Free Trade alone would make a prosperous world. Bastiat's analogy, however, was not quite correct. He assumed that Robinson Crusoe and Friday were both free to help themselves to everything on the island according to their needs. But that is not the case with us. Suppose that Crusoe claimed to own the island, and refused to allow Friday food or clothes unless he worked for them, then Friday would naturally want to do as much work as possible, and would regard the providential arrival of the planks as a disaster. Suppose that Crusoe, having brought the planks ashore, coolly told Friday that he didn't need his assistance now, and that therefore he must go without his dinner, then Friday would be in the exact position of our unemployed friend John Smith, and it would hardly be surprising if he should demand that flotsam should in future be kept out of the island, or even if he were to perpetrate Luddite outrages in Crusoe's workshop.

Free Trade, then, is common sense; but with our present principles of distribution in force, what is common sense for Crusoe and Friday considered together as a community, works out disastrously for poor Friday as an individual; and for Crusoe too, in the long run: for Friday is unlikely to feel very friendly towards the man who compels him to starve in the midst of plenty, and will probably find unpleasant ways of showing it if that state of affairs goes on too long. The obviously sensible and humane course is for the castaways to share their abundance without worrying over who has worked for it. This can be done simply enough in the case of a couple of men on an island; and we shall see how it can be worked out in the case of the men in our streets very soon.

Buy British Goods!

I shall waste no more powder and shot on Protection; but there is one popular idea which has been spread by Protectionist propagandists that I must say a few words about. That is the idea that prosperity can be restored by everyone buying British goods. The papers have been full lately of letters from indignant housewives complaining that shopkeepers have offered them goods made by foreigners, which they have righteously spurned in favour of home-made articles. Does it not occur to these good folk to wonder what would become of Britain if foreigners refused to buy British goods? And how do they think foreigners will be able to buy British goods if Britishers do not buy theirs? Trade, I must repeat, is not a kind of war. You do not inflict an injury on a man by selling him things. And if you are still sufficiently Sisyphistic to be thinking of 'employment', remember that imported goods employ British seamen, British dockers, British carters, and British railwaymen, besides being ultimately paid for by the export of other goods employing British labour of one kind or another. Giving preference to British goods is no harm as an exercise of sentiment; but it will not solve the unemployment problem.

Socialism

The persistence of poverty under both Free Trade and Protection gave rise to the policy of despair known as Socialism. It is obvious that men are selfish, and normally act from selfish motives; and it was natural that some thinkers should jump to the conclusion that the poverty of the many was due to the successful selfishness of the stronger or cleverer few. From this it seemed clear that the way to set things right would be to deprive the individual of such liberties as enabled him to enrich himself at the expense of others, and that the best way to do this would be to make property collective, and to make all men the servants of the community as a whole. Socialism is thus defined as state ownership of the means of production and distribution, and its logical consummation can only be the enrolment of all persons engaged in productive and distributive occupations (that is to say, of the bulk of the population) as civil servants.

Whether this would be a desirable form of civilisation I do not propose to discuss here. I shall merely say that I don't think so. But that is not the point at the moment. The point is, would it achieve the end it aims at, namely, the abolition of poverty?

Socialism is concerned with *ownership*. The Socialist believes that public ownership of the means of production must mean public control of production, and thus produce plenty. But would it? Does private ownership of the means of production mean private control of production?

It doesn't. If it did, the factories and machines of the capitalists would not be lying idle, but working to produce dividends. That they are not so working is proof positive that the capitalists do not and cannot control their property. They are themselves controlled by something else: that inescapable fact that the abundance they produce cannot be bought by those who need it.

How is Socialism going to get it bought? Its slogan is 'Work or Maintenance!' which can only mean giving the unemployed unnecessary work or paying them larger doles out of the public purse. Unnecessary work means unproductive work. Paying larger doles merely means taking purchasing power away from some people and giving it to others—robbing Peter to pay Paul. Neither policy can increase the sum of the general wealth or distribute that unpurchasable surplus of goods.

'Work or Maintenance!' is Sisyphism. Mr. Bernard Shaw, preaching that idleness is a crime in a world where every fresh invention tends to abolish work, is a Sisyphist.

What else can Socialism do? Nationalise the banks? That may or may not be a good thing. But it is quite pointless unless it is first decided what we are going to do with the banks after we have nationalised them. It is not the ownership of the banks that matters, but the use that is made of them, and that depends on the first principles of those that decide their policy. Since, therefore, both Socialist and Capitalist are equally dominated by Sisyphist principles, the public ownership of the banks can have no effect whatever on public financial policy. Once those principles have been finally abandoned, it will not matter very much who owns the banks. It will be a question to be decided on its merits, as the ownership of the post office was decided.*

* The argument against Socialism is put with wit, vigour, and clarity, and much more fully than here, in *The Confession of the Kibbo Kift*, by John Hargrave.

Socialists in practice are thoroughgoing Sisyphists, as has been amply shown by the bungling attempts of the recent Labour Government in Great Britain to solve the 'unemployment problem', and equally by the pronouncements of Mr. Maxton's left-wingers. When they talk of state *control* of production, you generally find that what they mean is *restriction* of production. The late Mr. Wheatley, for example, even while scouting Protection, said he would use the British fleet to keep out cheap imports, thus accepting the Protectionist view that trade is war;* and though few responsible leaders would go so far as that, nearly all of them have expressed contempt for Free Trade, advocating the embargo as a more efficient weapon against imports than a protective tariff. Again, the Coal Mines Act of 1930 is pure Sisyphism. Nobody would say that every British householder has as much

* House of Commons, July 24, 1928. Mr. Wheatley's actual words were: 'I would use my navy, were I in power, to sink the ship that brought from abroad the product of sweated labour to reduce the standard of life here.' Note the Sisyphist logic. The Englishman's standard of life is brought lower by the foreigner starving himself to provide him with *plenty* of goods *cheap*, i.e. in return for little labour. What is really wrong, of course (from the Englishman's point of view), is not the plenty or the cheapness, but the inability of the economic machine to distribute the plenty where it is needed.

This 'cheap foreign labour' business is a favourite bogey with Protectionists, who conveniently forget that it is in protected countries that labour is so badly paid. They seem to imagine that low wages confer an *advantage* on competitors in the struggle for trade; which is absurd. Low wages mean a poor home market, and therefore the country that pays them is forced to try and sell abroad instead, leaving its own people hungry. Would an athlete think that under-nourishment would give him an advantage in the sports field?

coal as he needs at a price he can afford to pay; yet this egregious measure attempts to solve the difficulties of the industry by reducing output and raising prices.

So there is no hope in Socialism. As for Communism, we must wait for the results of the Five Year Plan in Russia before we can pronounce judgment on its economic efficacy; but, whether it works or not, it involves a scheme of life that is repugnant to most people, and I therefore need not waste time arguing about it.

The Paradox of Values

There is, however, one point made by Socialists to which their opponents have no adequate answer. Under the present system production is not a matter of calculation as to what goods the community really needs, followed by consideration of how far the existing producing power is capable of coping with this demand, and to what extent it needs supplementing. Everything is left to the initiative of individuals, inspired by the motive of making a personal profit; and their operations are not only unco-ordinated, but conflicting, which leads to waste of energy and goods, while leaving wants unsatisfied. Moreover, the profit-making instinct, and the automatic action of the money-mechanism, inevitably combine to organise production (so far as it is organised at all) so as to satisfy the requirements of the holders of money rather than the wants of the general community—to produce luxuries for the few, while the many are left without necessities. At the present moment, for example, thousands of people cannot get houses, though they are able and willing to pay for them; yet a millionaire would have no difficulty in getting stables built for his racehorses. Even the ordinary man can get his luxuries easier than his necessities. While he has to wait for his house, new cinema palaces are being run up in scores. Another example is noted in Mr. Wells's *William Clissold*, where we are told that the olive is being allowed to go out of cultivation in France to make room for a plant that produces a perfume fashionable for the moment among the very rich.

The Socialist remedy for this state of things is an obvious one. Let the state organise production, and, even if the process is slowed down by the removal of the profit motive, you will at least get first things first. This is true; and it is therefore incumbent upon those who object to Socialism to propose an alternative remedy for the evil. Under the scheme proposed in this book, control of the currency will give the state all the control over production that the public good requires; and the profit-making instinct, instead of being repressed, will be made to operate to the advantage of the community. One man's profit will no longer mean another man's loss.

The Cult of Procrustes

Another crop of remedies for these troubles of ours has been put forward by people whose minds are infected by a vice in thinking which I have called in a previous book Procrusteanism. In Greek legend, Procrustes was a robber who used to entice travellers to his house, and then fit them to his bedsteads by stretching their limbs if they were too short, or cutting pieces off if they were too long. His name, therefore, furnishes a symbol for those who would solve human difficulties by adapting man to his institutions instead of adapting his institutions to the needs of man. To borrow a simile from Mr. Chesterton, the Procrustean is like a nurse who, finding that a particular food does not suit the baby, instead of throwing away the food, throws away the baby.

The principal remedies put forward by Procrusteans are birth prevention (politely called Birth Control) and emigration. The end of both is the same—to get rid of the people—and therefore I shall deal with both together, only remarking in passing that no ethical identification is implied. In this tract I am concerned only with economics, not with ethics, and I shall content myself with showing that as economic policies these nostrums will not work.

The worst example of Procrusteanism that I know of is to be found in the history of my own unhappy country. After the famine of 1845, when Sisyphism had done its worst, as I have shown, a rush of emigration began which in a few years reduced the population from nearly nine millions to less than six, and continued at a slower rate until at the beginning of this century it had brought it down to four millions and a half. Historians, English and Anglo-Irish, have unanimously described this as a blessing, one of them even going so far as to say that the prosperity of Ireland would increase in proportion as its population diminished—until, presumably, it was uninhabited, when its glory would be complete. These wiseacres were able to point to the fact that the masses of the Irish people were perpetually hungry because they were poor; and they found it inconvenient to mention that the reason why they were poor was that their landlords took everything but a bare subsistence from them, and spent it in England, or that the country regularly exported enough food to feed the whole population three times over, even during the years of so-called famine. If the unfortunate peasantry had not been rack-rented, they would have been able to consume their own corn, meat, butter, and eggs, instead of living on potatoes, and the failure of the latter crop would have been no more than a misfortune; but their rulers refused to see that, so out the people had to go.

Now, if getting rid of the people could enrich a country, Ireland ought to be the richest country in the world at present, which everyone knows it is not. It is true that Ireland is more prosperous than she was in the nineteenth century, but that is due to other causes—principally to the getting rid of landlordism. She would be more prosperous still if she had kept her people, for she would be enriched by their labour.

This last sentence is abomination in the ears of both Sisyphist and Procrustean. The Sisyphist looks at a teeming population and says: 'How awful! What a lot of hands to find work for!' The Procrustean looks at them and says: 'How terrible! What a lot of mouths to be filled!' Both, you see, only look at *part* of a man. It never occurs to them to think of him as a whole, and to see that if he has a mouth to fill he has a brain and hands to do it with. A man, in their eyes, is not an asset but a liability; he is no longer the heir of the ages, but a foundling on the doorstep of an engine-house.

This is not mere rhetoric on my part. It is the idea at the back of the most frequent and the most sober expressions of modern economists. Let me quote, for example, Mr. Harold Cox, the Conservative Free Trader. Writing on the subject of birth prevention in the *Daily News* of August 8th, 1929, this 'famous economist' (so the headlines describe him) declared:

> 'The only hope for many of our industries lies in improving their methods of production, which in practice means securing a bigger output with less labour. Thus, from an industrial point of view, we want fewer not more people.'

'From the industrial point of view' is, as Polonius would say, 'good'. Apparently Mr. Cox's view is that when all the machines are tended, and all the sewers swept, the men left over have no function, human or divine, and therefore marriage must be perverted from its proper purpose, and future generations stifled in the womb.

I am afraid I cannot accept 'the industrial point of view'; but even if I could, I should still find Mr. Cox's reasoning unsatisfying. For what on earth is the point of increasing the output of goods if you are going to abolish the people who could make use of them?

Let us now take a sample of Procrusteanism from one of our statesmen. On February 27th, 1929, the House of Commons discussed the 'Unemployment Problem' for perhaps the thousandth time. After a long debate, Sir Arthur Steel-Maitland, Minister of

Labour, delivered a speech which concluded as follows:

> 'No Government can at once set to work all the men who want employment. It is not humanly possible for any Government to do it. All that can be done is by wise measures—and we may always differ as to the wisdom—so to help the situation as to enable the natural powers of recuperation, which were already at work in 1926, to get to work, *so that all the additional population which the country has to digest can be digested.*'

This dictum (or should we say 'apophthegm') virtually closed the debate. I wish I had been there; for if I had, the debate would have been only beginning. Fancy anyone imagining that the function of a country is to digest its people! Fancy attempting to govern a country on such a theory. But did the House of Commons burst into a roar of rage or laughter at the notion? No.

Mr. Baldwin, speaking on the same subject on another occasion, is also worth quoting. 'That difficult problem of the boys' he said 'will help to solve itself in the next few years, *because of the fall in the birthrate.*'

Nikias, addressing the Athenian army before Syracuse, said: 'It is men that make a city; not ships nor walls' (nor, he might have added, machinery); but your modern statesman, accustomed to seeing men only as tenders of machinery, can find no purpose for a man whom the machines do not require. So you get British ministers frantically sending superfluous 'hands' to the ends of the earth, and Australian ministers refusing to take them, as they have too many unemployed of their own to look after, while the whole army of God-damned intellectual fools keeps shrieking that the only way to save us all from ruin is to keep down the number of our children. Then, since children are undoubtedly an expense to their parents, and a heavy one to the very poor, the people themselves demand to be freed from the burden, motherhood is suddenly discovered to be a form of slavery, and fatherhood a form of tyranny, and indignant female voices are heard to demand: 'Why should we bring children into the world for whom there will never be any work?'—that is to say, machines to mind. Finally, the poor deluded Socialists take up the cry, clamour for maternity and child welfare centres to be turned into birth-prevention clinics, and for public money to be spent in contraceptive instruction, denounce the refusal to disseminate such poison as despotism, and fill their newspapers with the advertisements of dealers in orgiastic appliances, and the cacklings of addle-headed nymphomaniacs.

I perceive that I have strayed somewhat from the moderation of language proper to a treatise on economics; and perhaps I had better explain that I am not concerned with people who desire of their own accord to limit their families. What I protest against is the enticing of people (especially poor people) into the belief that it is their duty to avoid children on the false assumption that the world has no room for them. Observe that such doctrines are not preached to the rich. There is apparently room in the world for consumers, but not for producers; and this is in full accord with Sisyphist and Procrustean philosophy. For the diseased and vicious child of a millionaire 'gives employment', while the healthy child of a worker is only a pair of hands for which there is no work.

The Neo-Malthusian Fallacy

Nothing better illustrates the decay of reason in this generation than the propaganda of the birth-controllers. The old Malthusians founded their case on scarcity. They said—in the pseudo-scientific jargon so popular with the enemies of life—that humanity increases by geometrical progression, and its means of subsistence by arithmetical progression. In my twenties I remember arguing on mere instinct that this was false, pointing out that man is one of the slowest-breeding of creatures, and that wheat and rabbits alone left him nowhere in the race. My instinct guided me aright. Hand and brain have produced enough for all our mouths, and the fear of scarcity is gone. But are the Neo-Malthusians abashed? Not a whit. They shift their fear from scarcity to abundance, and plead that as there is not enough *work* to go round, the need for reducing the population is greater than ever.

Hear again that 'famous economist' Mr. Cox, who writes as follows in *Lloyds Bank Monthly Review* for September 1931:

> 'How are we to escape from the difficulties which result from the present lack of balance between the world's powers of production and the world's capacity for consumption? Superficially such a lack of balance seems absurd.'

Why 'superficially'? But let us get on:

> 'The producers of wheat have bigger stocks than they can dispose of, yet simultaneously there are millions of people in the world, especially in India and China, unable to get as much bread as they would like to eat. The same contrast applies to manufactured goods. Cotton mills, not only in England, but in many other countries also, are producing more cloth than they can profitably sell. Meanwhile, among the poorer classes all over Europe there are myriads of men, women, and children insufficiently clad. How is a better adjustment to be secured?'

And here is the 'famous economist's' solution of the problem:

> 'The essence of the world's present troubles is that there are too many poor people seeking employment, and relatively too few sufficiently rich to provide employment for the many. In earlier centuries death and disease to some extent prevented the expansion of this evil. The poor remained poor, but they also remained few.'

So we must find a substitute for death and disease to keep our numbers down to the requirements of the machines. What a priceless pearl of reasoning! We are producing more goods than we can consume, so we must reduce the number of consumers. We have too many mouths *and* too much bread, 'just as I'm five times as rich as you are *and* five times as clever'. (Mr. Cox might do worse than to take a few lessons in logic from the White Queen.)

The old Malthusian thesis was arguable. One might disagree with it on economic grounds, or condemn it on ethical grounds: but one could not call it silly. The neo-Malthusian thesis, on the other hand, *is* silly. To say that population must be reduced because food is scarce is reasonable enough, because if the population is reduced, there will obviously be more food to go round. But to say that the population must be reduced in a world of plenty, because work is scarce, is absurd; because if the population is reduced the amount of work must be reduced too. Since mechanical power can always supply the needs of the whole population without requiring everybody to work, there must be a certain number of unemployed, no matter how small the population. In fact, according to neo-Malthusian reasoning, the world must always be over-populated. If there is scarcity, the food won't go round: if there is abundance, the work won't go round. In effect, the only really prosperous world is an empty world.

The root of this bad reasoning is, of course, the Sisyphist fallacy: regarding work as an end instead of a means, as an asset instead of a liability.

Population and Unemployment

To return. If we view a man *entire*, not as mouth or hands, we must see that reducing the population can get us nowhere. Even on Sisyphist principles, every man 'gives employment' to other men by having to be clothed, fed, and housed; and on true principles every healthy man is an asset, since his labour can produce wealth.

Population, in fact, has nothing to do with unemployment. There is unemployment in all countries,* large and small, rich and poor, thickly populated or thinly. You could hardly find two countries more perfectly contrasted than Great Britain and Ireland. Great Britain is rich, highly industrialised, with a large population concentrated in numerous towns and cities; Ireland is poor, almost entirely agricultural, with a small population and few towns of any size. Moreover, Ireland is protected, and Great Britain practices more or less Free Trade. Yet both countries are suffering from unemployment. It is true that Ireland has a smaller proportion of her people unemployed than Britain; but that is because she is less industrialised—that is to say, because she has to work harder to produce fewer goods—it has nothing to do with population.† Ireland's population is still falling—it has fallen by more than a quarter of a million in my own lifetime—but that has not remedied unemployment. If anything, it has increased it, for every emigrant is a customer the less for Irish industry. For example, the railways, constructed for a rising population of eight millions, are now barely able to pay their way in catering for a declining four.

Take another comparison, between two rich countries this time. Great Britain has $2\frac{1}{2}$ million unem-

* Now that the war damage has been largely repaired, it has begun in France.

† Note that according to Sisyphist theories Ireland ought to have a greater proportion of Unemployment than Britain, since a poor country cannot afford to 'give' so much 'employment' as a rich one. The facts as they stand are therefore a refutation of the common Sisyphist doctrine that unemployment in Britain is due to the impoverishment caused by the war. In a poor, or temporarily impoverished country there must obviously be *more* work to be done in order to produce wealth.

ployed: the United States of America, with a population only 2½ times as large, scattered over an area 500 times as large, has at least 5, and, according to some estimates, 7 million unemployed. Something between the two would be a similar proportion.

Again, compare Great Britain with Canada and Australia. Canada has an area of 3½ million square miles, and a population of only 9 millions. Australia has 2,900,000 square miles, and 6¼ million people. Both these enormous and nearly empty countries are so much distressed by unemployment that they are discouraging immigration. That fact alone is enough to refute Procrusteanism.*

Another comparison worth making is that between Ireland and Tasmania. These islands are of much the same area, but Tasmania has only 212,000 people to Ireland's 4¼ million. Yet unemployment is a serious problem in both. In face of such a disparity as this, it is idle to lay the responsibility for unemployment on size of population.†

* Large areas of both countries are admittedly unproductive, but Professor Stephen Leacock, in his *Economic Prosperity in the British Empire*, declares that, even making allowance for this, they could each support a population of *at least* 250 millions.

One would think that these new nations, with their pioneering traditions still living, would see in fresh man-power an asset, not a liability. But no. Procrusteanism has fogged their brains and hardened their hearts, and they see in the new colonist, not a man to produce wealth, but a mouth to feed, and hands to find work for.

† I commend these facts to the attention of the two Irish Governments, both of which are encouraging (or at least not discouraging) emigration in the hope of relieving unemployment. Even if they get rid of their four millions, the two hundred thousand who remain will still have an unemployment problem to solve.

Unemployment is Not the Trouble

Procrustean methods, then, will get us no further than Sisyphist ones; but before leaving the subject I have a word to say to the worse of the two Procrustean schools. Birth-controllers, who are above all things 'scientific', ought to know that nature abhors stasis as much as a vacuum. Nothing stands still: there must be either progress or retrogression. There is no such thing as an optimum population: it must rise or fall. And if the falling process once begins it is difficult, if not impossible, to stop, as France has learnt to her cost. If the anti-populationists have their way, I can envisage a time when the aged will so outnumber the young as to be an intolerable burden to them. There will be no 'unemployment problem' then: only overwork, and perhaps scarcity.

Let me repeat once again that the moral of all this is that we must not regard our troubles as a problem of unemployment. When primitive man first fitted a handle to his flint and made an axe, he was, in terms of our modern folly, 'throwing himself out of employment'. In reality he was saving himself time and labour, and, as his remuneration was not thereby diminished but increased, he did not think of this as an evil, but as an advantage, which it obviously was. In the same way, a man working for himself in his own home uses every possible device to economise his energy, and does not imagine for a moment that he is impoverishing himself by doing so. Unemployment itself, in short, is not an evil. Rightly considered—that is to say, thinking in human instead of mechanical terms—it is a highly desirable thing. If a man has money, it does not worry him to be unemployed. He does not even call his idleness unemployment: he calls it leisure—and uses it for good or ill, according to his quality. If a shipwrecked crew lands on a desert island, the men do not say: 'How splendid! We shall have lots of employment here,' but 'What a nuisance! We'll have to work damned hard to get a living out of this beastly place'. On the other hand, if their island is rich in game and fruit, they do not say: 'How terrible! There'll be no work for us here,' but 'Here's luck! There'll be lashings and leavings for us all without doing a hand's turn.'

Our position is not quite so enviable as that; but our machines turn out abundance of good things, and would turn out more still if we allowed them.

First Principles

I have shown that all the remedies and palliatives advocated for our economic evils originate in one or other of two false philosophies.

The basic idea of Sisyphism is that the purpose of a machine is to give work to a man.

The basic idea of Procrusteanism is that the purpose of a man is to work a machine.

Economic theories founded on these false ideas must themselves be wrong. Picked to pieces, they are seen to be nonsense, and even those who believe in them dare not follow them to their logical conclusion.

The true first principles on which a practicable economic system must be based are self-evident, and can be pushed to any extreme you like. The reason why the truths they support are not recognized is that the utterances of Sisyphism and Procrusteanism are half-truths, which are notoriously plausible, and readily grasped by untrained minds. Thus, any fool can see that the destruction of a millionaire's hothouse benefits a few glaziers, or that a tax on imported gloves benefits home glovemakers; but the truths which I have been at pains to demonstrate cannot be realised without a little thinking.

Here, then, are the first principles of a sound economic system:

The purpose of a man is to serve God (or, in secular terms, to grow in wisdom and knowledge).

The purpose of industry is to produce goods for the sustenance and enjoyment of man.

The purpose of machinery is to produce those goods in abundance and to save human labour.

The purpose of money is to enable those goods to be distributed.

To these I add a few definitions:

Wealth means abundance of consumable goods.

Cheapness means more goods in return for less effort; and when we get the maximum return for the minimum of effort we have Prosperity.

Thrift means a reasonable limitation, on such rare occasions as may be necessary, of the demand for consumable goods, with the object of conserving energy and material for the creation of the means of producing consumable goods in the future, or for some other useful purpose.

Extravagance means waste of consumable goods and of the energy and material used to create them.

From these principles and definitions we conclude:

That abundance, cheapness, freedom, leisure, economy, peace, are good things;

That scarcity, dearness, restriction, toil, extravagance, destruction, and war are bad things;

And if these conclusions seem platitudinous, please remember that most of the economic propositions you have hitherto accepted without question are based on their implicit denial.

The Remedy

You will now, I hope, be in a frame of mind to agree with me that to deny a man his share of the world's abundance, simply because his work has not been needed to produce it, is unfair to him and injurious to everybody in general. We must, therefore, give him the means of buying what he needs without asking him to work for it. There is no other way out of the difficulty. The principle that pay should only be given in return for work is but a preconception, originated at a time when it was necessary for everybody to work hard to produce enough goods to go round, and when, in consequence, an idler could only be maintained at other people's expense. With the introduction of machinery and large-scale organisation, that has ceased to be true, so the preconception must be scrapped. It is, in fact, in process of being scrapped at present, as is shown by the existence of the dole. Moreover, we have never been very consistent in its application. To say nothing of the idle rich, there are thousands of honest, hardworking people drawing supplementary incomes which they have done nothing to earn. Surely a principle that has been broken so often can be dispensed with for good, especially when its observance has been shown to be disastrous.

Where is the Money to Come From?

The answer to this question is that you must not think in terms of money, but of goods. Unless everything I have written so far has been in vain, you must now realise that the goods are there for the taking if only they could find purchasers. If the money to purchase those goods were merely transferred from its present holders to the unemployed (as happens now in the case of the dole) though the unemployed themselves would benefit, the general economic difficulty would be no nearer solution, because the total purchasing power of the community would be the same as before. That is to say, the increased purchasing power of the unemployed would be exactly offset by the decreased purchasing power of the former holders of the money. What we want to do is to facilitate the purchase of additional goods; therefore we must create more money.

The Golden Tether

I have already given two reasons for the prevailing insufficiency of money: firstly, the non-payment of the unemployed, and secondly, the saving of currency for the financing of new undertakings. To these must now be added a third: the fixation of money to the gold basis. By Act of Parliament the Bank of England is prohibited from issuing paper money in excess of a certain proportion to its reserves of gold, and the issue of credit by the joint stock banks is similarly limited. The ill effect of this ought now to be obvious. Gold is necessarily a scarce commodity—hence its value. Goods, on the other hand, are plentiful, and are poured out in increasing abundance by the growing power of modern industry. A currency regulated by one rare and slowly increasing commodity could never be sufficient to purchase that flood of wealth—at which the consumer has to stand gazing, hungry and abject, like a donkey tethered in a corner of its pasture.

Here it may be necessary to distinguish between the gold basis of the currency and what is called 'the gold standard'.

The 'gold basis' means, as I have said, that the total issues of paper money must bear a certain relation to the gold reserve in the Bank of England. The 'gold standard' means a statutory obligation on the Bank to buy gold at a certain price. Great Britain 'went off the gold standard' during the European war, returned to it in 1925, and went off it again during the 'financial crisis' of 1931; but the gold basis of the currency is still maintained. The departure from the 'gold standard' bears no relationship at all to the creation of new money. Indeed, its effect is quite the opposite; for it sends up the prices of imported goods—thus acting similarly to a tariff—and so promotes the scarcity dear to the Sisyphist. I need say no more about this piece of financial legerdemain. The incubus of which we must rid ourselves is the gold basis of currency and credit.

But Doesn't That Mean Inflation?

If I meant that we ought to print enough treasury notes to give everybody a thousand pounds a year, it certainly would mean inflation. But I do not propose anything of the sort.

What I do propose is that we should issue each year enough money to purchase the goods produced in that year. In the eyes of the orthodox economist, that also would be inflation, because it would bear no reference to gold. But there is no natural or indefeasible reason for the use of the gold basis. It was chosen originally because it was believed to be the most convenient, that is all; and its operation has always been empiric rather than scientific. The proportion of paper currency to gold is arbitrary and variable. It depends ultimately not on scientific calculation, but on public confidence, which is imponderable, and which can be swayed one way or the other to a degree out of all proportion to the strength of the impetus.

On the other hand, to correlate the currency to the goods it has to purchase *is* scientific, and is *not* arbitrary. And it is the only possible way of securing that the goods produced shall be consumed. If there is insufficient currency to purchase the goods, it is waste of time to make them: so that to refuse to issue sufficient currency is to doom a large part of mankind to poverty for ever.

To call this proposal inflation is, then, to take refuge from facts once more in pseudo-scientific verbiage. If it means anything at all, it means this: that you cannot give the people more money because, if you do, they will have less money. Which is nonsense. Or else it means that no matter how great abundance of goods there may be, you cannot distribute them unless you have a certain number of lumps of gold buried in the ground. Which is also nonsense. It is the sort of nonsense which could only issue from minds besotted with the idea that machines are the masters of men instead of their servants.

Inflation is such a bogey with economists, and such a parrot cry with their dupes, that I had better explain in the simplest possible language what it means.

On an altogether barren island, money is worth nothing at all.

Suppose that a man is cast away on such an island with a golden sovereign as his sole possession. If presently a trader comes along with nothing to sell but a penny roll, he can (leaving out humanity, since business is business) demand the whole pound for it. The pound, therefore, is worth a penny: it is inflated. This is the kind of inflation which would occur if we were to try to solve our problems by merely coining money without reference to goods. Our money would lose value because it would have little purchasing power.

But there is another kind of inflation. Suppose a trader comes to our island with a large cargo of mixed goods, and that the island itself is well stocked with fruit and game. The castaway is now in the position of a free buyer, and can get his money's worth just as if he were in the midst of civilisation. Suppose that, for some reason agreeable to both, instead of paying his sovereign to the trader, he buries it in the ground, and gives the trader an I.O.U. in return for a pound's worth of goods. The trader accepts the I.O.U. on the distinct understanding that at any time he may exchange it for the sovereign, and goes away quite happy. A little later another trader comes along with five shillings' worth of goods to sell, and the islander, not telling him of the previous transaction, gives him another I.O.U. on the security of the sovereign. The paper money now issued is not really worth twenty-five shillings: and if the two traders simultaneously demand their security, they will have to accept a proportionate composition. The I.O.U. for a pound is worth only sixteen shillings, and the other only four shillings. Again there is inflation.

Now in this sense the currency of Great Britain is already inflated. That is to say, there is not enough gold in the Bank of England to buy back the paper money in circulation. But a paper pound still remains worth a gold pound, and can purchase a pound's worth of goods, because everybody knows that the Bank of England will never be asked to buy them all back together. Their value is based on public trust in the national credit.

But why should the national credit depend on the possession of gold? Why not on some other form of wealth?

Because gold is indestructible, and convenient to carry, whereas other forms of wealth are either destructible, or difficult to carry, or both.

But these difficulties are not insuperable, and, on the other hand, there are serious objections, as we have seen, to the gold basis. Would a nation rich in natural products starve because it had no gold in its cellars? Would it even be driven back on mere barter? Not while the human mind retains its faculty of invention.

Suppose that our castaway on his island had no gold. In that case he could still obtain goods from the trader by offering the fruits of the island in exchange. The trader might then say: 'Look here. I haven't any use for a cargo of fruit just now. Give me an I.O.U., and you can have a pound's worth of my goods if you'll guarantee to change the I.O.U. into a pound's worth of fruit on demand.' The islander's purchasing power is now enormously increased. Instead of being limited by a fixed quantity of gold, it can be expanded to an extent limited only by the fertility of the island and his own industry. Beyond that, of course, he would again be inflating, and his I.O.U.'s would lose their value. So long as he issues I.O.U.'s only against actual production, and cancels them on redemption, his credit is sound. Needless to say, the trader also benefits through increased sales.

That is the sort of monetary policy that I propose. Instead of issuing currency based on gold, under a guarantee of convertibility into gold, we would issue one based on consumable goods, under a guarantee of cancellation with the consumption of the goods. Thus the nation would possess, from year to year, all the currency needed to purchase all the goods produced.

Distributing the Product

Most of this money would be distributed, just as at present, in the form of wages, salaries, profits, and so on. The residue would be a free gift, not to the unemployed, but to everybody. How the process would be carried out is described in detail in Part II.

The Socialist says: 'Nobody should have an unearned income.' I say: 'Everybody should have an unearned income: and it is there waiting for him.'

That income will be an equal share* in that potential surplus of goods due to the productivity and economy of modern machinery as compared with hand labour. It is our share in the bounty of nature, and our heritage in the work of our ancestors. Nobody ever produces anything entirely by his own efforts. He is always assisted by natural forces, the accumulated knowledge of the race, and the organisation of society. Take the case of a man growing cabbages in his own back garden. He gets the sunlight, the wind, and the rain free. He owes his spade to the remote ancestors who first smelted iron and thought out and improved the implement (he cannot claim to have paid for all that with seven-and-sixpence). Then the qualities of the cabbage itself, latent in the seed for which he has paid threepence a packet, are the result of countless experiments of which he knows nothing. Finally, the whole organisation of society is behind him to secure him in the possession of his crop. If this is true of such a simple

* Mr. Shaw's arguments in favour of universal equality of income apply with tenfold force to the distribution of this comparatively small amount. To attempt to assess an individual's share on any theory of 'justice' would be impracticable.

thing as a cabbage plot, how much more does it apply to the complicated processes of modern industry. There is no such thing, in short, as a self-made man. We all help to make one another, and none of us does more than contribute some small addition to the accumulated wealth of the race. Quite literally, man is the heir of the ages; but in the disposition of the property too many of us have been forgotten or thrust aside, and that must now be put right. No need to inquire into merits and demerits. The administrator of a will can make no such discrimination among its beneficiaries, and besides 'give every man his deserts, and who shall 'scape whipping?' Moreover, in this case, you cannot deny the inheritance to anybody without injuring everybody.

And remember, please, that we are dealing now not merely with the insured unemployed, who have organisations to voice their grievances, and, having numerous votes, can appeal to the hearts of politicians. We are making things easier for those unheard and helpless unemployed, the widow with children, the deserted wife, the orphan, the superannuated clerk, the struggling young professional man, the ex-officer who gave up his job to fight for his country and cannot get another, the failure in that unnecessary 'battle of life', the unlucky, the crippled, the poet whose songs will echo down the ages, but who must starve in order to make them. For all these there is plenty, now that you know it.

Remember, too, that we are not merely relieving the unemployed. We are lifting from the vast body of the nation that burden of anxiety under which every worker in every sphere of life is now compelled to labour—the haunting dread of what will become of him if for any reason his work shall cease to be needed. It is a dread which nowadays hangs over the most prosperous homes in the suburbs as darkly as over the tenements in the slums; for, what with rationalisations and amalgamations, efficiency campaigns and economy drives, scarcely a single job can be considered really safe. And, of course, the old enemies, sickness and death, remain with us as ever.

Remember above all that we are saving hundreds of thousands of husbands and wives from the dread of parenthood, and making it seem no longer a burden and a disaster, but the joy and privilege that it really is. We are saving the race from the necessity of committing suicide.

Remember, finally, that we are not primarily concerned with the benevolent purpose of relieving suffering. We have arrived at this conclusion as a result of scientific reasoning with the object of making the economic machine function properly. This free gift is not charity: it is oil in the wheels of the machine. In bestowing it we are showing no more benevolence than a motorist does when he oils his engine.

The Old, Old Plaint

'But if you pay people for being idle, how can you get them to work?'

I knew that ancient wheeze was coming. What about that 'common sense of the man in the street' to which upholders of things as they are so confidently appeal against the imaginings of reformers? Do you really think that a large part of mankind will be content to idle on two or three pounds a week (which is all the inheritance will be at first) when they can earn their present wages *in addition* by working? All normal people get bored by prolonged idleness, anyway. That is why the daughters of the idle rich set up hat shops. Besides, the amount of the unearned income will vary from year to year, and will be dependent on the production of that year—that is, on the work done.

But what of those who *prefer* to idle? Let them idle. At present we carry 2½ million unwilling idlers on our backs. The willing idlers will be fewer; and to punish them by denying them their income will be no remedy. It would merely restore that poverty, with all its attendant evils for society, which it is our prime purpose to remove. If a man has a contagious disease, you don't worry whether it is his own fault, but cure him in spite of himself in the interests of society in general. Poverty is more destructive and infectious than any disease.*

Moreover, it is not the function of an economic system to punish anybody. You don't expect it to punish murderers or thieves: that is the business of the law. The present economic system does not punish idlers except accidentally: on the contrary, some of its richest rewards go to idlers. The business of an economic system, like that of a shopkeeper, is to deliver the goods, not to reform the customer. The present economic system does not deliver the goods: mine will.

* For a full expatiation of this argument, see the preface to Shaw's *Major Barbara* or *Androcles and the Lion*, or his *Intelligent Woman's Guide to Socialism.*

As for the idlers, if you *must* punish them (and I don't see why you should), punish them some other way, but don't inflict a plague-spot on society in doing so.

Won't this Plan Abolish Competition?

It will certainly tend to abolish that vicious kind of competition which is going on to-day: the scramble for jobs, the fight for markets, murderous price-cutting, the squeezing out of small concerns by wealthier rivals. But the normal incentives to the profit-making instinct (not a very noble one, in my opinion) will still remain. And nothing can kill that natural healthy spirit of competition which springs from pride of craftsmanship and the friendly rivalry of its masters. For the competition of the jungle my plan, I hope, will substitute the competition of the sports field.

Producers' Credits

The plan also involves the financing of fresh production by the issue of credits specifically created for the purpose. At present, new undertakings are financed partly out of savings, and partly out of credits created by the bankers. We have already seen that, in an age of plenty, saving for this purpose is unnecessary, and leads to waste of consumable goods; and we shall see later on that the credits issued by the bankers are created on mere rule-of-thumb principles, depending ultimately on the amount of gold lying in the Bank of England.

Instead of this, our plan proposes that the issue of credit shall depend on the needs of the consumers and the capacity of producers to satisfy them. The machine must be adapted to humanity, not humanity to the machine.

The principle is the same as that underlying the issue of fresh currency. The labour is available; so is the material (bricks, iron, and so on). All that is required to set them in motion is credit, the amount to be determined by a scientific estimate of the utility, or the probable demand for, the consumable products of the new undertaking.

How will it Work?

If we adopt these principles and this system that I propose, our present troubles will begin, slowly at first, but more and more quickly as time goes on, to settle themselves. To begin with, as our production is lower than it ought to be for the reasons I have given, the general dividend would be a small one—perhaps not more than five shillings a week—and we should, therefore, have to continue the dole for a while. But even this small amount would break the vicious circle, set the wheels of industry in motion, and thus produce more wealth, so that next year the dividend would be greater. Prosperity would then begin to spread in wider and wider circles, just as poverty does at present. Later on, when productivity is at its height, we can turn our surplus labour to all sorts of useful purposes—slum clearance, land drainage, afforestation, and so on—now neglected because we have not the money to pay for them.

Concurrently with this, taxation will fall, because a large part of our present taxation is necessitated by the social services, which would become less expensive. Better food and better clothing mean better health, so there would be an immediate saving in health insurance. The dole could be progressively reduced, and finally, when the national dividend reaches a figure consistent with a proper human livelihood, could be dropped altogether. Then, as crime and drunkenness are largely attributable to poverty, there would be a further saving in this regard as poverty diminished.

As an example of how particular difficulties would settle themselves, let us take the case of foreign trade. Since the home market would, under the new conditions, be able to absorb a great part of what we now export, our exports would be a *true* surplus: that is, goods in excess of what the people *need*, not, as at present, in excess of what they can *pay* for. We should no longer, therefore, go into the markets of the world full of desperate anxiety to *sell* (export) at any price, and terrified of receiving too much in return (imports). We should go there as prosperous merchants to obtain foreign goods in exchange for our surplus produce, and determined to get as good a bargain as possible. As everybody else in the market would be anxious, as ever, to *sell*, we could fix our own price, so that our island would be flooded with cheap foreign goods, which, of course, would add to the abundance out of which the national dividend would be paid. The population would be able to consume *all* the goods available, whether home or foreign, unless these amounted to a true excess (defined as before); and if such an excess occurred, it would only be temporary, as, of course, it would not pay anyone to produce goods for which there was no market, and the credits of the following year would be adjusted accordingly.

This abundance would cause unemployment, or, more probably, a general reduction of working hours. But there would be no need for the workers affected to worry; for what they would lose in wages would be offset by the increase of the national dividend, and they would have *leisure* thrown in as well, which each could use according to his inclination—for rest, recreation, education, or making money in some other way; for, remember, any useful thing (or, for that matter, any ornamental thing) he might make would be included in the national census of production, and money would be issued against it. Thus (to Mr. Chesterton's satisfaction) home crafts would be revived and made profitable in the very midst of mass production.

Sooner or later, however, the foreigners would begin to realise that their huge export trade was simply enriching us at their expense; and the only way for them to set that right would be to adopt our system of currency, and thus share in our prosperity, while we again would share theirs in our turn. The ultimate result, when all the world had adopted the scheme, would be to put an end to international economic warfare, trade becoming a friendly exchange of surplus commodities between the nations; or, more accurately (since it is only metaphorically that nations can be said to trade with one another) the good things of every part of the world would become freely available to all the people of the world.

Towards Utopia

Looking into the future, I foresee the world growing richer and richer, and mankind labouring less and less. Ultimately a time might come when every physical and unpleasant task would be performed by machines, and the whole of mankind would be set free from toil to pursue the higher activities worthy of his spiritual nature.

If you are still sufficiently Sisyphistic to be frightened by this prospect—thinking that the race can only be kept up to the mark by having its nose held eternally to the grindstone—I can only say: don't worry. This won't happen for a long time—not for hundreds of years, perhaps. Meanwhile, we have our work cut out for us in providing the hungry, the naked, and the homeless with food, clothes, and houses. Remember that men, women, and children are suffering the agonies of poverty *now*. Remember that mankind are one flesh. That poor old woman selling matches in the rain is your mother; that pale widow addressing envelopes to keep her children is your widow, and her children your children; that plucky little chap I read of the other day who supports his invalid parents and his eight brothers and sisters,* is your own little chap; that girl, driven by despair to prostitute herself, is your sister; and that broken man carrying a sandwich-board is your brother. Let us open the golden gates and call them in to the gardens of plenty.

* He was fined 5s. by the Tottenham magistrate for making a noise when playing in the street. The case is given in full in the *Daily News* for October 18th, 1929.

The Alternative

These considerations, of course, are not economics, but 'man doth not live by bread alone'. It was in an effort to inspire his disciples with his own deep sense of this mystic oneness of humanity that Jesus told them in his last discourse that 'I am in my Father, and you in me, and I in you', and begged them three separate times, with something of despair at their failure to imbibe his spirit, to love one another. If we could but see our own joy and sorrow in those of others, there would be no more poverty.

The alternative to taking the course which I have proposed is to go on as we are going at present, leaving the vicious circle I have described unbroken, with poverty spreading wider and wider as time goes on. Within the last year, under a Socialist government anxious—desperately anxious—to solve the problem if it knew how—the number of unemployed in Great Britain has *doubled.* Nearly every civilised country in the world can tell the same or a similar tale, and no one can say that the end is in sight. The logical end would be a small band of wealthy people enjoying the benefits and luxuries of civilisation, produced in overflowing measure by a small number of workmen, with an immense poverty-stricken multitude looking on in helpless idleness. But before that end could arrive, one of two things would have happened. Either Parliament would have yielded to an irresistible popular clamour to suppress all machinery; or the whole of civilisation would have been smashed in universal warfare or revolution.

PART II

THE WAY OUT

THE WAY OUT

WHILE I am writing this book a band of unemployed workers is playing outside my window:

> 'There's a good time coming,
> But it's ever so far away,
> Ever so far away . . .'

so let us get to our practical scheme at once.

What Is Money?

Money is a means of exchanging goods.

Anything that the community agrees upon can be money. Shells, stones, leather, iron, and many other things have been used from time to time; but for a number of reasons (see any elementary book on money) one substance—gold—has displaced all the others; and this, while convenient in many ways, has been disastrous in others.

In the first place, gold has a commodity value of its own, and a very high one. This made people forget the true function of money. They ceased to regard it as a means of exchanging wealth, and came to think of it as wealth itself. Thus confusion entered into economic science quite early in history.

In the second place, gold is difficult to carry about, and easy to steal; and so there grew up a custom which has led to still further confusion. Everybody knows the origin of banking. The first bankers were goldsmiths, who used to take charge of people's gold, and pay them out what sums they required on demand.

From this grew up the practice of giving and taking 'bills' on wealthy and old-established firms of goldsmiths, who, of course, charged for their services, and thus became traders in money itself. After a time the banks (as we may now call them) discovered that their bills were taken in such good faith that people no longer presented them for payment as soon as they received them, but negotiated them with one another, as if they were coined money. This meant that the banks need no longer confine their issues of bills to the total value of gold held by them, but could issue an excess of them, so long as the people *believed* that they could pay gold whenever they were asked. Thus was introduced a new form of money, consisting, not of *gold*, but of *paper claims on gold.* It was much more convenient than gold, but it served to disguise still further the true function of money, as we now know to our cost.

The use of paper money (notes and cheques) led to a still more far-reaching development. As the banks could count with tolerable certainty on a large part of their customers' gold being left undisturbed in their possession, they were able to lend the gold—at interest, of course—to finance the undertakings of others. The loan would be given on the security of the capital goods of the undertaker (buildings, ships, etc.), and thus money took on a second false valuation. It came to be regarded as *capital.*

It is these two mistakes—the confusion of money with wealth (consumable goods) and with capital (productive power and material)—that have landed us in the present muddle—plenty of goods that we cannot buy, and plenty of men and material that we cannot use in production, because we are short of gold or gold-backed paper.

The first requirement of our new currency, therefore, is that it shall be a medium of exchange, *unmistakable for anything else.*

The second requirement is that it shall be *deliberately regulated* so as to enable the people to consume all the goods they can produce.

Features of the New Currency

These requirements involve several others:

1. The amount of currency issued in any particular period (say a year) must be exactly sufficient to purchase the production of consumable goods in the same period.

2. The currency must be distributed among the population in such a manner as to make this possible. (For example, since there is a large plant available for making bread, and every member of the community needs bread, enough currency must be issued to everybody to supply him with bread; but it would be neither necessary nor possible to supply everybody with enough currency to buy emerald earrings.)

3. Since production will vary from year to year, it will be necessary to provide means for varying the currency correspondingly.

4. The currency must be of such a nature that it cannot be hoarded, that is, saved for use as 'capital', since, if this occurs, some of the year's production will be left on the hands of the producers, with the results familiar to us all.

5. The currency must be generally acceptable in the area in which it circulates, so that people will not be tempted to use foreign or rival currencies, and thus produce 'inflation'.

The Scheme in Brief

To secure all these conditions it will be necessary to create some controlling authority to calculate, issue, and regulate the currency. We may call this authority the Currency Board.

The Currency Board will issue two sorts of money, of different appearance, but identical denomination:

1. Consumers' Money, called C money.
2. Producers' Money, called P money.

Consumers' Money will be issued in order to place in the consumers' hands purchasing power equivalent to the year's output of goods, as estimated by the Board on the basis of:

(*a*) The previous year's output and sales;
(*b*) The known productivity of the plant at the community's disposal;
(*c*) Any knowledge the Board can collect as to demands for new or special kinds of goods.

Producers' Money will be issued for the purpose of enabling the producers, that is, the owners of plant and natural resources, to set their producing machinery in motion in order to satisfy the consumers' needs, and also to keep this machinery in repair.

As far as possible the currency mechanism controlled by the Board should be *automatic* in its action. That is, it should require as little book-keeping activity, supervision, and interference as possible. Since the two essential parties in the case, the consumers and the producers, stand in reciprocal relations to each other, one giving what the other receives, and *vice versa*, some kind of circular mechanism seems to be suggested for the actual working of the currency system, to facilitate such automatic action. In other words, there should be two equal but opposite streams of currency conveying respectively *goods* and *purchasing power* in balanced amounts, so related that both streams reach their final destination in such proportions that they cancel each other out, and pass away, leaving no after-consequences except the successful exchange of goods from producer to consumer. This could be accomplished by the device of letting the Control Board previously mentioned issue two currencies equal in value but of different availability, one enabling goods to be purchased and the other enabling them to be produced, and so arranged that equal amounts of each currency should cancel one another out when the transaction was completed.

Put into the simplest possible form, this mechanism should work as follows. The Currency Board, having made its annual estimate of the producing power at the community's disposal during the forthcoming year, will then create an issue of C money equal in real purchasing power to this. It will distribute this money among the consumers (or credit it to their accounts at the National Bank, in a manner to be described later) partly as a loan and partly as a gift, so that they can proceed with their purchasing as goods become available. At the same time as it creates a

C money issue it will also create an equal amount of P money, for issue to the producers. These will employ it to pay for labour, machinery, raw materials, etc., and it will ultimately find its way into the pockets of the consumers, who will use it to repay their debt of C money to the Currency Board. Similarly the C money paid by the consumers to the producers, in purchase of their goods, will be used by them to repay their P money to the Board. Thus in the end both debts will have been cleared off, the producers will have made and sold their goods without any hectic anxiety about 'over-production', 'labour costs', or other worries, and the consumers will have been enabled to satisfy their desires, and all this will have taken place without leaving any complications behind.

The Scheme in Detail

The above description is a bare outline of the essential working of the suggested currency scheme; it now remains to describe the process more fully, and to justify the various assumptions made in the course of the above sketch.

The Currency Board

This will be the ultimate authority regulating the economic affairs of the country, its chairman being a Cabinet Minister of the first rank, and its members being partly representatives of Parliament, and partly experts on finance, currency, and the chief branches of economics. Its duties will be to estimate each year (or other agreed period) the potential productivity of the community; to issue C and P currencies equivalent to this; to distribute these currencies through the agency of the National Bank, of which every member of the community will be a client, and later to recover and cancel these two currencies in a manner which does not disturb the equilibrium between production and consumption; to regulate production in the interests of the community's well-being (for example, by discouraging the production of luxuries until a sufficient supply of necessaries is being produced); and to encourage all improvements in productivity which tend to increased leisure.

C Money

This will be issued in two parts:

Part 1 will be a gift issued in equal shares to all inhabitants, irrespective of whether they are workers or idlers, rich or poor, old or young, and will represent their share of the inherited wealth of society. (Cf. page 88.) This gift of C money will be balanced in P money by an equivalent tax, as explained in the next section.

Part 2 of the C money will take the form of loans issued by the Currency Board (*via* the National Bank) to all persons applying for them, and will be repayable from the amounts of P money earned by the borrowers in their capacity as producers, either employed or employing. (It should perhaps be noted here, in order to avoid misunderstanding, that we are assuming that the industry of the country will still be carried on largely by 'private enterprise' as at present, though other social systems may eventually arise. It is, indeed, one of the advantages claimed for the scheme that it is applicable to our present industrial system without any violent break, though its adoption, in addition to facilitating an immediate increase in sales of industrial products, will also render it easy to remedy the great injustices which discredit the present economic system.)

As mentioned above, the amount of C money issued by the Board will be strictly limited to the quantity necessary to purchase all the goods which the country's industrial system can reasonably be expected to produce during the forthcoming year, and that under no circumstances will more be issued (this being the essential condition required to avoid inflation). It is possible, therefore, that applications for loans of C money may be in excess of the amount to be issued. In such cases, all applications will be scaled down in proportion, after allowances have been made for applications obviously absurd in themselves, such as demands for unduly high loans, or requests from borrowers who have habitually in past years applied for larger loans than they can repay from their P money earnings.

Borrowers who fail to repay (by the end of the year) their loans of C money will not be liable to punishment other than being compelled in the following year to make up the deficit in next year's currency (this being redistributed to somebody else, so as to avoid upsetting the balance of C and P currencies). Thus people will not, once they have grown used to the system, try to borrow more currency than they are likely to be able to repay. (And it must be remembered that conditions of employment will be more stable under the new scheme, so that people will be able to gauge fairly accurately what their next year's income is likely to be.) It should be remarked here that under no circumstances will an individual's share of the 'gift' issue of C money be alienable from him.

It is desirable that the Currency Board should adopt the policy of increasing Part 1 of the C money at the expense of Part 2; and as the community becomes more civilised, and realises that there is no longer any need for predatory conduct in industry, such action will no doubt become possible. This will be more particularly the case if the present development of labour-saving machinery continues, so as to make it even more obvious than at present that it is no longer necessary to confine an individual's income to what he 'earns' by working.

Summarising our comments on C money, then, we may say that it will be of such amount as to be capable of buying the total product (including imports) of the country for the year, and that it will be issued partly as a gift, and partly as a loan repayable in equal amounts of P money, obtained by the borrowers as earnings in industry.

P Money

This will be issued, not to consumers, but to that part of the producing-system in immediate contact with the consumers, i.e. the retailers. (This is necessary in order to avoid elaborate book-keeping and the possibility of bureaucratic interference such as might arise if each stage of production were to be financed separately by the Board.) Applicants for loans will have to submit their books for inspection so as to demonstrate (*a*) that they can usefully employ the amount of currency for which they are applying, (*b*) that they have not in the past attempted to profiteer by trying to extract from the consumers more C money than they themselves needed to repay their debts of P money, (*c*) that they are not trying to diminish the quantity of commodities given in return for the C money.

The Board, in allotting currency issues, will have to bear in mind the following requirements: (1) that a sufficiency of food, housing, and other material necessities of life should be produced before any non-essential production is encouraged; (2) that when this has been accomplished the next thing to aim at is the maintenance of the amenities of civilised life, means of recreation, etc. It could do all this by currency regulation without any arbitrary interference with individual firms, by allotting the currency issues to the various industries in proportions suggested by their order of importance. For example, it could give the food-producing industries prior claims on the P money issue, following these with the housing trade, and so on. It could also keep up standards of quality and quantity by financing new rival firms when old ones displayed a tendency to profiteer by giving smaller quantities of their goods in return for the same amount of C money. (And in any case a widespread attempt at this would be revealed at the next annual estimate, in the form of an apparent diminution of productivity, so that the Board would be compelled next year to issue *less* money.) The Board could also ensure the production of goods for which there was a genuine as distinct from an artificially-stimulated demand, by heavily discounting the applications of firms who indulged in excessive advertising, and encouraging in their stead firms who employed their currency allotments so as to give customers as good yields of produce as possible for their C money. Improvements in means of production could also be stimulated by the definite earmarking of a percentage of currency-issues for the financing of leisure-creating inventions, that is, inventions which saved labour and made it possible for fewer men to do more work.

When the retail firms have been allotted their P money, they will use it to pay profits, salaries, and wages, and to buy materials from the manufacturers for sale to the public. The manufacturers in turn will pay *their* supply agents, workmen, etc., with the currency so obtained, and so the transfer of the P money will go on from firm to firm until it has all found its way into the hands of individuals, that is, into the hands of all the directors, shareholders, managers, officials, and workers engaged in production. In other words, it will have come into the hands of the individual consumers, so that they will now be able to repay their loans of C money to the Board. (In practice, of course, they will not repay the loan direct to the Board, but to the banks or other institutions through which the Board works.)

The National Dividend

Here arises a difficulty which must be disposed of before we proceed with our description of the system.

It will be remembered that although both the P money and the C money were equal in amount, and that all the P money was issued as a repayable loan, yet only a *part* of the C money was repayable, the remainder being a gift. Now it is impossible to issue the corresponding part of the P money as a gift, because it is the actual repayability of P that will induce the firms to produce and sell goods, and so obtain C money from the consumers to wipe off their debt. If they are not compelled to obtain this C money they may refrain from production, so that there will be more C money in existence than there are goods for it to buy, 'inflation' will set in, and the vital balance of production and consumption will be upset. Therefore all the P money *must* be repayable. The way out of the dilemma is to levy a tax on the P money after it has been issued, equal in amount to the gift of C money. Then although the producers will still *owe* the Board an amount equivalent to the whole P money, and will thus have to obtain possession of all the C money, they will only have left for distribution as profits, wages, etc., just that proportion of the P issue which balances the repayable part of the C money. The ultimate balance of the two currencies will then be undisturbed and both can be cancelled safely when they have been drawn in by the Board.

Note that this 'tax' on P money is not merely an attempt to evade a difficulty in making our scheme work, but really corresponds to a natural fact. As was said before, the gift portion of the C money is that part of it which represents the claim of the community to part of the total production on the grounds that industry is making use of the accumulated skill and knowledge of the community's ancestors. Thus the tax on P money is the thing that translates this claim into practice. Suppose a given firm applies for a loan of £700 P and gets it. Suppose also that the Board decides to levy a tax of 5 per cent on the P issues, to balance a gift distribution of 5 per cent of the C money (the other 95 per cent being issued as loans). Then the firm will have to pay back £35 P as a tax. So it will be left with £665 to carry on business with, but will still owe the Board £700 payable in C currency. But it would be wrong to say that the unfortunate firm is being compelled to pay back a total sum of £735 merely for a working capital of £665, the difference being used to maintain a lot of 'idle working men' in 'luxury'. The firm is not being subject to a loss of £70, because the two currencies are inconvertible, and cannot therefore be added together. A much fairer way of putting it would be to say that although the firm was taxed £35 P on its loan of £700 P, leaving only £665 P, it is then allowed and even urged to make a profit of £35 C on this, by extracting £700 C from the consumers, so that in the long run its accounts will just balance.*

It is desirable that the Board should aim at issuing a larger and larger percentage of the C currency as a gift each year, as the community comes to realise that

* At this point a reader of my manuscript pencilled in the objection: 'Tax paid by consumers equals the gift of C.'

Exactly. But surely by this time it is agreed that money is not wealth. The 'gift' and the 'tax' are merely the mechanism by which we ensure the consumption of all the goods produced, the desirability of which was the main theme of Part I.

the 'struggle for existence' is a thing of the past, and as the labour of production becomes easier and gives an ever-increasing yield of goods. This need only be done, however, in the degree in which man becomes more 'civilised' and ready to work without demanding special rewards. There need be no fear of a sudden outburst of 'socialistic extravagance' during the early years of the Board's existence, especially since the Board will be composed of recognised economic experts and financiers.

While dealing with this point attention may conveniently be called to the fact that no interest will be charged to the borrowers of either C or P loans. They will be managed by the banks which do the Board's business, and these will pay their own expenses out of the P money allotted to them as part of the country's producing machinery, so that they will not need to make profits on the loans. Their book-keeping will be simplified by the fact that since the currency is issued yearly, a simple entry of all transactions under the appropriate column headed P or C in the case of each client should result at the end of the year in two balanced totals, under which a line can be drawn and the whole affair cancelled.

If there is any deficit on any consumer's account at the end of the year he will be expected to compensate for this in the following year. That is, if he borrows £500 C in 1940 and only repays £450 P it will mean that he has consumed £50 worth of goods that should have gone to somebody else. In the following year, therefore, he will be expected, out of *that* year's currency issue, to pay back £50 P more than he borrows, so that he will be allowing somebody else to consume £50 C worth of goods at his expense. As a matter of strict fact, it will probably not matter much whether or not the Board insists on marginal deficits like this being duly repaid, since, as long as the total volumes of C and P money are in fact recovered from somebody or other, it will be immaterial to the community where they came from. To prevent spendthrifts from forming a habit of living at somebody else's expense, nevertheless, it will be useful to have a few disciplinary rules of this kind at least during the first century or so of the Board's existence.

Under no circumstances, however, will an individual's *gift* allotment be alienated from him, even if he runs hopelessly into debt. It is his share of the 'heritage of humanity' as a whole, and must be left to him.*

Present Industrial Arrangements Unaffected

It may be useful to call attention at this stage to one very valuable argument in favour of the adoption

* The author of the previous comment has here remarked: 'Even though he has robbed the State.'

Certainly. Because (1) Robbery is not a capital offence, and to deprive a man of his National Dividend is to starve him to death; (2) The National Dividend is not a good-conduct prize. Its purpose is to make the economic system work; (3) It is impracticable, as already said, to make distinctions on the score of merit; (4) To punish a man by pauperising him injures the community more than himself (see any of Bernard Shaw's numerous essays on poverty).

The commentator had evidently forgotten that under the present system the man who 'robs the State' is not only not punished, but often richly rewarded. The question was really answered by the whole trend of argument in Part I. It is therefore stupid to ask it at this stage.

of this suggested currency, as a means of curing 'unemployment' and the various other economic ills from which we are suffering. That is, that the scheme can be adopted without calling for any violent change in the methods or structure of the existing industrial system. The carrying on of production by an intricate network of banks, manufacturing concerns, wholesale and retail merchants, etc., can continue without any radical change, so that that is no reason to fear 'socialistic' or 'communistic' hampering of industry. Neither is there any need to fear the removal of the 'incentive to work', since the present ownership of industry by shareholders and capitalists can be left untouched. What will happen, however, as it becomes more evident that the new system causes goods to be distributed instead of allowing them to clog up the producing machinery, will be a steady amelioration of the economic struggle, as the effect of the general issue of free purchasing power among the population at large enables them to buy goods as they *need* them, instead of merely as they can *afford* them. The industrialist's power to starve his workpeople into submission will slowly disappear, but so will the necessity for doing so disappear as well.

A Model Community

In order to illustrate how the scheme would work in practice, let us imagine a community of a hundred people living on an island. It consists of 30 corn-growers, 20 ploughmakers, 20 miners, 10 retailers, and 20 'idlers'—that is, people who produce no consumable goods, but spend their time doing nothing or writing unsaleable poetry.

I. The Community elects a Currency Board, which then authorises the issue of £1,000 P money and £1,000 C money, after having estimated the probable amount of wealth that the population will produce in a certain period. It also decides that of the C money, £200 shall be issued as a gift, making £2 for each member of the community. For simplicity, let us suppose that all the 'producing' members of the community, 80 in number, estimate that they will be able to earn the same amount each, whether they are iron miners, or directors in the ploughmaking industry, or shareholders. They will therefore apply for a loan of £10 C each, to be repaid as they draw their wages, fees, or dividends in P money.

Thus the eighty workers will each have a credit of £12 at the bank, and the idlers will each have £2, for purchasing consumable goods. So much for the C money. Let us now look at the P issue.

II. In accordance with our scheme, the whole issue of P money will be taken up by the retailers, ten in number, who are accordingly credited with a working capital of £1,000 P. At the same time, however, they receive a notice from the Board announcing that it has issued a gift proportion of C money amounting to £200, and that it must levy the corresponding tax of £200 P upon the retailers' credit. The retailers are now left with £800 P to carry on business. Of this they pay themselves in wages and fees £100 P. (There may be 2 managing directors, who draw fees of £10 each for their services, an accountant earning £10 salary, and 7 assistants drawing £10 each as wages.) With the remaining £700 they buy corn from the corn-growers. They have now no money left, but they hold the corn-crop, and this they sell to the consumers for £1,000 C (that is, the 80 working consumers buy £12 worth of corn each, and the 20 'idlers' £2 worth each. The £1,000 C thus obtained is precisely the amount which the retailers owe to the Currency Board, so they pay it in to the Board's bank and their debt is cancelled, leaving them all ready to start a fresh credit-account. As retailers they have performed their part in the chain of production by passing the goods produced into the hands of the consumers (which term, of course, includes themselves in their capacity as private individuals).

III. The corn-growers are the next people to be considered. They have sold their crop to the retailers for £700 P. Of this they pay themselves wages and salaries amounting to £300 P (i.e. they earn £10 each), and with the remainder they buy ploughs (and other farming plant) for which they pay £400 P. These two payments just exhaust the money they obtained from the retailers.

IV. Now come the ploughmakers, who have just been paid £400 for their ploughs. They pay themselves out of this £200 in wages, and with the remaining £200 buy iron from the iron-miners. Then *their* accounts balance.

V. Finally the iron-miners appear, and as their income represents (for simplicity's sake) merely the reward of labour, no materials or plant having to be bought, they can pay all this to themselves. Thus the

£200 they received from the ploughmakers will be completely used up in wages.

VI. Let us now return to the C currency circuit for a moment. By this time each of our 80 workers will have drawn his £10 P from the industry in which he is engaged (mining, manufacturing plant, growing food, selling food, etc.) and will have hastened to the bank to pay this off against his debt of £10 C. Thus on this circuit also the accounts have been balanced. Of the £800 C money repayable in P money, all has been recovered.

The bank which does the Currency Board's business is now in a position to report that both currency issues have finished their circuits and have returned to the bank; that the object of issuing them has been accomplished, in that £1,000 worth of products has been duly produced and consumed; and that the currencies may therefore now be cancelled without any ill effects, since nobody owes anybody else either money, goods, or labour; and the industrial machine is all ready to begin the same healthy process over again.

The Circulation of the Currency

The accompanying diagram, in which the P money circuit is shown in red and the C money circuit in blue, demonstrates how the currency flows through the community, carrying the goods with it, exactly as the blood carries nourishment through the human body. For the purpose of simplification, each industry has been shown as if it were a single co-operative concern, all the people in the industry drawing wages equal in amount, and therefore being able to apply

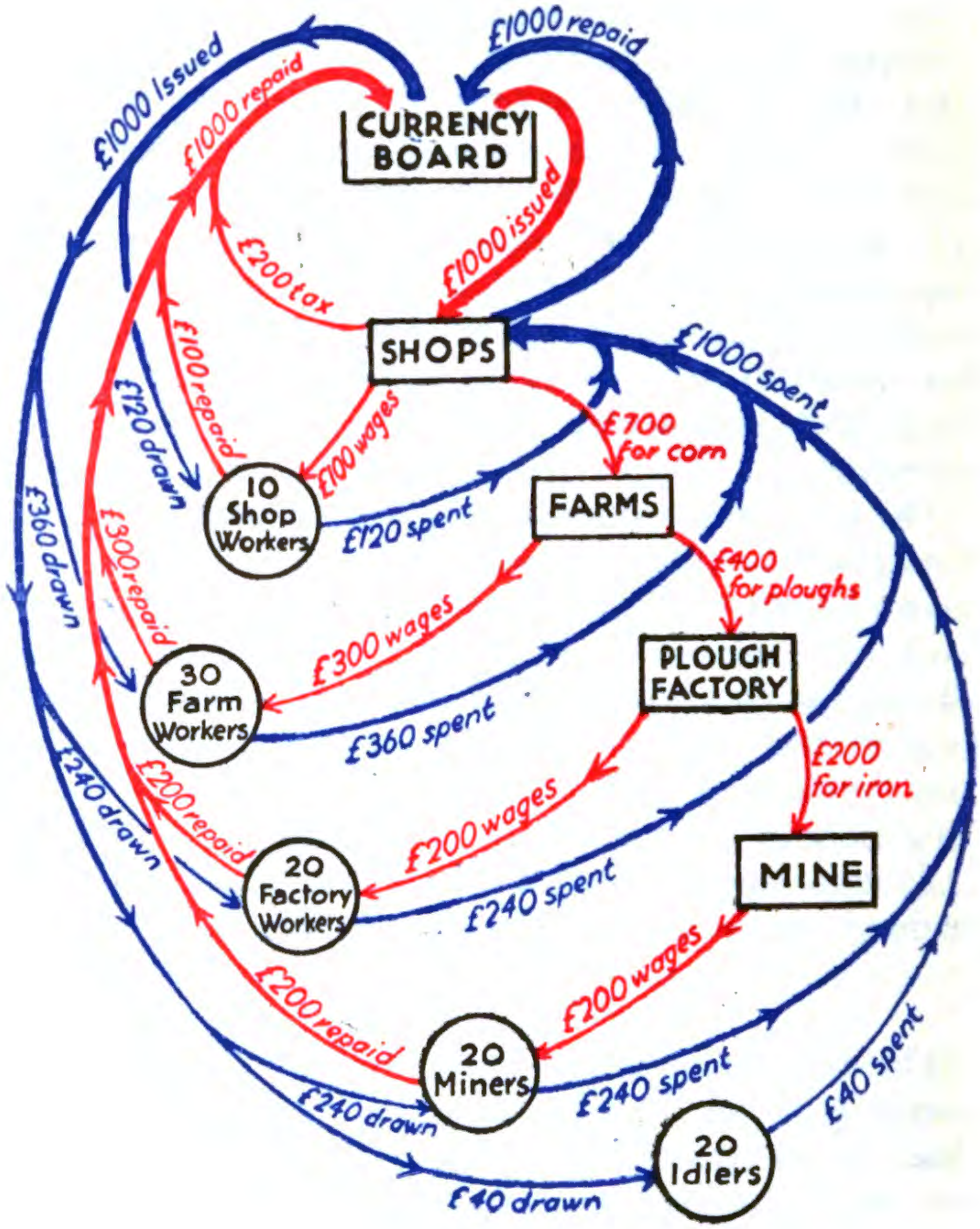

Diagram representing the circulation of the New Currency for equal loans of C currency. This need not necessarily be the case. In the ploughmaking industry, for example, there might be two factory managers, two shareholders, and 16 workmen. These might then divide the £200 paid out as wages in some such proportion as the following: £50 to each manager, £10 to each shareholder, and £5 to each workman. This in turn would mean that instead of being able to borrow £10 each from the bank, they would borrow amounts proportionate to their earnings. The essential difference from present-day conditions would be that everyone in the industry would be sure of receiving some income, even if it were only the Board's C money gift, so that the fear of unemployment would vanish; the amount of money available for spending would be based on the goods actually available for consumption and not on some irrelevant consideration; and the ploughmaking and corn-growing industries would have been given preference over the poodle-training industry so as to ensure that necessary goods should be produced before unessential luxuries, until the community's primary needs were satisfied.

Again, although there would be free scope for competition and 'business acumen', and although the retailers would be free to drive as hard a bargain as they liked with the growers, yet this would simply be a case of 'thief robbing thief'; they would not be able to combine and jointly rob the public by simply adding large profits to the cost-price and making the public pay the resulting total. This would be so because all business transactions would take place in terms of P currency, and whatever arrangements were arrived at between the various competitors, the public, by virtue of the compulsion on the retailers to obtain all the C money so as to repay their debt of P money, would be able to obtain the *whole* product of industry. The retailers would not be allowed to ask for more C money than they had borrowed in P money and they would therefore (assuming that they really were trying to be dishonest) either have to give up all the goods they bought to the consumers, in return for the latter's C money or else be left with a surplus stock of goods. As a third possibility, they might conspire with the producers to cut down production, but they would gain nothing by either of these last attempts. The possession of unsold stocks would show that they had not been giving the public full value for its money, for which they would be penalised when the next year's loans were issued; while conspiracies to cut down production would automatically mean that the next year's estimates of the Board would show 'diminished productivity', so that the Board would have to diminish the quantity of currency available for loans (since this is based on productivity, *not* on gold). Any attempt on a retailer's part to defraud the public, therefore, simply means that he is destroying his own means of obtaining capital credit.

Revocability the Strength of the New Currency

The new currency will, of course, be a paper currency, and therefore, in order to be 'generally acceptable' it must have some guarantee of stability. That guarantee will be the legal obligation on the Currency Board to issue only as much currency as is necessary to buy concurrent production, and to cancel it as soon as that function is performed.

Hitherto paper money has always relied for stability on its gold backing (or, in the case of bank credit, which is a very important part of our currency, on its backing of gold-backed paper), and if, for one reason or another, people have lost faith in the sufficiency of its backing, it has begun at once to lose value. Thus, when a government in political difficulties took to issuing paper currency whose intrinsic value consisted solely of the governmental assurance that it was worth so many francs or marks or roubles or pounds, the result was generally disastrous. The issue usually took place in a market where unstable conditions were already in being, and where prices were already tending to rise (from the reaction of political difficulties on economic conditions), and furthermore it usually took place with abnormal rapidity, so that the market could not absorb it conveniently. The consequence would be that prices would rise still more, and induce the government almost unconsciously to issue yet more currency in payment of its increasing debts for supplies, wages, munitions of war, etc., thus continuously accentuating its own difficulties.

This process would go on until either the government overcame its political difficulties (that is, for example, until a revolutionary government succeeded in making itself stable and in restoring the economic life of a country after a period of civil war), and was able to re-absorb the paper currency in the general monetary system without undue depreciation; or, more usually, the continual flooding of the economic machine with the paper would produce a general breakdown, owing to men's increasing doubts of the future validity of the currency, ending in their final refusal to accept it except at a fantastic discount.

But here it may be noted that the factors which led to the downfall of the paper currency were not so much the *quantity* issued, as the *speed* of issue, and the fact that it was sent out (like a gold currency) with the idea of irrevocability. The issuing authority, which had formerly been sending into circulation gold coins of unquestionable real value, would, when gold supplies were running low, commence issuing paper money without stopping to consider that the alteration in the medium necessitated a revision of the conditions of issue. It would, that is, simply issue so many pieces of paper at such and such a face value, with the understanding that they were to be left in circulation until they 'wore out' like gold itself.

It was this irrevocability, rather than the quantity, of the paper currency that made men so doubtful of the safety of accepting it in return for commodities. To take a gold coin in return for a cask of sugar was to take something valuable in exchange for something valuable. The gold coin would still be valuable in twenty years' time, irrespective of the political changes that took place in the meantime. The twenty-franc note, on the other hand, might very well be still worth twenty francs real value in six months' time, but would it in twenty years? An irrevocable paper currency must necessarily be highly dangerous, simply because men know that, if they accept it, they are tying themselves down for an indefinite period to the fortunes of something which has no greater intrinsic value than the paper on which it is printed. If the emergency which led to the issue of the paper was serious, it will to that degree render the future of the paper currency problematical; and, simply because paper can be made with much greater facility, there will be a tendency for men to become suspicious and nervous of their paper holdings, and so accentuate the seriousness of the situation still more.

A paper currency issued under the conception of revocability, on the other hand, would be much more likely to be acceptable; and its acceptability would be increased proportionately to the shortness of the time limits within which it was valid. Men who doubt whether the governmental system will last twenty years, and who refuse therefore to accept its paper currency if this is irrevocable, may be quite ready to accept it if there is a definite understanding that it will be recalled within six months, to be replaced with a fresh issue adapted to the conditions then prevailing.

Indeed, most of the currencies now used in the leading industrialised countries are paper money in this sense, even where they have a gold backing. The British currency, for example, is really a currency 'taken on trust' rather than one of intrinsic value. It is true that the government guarantees a certain gold backing to every £1 and 10s. note in circulation, but nobody except a few exporters ever has the opportunity to exchange the paper for the gold, and it is well known to everybody that if another emergency like the War of 1914–1918 broke out, the gold backing would disappear again. Yet British £1 notes are accepted without any noticeable anxiety.

It is not therefore necessary that the suggested C-P currency should have a gold backing. The members of the community using the currency will know that whatever happens they are only running risks for the single year (or other agreed period) in which the currency was issued. They will know that at the end of the year the volume of the currency will be varied, not in accordance with the government's desire to pay for supplies, or with the political situation of the day, but solely in accordance with the state of the productive mechanism. If there are likely to be more goods produced, then the Board will increase the currency-volume proportionately; if less, then there will be less currency. By no possibility will it be allowed to happen that the currency-volume increases while productivity decreases. Thus the conditions which automatically necessitated gold-backing for an acceptable currency in the past will have vanished. The only backing the currency will have, and the only one it will need, will be the community's ability to produce goods; the very end which past currencies have unconsciously tried to attain, but which they have failed of, owing to the difficulty which the human mind has in seeing things by themselves, separated from and undistorted by their habitual associations.

What About Foreign Trade?

Before answering this question, it is necessary to be quite clear as to what international trade means.

To begin with, the reader must realise that nations do not trade with one another. Individuals of one nation trade with individuals of another nation, just as they trade with individuals in another street, town, or county. Fundamentally the processes are the exact same, though trade between members of different nations is often obstructed by tariff barriers, and complicated by differences of currency. On this latter account, transactions between different nationals are not settled by the transference of cash. They are settled in bankers' books, goods being set off against goods, and the final accounts being balanced, if necessary, by gold or securities.

Orthodox economists, however, always talk of international trade as if it were something radically different from any other kind. As Mr. Wells said thirty years ago in *A Modern Utopia*:

> 'Few earthly economists have been able to disentangle themselves from patriotisms and politics, and their obsession has always been international trade. Here in Utopia the World State cuts that away from beneath their feet; there are no imports but meteorites, and no exports at all. Trading is the earthly economists' initial motion, and they start from perplexing and insoluble riddles about exchange value, insoluble because all trading finally involves individual preferences which are incalculable and unique.'

Now we have as yet no World State here; but that does not affect the issue. For if trade between nations requires such delicate consideration, why not trade between counties? Nobody worries about the balance of trade between Lancashire and Yorkshire. Nobody is frightened lest there should be an undue drain on the gold resources of Surrey. Does anyone believe that if a separate government were to be established next year in Surrey or Lancashire, these things would at once begin to assume consequence?

The Balance of Trade

One of the most nonsensical ideas which the orthodox economists have foisted on the minds of the people is the doctrine of the Trade Balance. If we import more than we export, the balance, they say, is 'unfavourable', and we are in a parlous condition. 'We live by our exports' they inform us; and 'exports are paid for by imports'.

How can we live by what we send *out of* the country, and be injured by receiving *more* in return? If the phrase 'we live by our exports' means that we earn our living by exporting things, obviously the bigger price we get, the better.

The doctrine of the balance of trade, is, in fact, pure Sisyphism.

The purpose of trade is to obtain commodities which we cannot make ourselves, or which other people can make better or cheaper than we can. To obtain them we export our own produce. For instance, we cannot grow oranges or bananas in England. We therefore import them from Spain and the Canary Isles, and send those countries manufactured goods in exchange. Again, though we can grow wheat in England, we cannot grow enough for our needs, so we import it from Canada and the Argentine in exchange for other commodities. That is to say, we live (partially) by our *imports*, and our exports pay for them. The Sisyphist, always thinking of *work* instead of *goods*, puts it the other way round. We must 'give ourselves employment' by producing vast quantities of goods and finding markets for them; and we may graciously accept some imports to pay for them, but not too many for fear we may deprive ourselves of work. In short, we are enriched by what we give away, and impoverished by what we receive.

All the orthodox stuff about 'unfavourable trade balances' is therefore nonsense. *Exports pay for imports*, and therefore the less we export, the better bargain we get. In the shops we prefer to pay a penny for an orange rather than three-halfpence—supposing the orange to be the same in each case. Similarly, in the World Market, for a cargo of oranges, we should prefer to pay a ton of coal instead of a ton and a half.

Orthodox economists insist that unless we pay a ton and a half 'the trade balance is unfavourable'. Once more let common sense judge them.

Buying in the World Market

The cause of all this muddlement of thought is, of course, our inadequate currency. The traders of the world are not in the market to *buy*—that is, to effect an exchange of surpluses. Their purpose is to *sell* to foreigners goods which their own countrymen need, but cannot pay for. And as every foreign market is somebody else's home market, and as none of these markets has sufficient purchasing power to buy its own produce, to say nothing of a lot of foreign produce as well, they are all being turned into economic battlefields, which may very well become military battlefields if we don't hasten to mend our ways. In fact, some historians point to this ridiculous motive as the cause of previous wars. What else was Germany's desire for 'a place in the sun'?

Once we have realised that the purpose of trade is importation—that is, to obtain for ourselves the good things of all parts of the world—it is easy to see how the process will be simplified under the new currency scheme. We shall sell our *true surplus* in the markets of the world, and take in exchange what we need of the produce of other countries. The settlement will be by book entry, just as now. If there is a balance over, it will be settled by means of gold, just as now (and since *to us* gold will no longer be money, but a commodity, this will not upset the balance of P and C currency). The only difference will be that there will always be money in circulation to buy the imported goods.

'But what if the home market becomes glutted with foreign goods? And what if foreign countries refuse to buy our goods?'

If both these contingencies happened together, we should, of course, be in the delightful position of having more wealth than we knew what to do with, and would have to throw the surplus into the sea. Unhappily, such a situation could not arise, for, since exports pay for imports, there must be an approximate balance between them. Foreigners may be benighted, but they won't give us goods for nothing.

Let us suppose, however, that foreign countries refuse to buy our goods. If they do, we cannot buy theirs (cf. my remarks on 'Buy British Goods' in Part I), and so it will be their loss as much as ours. But we shall have another shot in our locker. Under the new currency scheme, no tariff barrier could keep our goods out; for, since our exports would be a true surplus, every penny we got for them above the cost of transport would be clear profit. We could, if we liked (I don't say we should), sell our coal abroad at freightage plus a penny a ton, and that penny would be profit. To countries run on Sisyphist principles this would be so disastrous that they would be driven in self-defence to adopt our economic system, which would thus spread over the world, and make an end of international trade rivalry for good.

And now what about gluts of imports? I presume the reader means *real* gluts—that home production has placed on the market as much of a particular commodity as the people could possibly desire, and that some foreign merchant wants to sell us more. The question could only occur to a person whose mind is still obfuscated by present mercantilist conceptions; and the answer is quite simple. To begin with, the Currency Board will have power to refuse to issue credits for the importation of goods that are not wanted. This cannot be described as bureaucratic interference. It bears no resemblance, for instance, to the suggested action of Import Boards, the intention of which is to keep out imported goods so as to keep up the price of home goods. It amounts simply to a refusal by the responsible authority to inflate the currency (and raise prices) by issuing money against unwanted goods. It is extremely unlikely, however, that such power would have to be exercised; for the simple reason that it would not pay anybody to import goods into a market where an adequate supply of the same articles was already available at their true economic price.

The Price Level

The true economic price is not a figure which can be reached by the rough-and-ready reckoning of salesmen. It depends on two factors: the depreciation (or consumption) of real wealth involved in the transformation of raw material and energy into commodities, and the appreciation of real wealth consequent upon the creation of the commodities. It is therefore an exact figure, to be arrived at only by scientific calculation. This calculus is the basis of the Credit Reform Scheme associated with the name of Major C. H. Douglas. Not being a mathematician, I cannot expound the *rationale* of the process, nor is it necessary for my purpose to do so; for, under the scheme which I propose, the result which Major Douglas seeks to arrive at by scientific calculation is attained automatically through the flow of the doubled currency. It has, in fact, been objected to the Douglas scheme that, though perfectly sound in theory, it necessitates researches and investigations which could not in practice be carried out. Whether this criticism is valid I am not competent to say. But it is important to note that it does not apply to the scheme we are now considering, the calculations in which are relatively simple, and do not require scientific exactitude. As I have shown, the issue of currency will be proportioned to the known output of the previous year, plus an increment estimated from the collective estimates of the producers. A margin of error either way would have no great effect in such an immense figure, and what effect there was would operate only for a year.

Profits and Prices

Let us, therefore, consider how the suggested money scheme would act in the prevention of profiteering. Under the existing system there is not only no automatic check on excessive profit-making, but there is, on the contrary, every inducement to indulge in it.

A firm, for instance, engaged in selling gramophones, employs 5 assistants at a wage of £4 per week, and in an average week buys 50 gramophones at £10 each and sells them for £20. Its gross income will therefore be £1,000 (£20 multiplied by 50). Out of this it will have to pay £20 wages to its assistants, and £500 to the firm from which it buys its machines. It will thus be left with a net profit of £480.

Now suppose that the shop is taken over and run on present-day 'business' lines. It joins a combine and now finds itself in a position to sell fewer machines, but to make much more profit on them. It can now charge £100 each for the gramophones it sells, though this increased price will, of course, limit the number sold, because fewer people will be able to afford it. (Perhaps it should be mentioned that the figures given are exaggerated, so as to bring out the essential nature of the position.) It finds, in fact, that at the new price it can only sell 10 machines each week. As its sales are cut down by four-fifths, it can cut its staff down by the same amount, so 4 of the 5 assistants are sacked. Now let us look again at its balance-sheet. Its gross income is £1,000 as before, made by selling 10 machines at £100. But it has now to pay only £4 wages, and £100 for gramophones. Its net profit is now £896, nearly double what it was before. Because of its 'successful' trading it will obtain more respectful treatment from its bankers, and will be able to borrow more money than would have been the case if it had continued on its former lines. Yet it has made this extra profit by (*a*) selling less goods to the public, (*b*) by sacking some of its staff, thereby creating 'unemployment', and reducing the purchasing power in the hands of the consumers.

What would happen under the new system, if this firm attempted to indulge in the same profiteering process? Suppose it is still employing 5 assistants at £4 per week, and selling 50 gramophones for £20 C each, after purchasing them for £10 P. In order to carry on its buying, it will want a loan of P money from the Board. Let us assume that it borrows £1,000 P. As we know, the Board will demand some of this back in the form of a tax, which we will suppose to be £200 P. The firm has now to recover from its customers £1,000 C, to repay its debt to the Board. Its balance-sheet under the new scheme will be as follows:

	£ P		£ P
Loan from Board ..	1,000	Tax	200
		Machines bought ..	500
		Wages	20
		Total expenditure	£ P720

After selling its machines for £1,000 C, it repays this to the Board, to clear its debt, and is then left with a profit of £280. Already we see in the difference in profit, a beneficial effect of the new currency in distributing purchasing power, instead of letting it become concentrated wastefully into a few hands.

Now let the firm endeavour to profiteer, as before. It again borrows its £1,000 P, and pays the tax of £200 P. Then it sacks 4 assistants, buys only 10 gramophones, and sells them at £1,000 C, by charging £100 C each for them. Its new balance-sheet will be:

	£ P		£ P
Loan from Board ..	1,000	Tax	200
		Machines bought ..	100
		Wages	4
		Total expenditure	£ P304

The firm is then left with the greatly increased profit of £696, and cheerfully claims that it can profiteer nearly as well under the new system as under the old one. The disillusionment comes when it applies for its next £1,000 P credit. Then the Currency Board points out that, so far as the firm's returns indicate, productivity has dropped to one-fifth of what it was the year before, since only one-fifth of the number of gramophones has been sold. It will, therefore, refuse to credit the firm with more than £200 P, i.e. one-fifth of £1,000 P, unless it produce very good reason to suggest that it will sell more gramophones in the forthcoming year.

Thus a man will be placed in a position to make bigger profits in proportion to the increase in the amount of goods which he passes on to the public, as should naturally be the case, instead of finding (as under the present system) that he may actually make bigger profits by depriving the public of the very goods, the production of which is supposed to be the justification of his business activities. This is due to the responsible nature of the new currency which is deliberately conceived as an automatic mechanical safety-valve in the production system, letting the machinery work without interruption so long as it is travelling in the right direction, but calling immediate attention to any irregularity in the movement.

Up to this we have only considered profiteering by retailers; the reason being that, under present conditions, retailers and financiers are the principal sinners in that respect. Owing to commercial competition, producers cannot usually profiteer unless they have a monopoly.

But the check which, in our scheme, operates directly on the retailer, exercises, through him, an indirect control over the producer. Before the producer can get his money, he must sell his goods to the retailer; and the retailer must get the money from the Currency Board. If a producer puts up his prices, the retailer cannot buy as many of his goods as before, and therefore cannot sell as many. When, therefore, he approaches the Currency Board for his next credit, he will be asked why he has sold fewer of these goods than in the previous year, though drawing the same amount of P credit. He will then prove from his books that he has not himself been profiteering, and the Board will proceed to take the matter up with the producer. Against him they will have a choice of various lines of action, such, for instance, as a reduction of the proportion of the retailers' credits available for the purchase of his goods, or, in extreme cases, the financing of a rival firm. Action, however, would seldom be necessary, as the moral pressure exercised by the Board would usually be sufficient to bring a producer to reason.

Finally, it must be remembered that profiteering, like the workman's policy of ca' canny, is a product of the present scramble for an insufficient currency. Under the new system, the need, and consequently the desire, to profiteer will be gradually eliminated.

The Leisure State

Under the new conditions there will be no 'unemployed'. But there will be a large leisured class.

By now the word 'unemployed' should have acquired a double meaning in the reader's mind. Of its current, but false use to signify an undesirable state—that of the workman who cannot buy goods because he is not earning money—I need say no more. Its true meaning, under a system which organised production in the interests of human beings and not of money, would be quite different. It would be the term applicable to the workers in an industry which had succeeded in producing so many goods (either by hard bodily labour of the workmen, or the increased yield obtained by this labour assisted by machinery) that it had a surplus stock in hand, and was therefore entitled to take a rest.*

As in the case of the profiteers, we will compare the

* Cf. *The Spacious Adventures of the Man in the Street*, p. 174.

effects of the old and the new system on the workers of a single firm. Consider the example of a silk-cushion manufacturer, employing 500 workers. He pays the employees an average wage of £3 per week each, giving a wages bill of £1,500. With the aid of their labour he produces 5,000 cushions, which he sells at 10s. each. His gross income is then £2,500 weekly, of which he pays out £1,500 wages, and has left £1,000 from which to pay profits, taxes, costs of materials, bankers' charges, and so on.

Then somebody invents an improved machine, or reorganises the labour arrangements of the factory, so that the manufacturer can now produce 10,000 cushions without employing more labour. *At the same time, however, the country's currency remains in the same state as before*, since it is nobody's business to relate currency to production, or even to suggest that such a thing is necessary. Now since there is no more money available than before, the extra cushions will either remain unsold, or money will be diverted from some other kind of purchasing to buy them. In the latter case, the industry that formerly received this money will find its sales dropping, and will begin to 'economise', i.e. dismiss workers, cut prices, reduce interest, and generally make matters worse by reducing still further the volume of money in action. In the former case, that of the cushions remaining unsold, what will our manufacturer do? At first, of course, he will merely store up the surplus cushions, in the hope that some change of fashion will divert some money in his direction. If this does not happen (and we have seen that if it does, the social effect will be injurious), he may then try reducing the price of the cushions to perhaps 7s. 6d. each. This will probably lead to somewhat increased sales at some other manufacturer's expense, so that if *our* employer's staff is not dismissed then somebody else's is, unemployment being produced in either case. But supposing that even at the reduced price, the manufacturer still only sells enough cushions to maintain his former gross income of £2,500 weekly? This will mean that he is still piling up a surplus of 3,333 every week. Sooner or later he will be driven to say: 'I cannot maintain my plant at full power until some of these accumulations of spare stock are disposed of. Therefore I must sack some of my employees.' He therefore dismisses 100 of them, so that now only four-fifths of the former weekly production of cushions is being turned out, i.e. 8,000 cushions. Even this is in excess of the 6,667 which he is still selling, but he still hopes for a 'trade revival', and is, besides, a humane man who strongly dislikes having to sack people, so that he makes an attempt to keep on as many as possible. But after a few weeks under the new arrangement, he finds that his sales have dropped: that instead of disposing of 6,667 cushions weekly he is now only selling 6,600. This is, of course, because the part of the staff that he dismissed occasionally bought some of his cushions themselves (though not perhaps the two-thirds of a cushion per man per week which the above figure suggests), and since they are no longer 'in employment' they cannot now do this. So the vicious circle will go on. The workpeople whom he dismissed bought not only cushions with their money, but also bread, meat, tobacco and other things, and so helped to maintain those industries. Since they can no longer afford to buy these things either, they will create a little more unemployment in those industries in turn. But again, the persons now unemployed in the tobacco-packing trade used to buy *cushions* with part of their wages. Being now unemployed indirectly through the action of the manufacturer, *they* will no longer be able to buy cushions either, so that a kind of boomerang action will affect our poor manufacturer's sales, and he will find them dropping still further, to 6,000 or even 5,000. Presently he will be forced, by his continued losses, to dismiss still more workpeople, and the hope of a trade revival will appear further off than ever. So the vicious circle will go on, until some purely accidental occurrence, such as a new discovery of gold, or an inflation of currency carried out by some political party under the stress of war, will flood the market with new money and temporarily reverse the process. But note that such a remedy will be accidental, and not a deliberate conscious act of policy, due to perception of the need for striking a balance between currency and production. There will be no calculable certainty of its coming about, and even if it does do so, it may take place in such a chaotic fashion as to do more harm than good. Our manufacturer may find his surplus stock of cushions cleared off at magnificent prices such as 15s. or 20s. apiece, but paid for in *paper* money which is shortly afterwards repudiated or deflated, so that he has given up his cushions and gained nothing in return, even perhaps losing his running capital. The fate of our manufacturer will have nothing to do with his willingness or otherwise to carry out his industrial functions in an efficient and responsible manner; it will have nothing to do with his capacity to produce goods for public consumption; it will depend essentially on the irregular and non-human fluctuations of an irresponsible mechanism which it is nobody's business to control.

Under the new currency system, these conditions will be reversed. The manufacturer, it will be remembered, began by employing 500 men at £3 each to make 5,000 cushions, selling for £2,500. (In terms of P and C this would work out thus: the manufacturer would have to borrow from the Currency Board £2,500 P each week—if he was acting as his own retailer—of which part would be repaid for the P tax, say £250, leaving £2,250 P to cover wages and other costs, and profits.) Each week the manufacturer would pay out £1,500 P for wages, and would be left with £750 P. He would sell his cushions for £2,500 C and return this to the Board, in cancellation of his debt of £2,500 P.

Then as we said before, somebody makes it possible to produce 10,000 cushions with the same staff as formerly. Instead of the manufacturer being left to take what steps he can to injure somebody else's trade so as to dispose of his extra stock, the Currency Board will begin to function. Put in the crudest form, if the manufacturer can now produce £5,000 C worth of cushions in place of his former £2,500 C, and if the public is ready to buy them (that is, if the public has not already been supplied with say 100 cushions apiece, so that it is heartily sick of cushions), then the Currency Board will see that the required money is available.

It will *not* 'inflate' the existing money by suddenly printing off an extra £2,500 C in notes, and flinging it into the market before the cushions are available, but will know beforehand, from its annual, monthly, or quarterly estimates, and from the information collected by its officials, that such an increase of productivity is likely to take place, and will regulate the flow of currency so that the money to purchase the cushions flows into the potential buyers' hands at the same time as the cushions are ready for sale.* Since

* It seems highly probable that all manufacturing concerns will maintain close relations with the Board, informing it in advance of future programmes of production, so that the Board can make the necessary arrangements of the currency. Naturally manufacturers would hesitate to give away their future plans with such readiness under the existing currency system, since they might be enabling their trade rivals to adopt countermeasures and undersell them. But under the new scheme, where there is not a restricted quantity of currency for which manufacturers have to compete, the terms 'trade rival', 'undersell', and 'compete' would slowly become meaningless. Where anybody who is willing to produce goods that people want may be given the necessary financial credit to produce his goods, and be sure at the same time that the people who want the goods will be placed in possession of the necessary currency for buying them, there is no point in trying to 'undersell' somebody else. Such competition as does take place will take the form of increased pride in the quality of the goods sold, and this not merely through idealistic 'pride of craft' but through strictly commercial considerations. That is, though anybody will be enabled to make goods which he can sell, it will happen that, since there is sufficient money available for buying anything that people want, they will tend to go not to the *cheapest* seller, but to the one who makes the article of *best quality*. Thus the man who takes pride in his occupation will never want for customers, though it is possible that his less careful 'rival' may do so. But this form of competition is surely of a desirable kind.

it appears that the public still wants to buy cushions, the Board will have arranged that extra C money will be issued to enable it to buy our manufacturer's increased output. So that he will now be selling 10,000 cushions a week at the same price as before, totalling £5,000 C. As the Currency Board has put into circulation another £2,500 C to pay for the increased output, it will also have to issue a corresponding £2,500 P to maintain the balance between the currencies. What will it do with this? Well, to begin with, it must be lent to the same manufacturer. It will be remembered that in order to ensure automatic cancellation of the two currencies, it was arranged that a loan of £1,000 P currency had to be repaid by an equal amount of C money. The reverse is also true. To prevent upsetting the relations of the two currencies, which would lead to 'inflation' and so forth, any man who expects to draw £5,000 C from the public must be required to borrow an equivalent amount of P money. (It would be easy to make sure that he did so, if all accounts were cleared through the National Bank, or whatever served the purpose of this.) And this is not inflicting any sort of hardship on our manufacturer: if he borrows £5,000 P with which to run his business, he will have that much the more with which to pay profits and wages, since there will not be any wastage in the form of interest to pay.

Our friend in his second period of business therefore borrows £5,000 P, in return for which he will eventually have to earn and pay over £5,000 C. The reader will remember that at the corresponding stage of manufacture under the present system, the increased stocks were piling up in the manufacturer's warehouses, and he was beginning to sack his staff. Now observe that instead of having to sack his staff under the new system, he will actually be able to pay them higher wages if he wishes to do so, since their extra productivity has had the rational result of increasing the flow of real wealth, instead of the paradoxical one of diminishing it. Since the majority of employers are ordinarily decent people who do not positively *like* to be on bad terms with their men, but are only driven to be so at present by the fantastic inversions of the currency system, it will be highly probable that our particular employer will decide to raise all wages by, say, £1, so that each employee now receives £4 for his week's labour instead of £3. Thus part of the increased distributing power will have benefited the immediate agents who are producing it. At the same time, the P tax will be double what it was before, namely, £500 P instead of £250 P, which will mean, in fact, that somewhere in the system, another £250 C will have been added to the gift of purchasing power which is shared among all members of the community. Our employer will not mind paying this extra amount away, since it will be merely a *pro rata* increase on the amount of his loan, and not an absolute increase. If we sum up these various disbursements, we find that of the loan of £5,000 P taken up by the industrialist, £500 P has been paid as loan tax, and £2,000 P as the increased wages bill, so that £2,500 P is still left to pay for raw materials, profits, etc. So that as a result of the increased productivity, *under a regulated currency*, the silk-cushion makers have gained 33 per cent increase in wages, the gift-distribution has been raised by £250, and the manufacturer's profit margin has jumped from £750 to £2,500. Also, the cushion industry is still working full time.

Let us consider a possibility hinted at above, in order to see what 'unemployment' would mean in the new system. Suppose that, instead of the invention of the more efficient cushion-making machinery leading to increased sales, it did not do so. This could not happen for the same reason as it does under the present scheme, *because there is no money to buy the cushions*, since we saw that, if the public wanted to buy them, the Currency Board would enable it to do so by creating the requisite money. If the new invention does *not* increase the sales of cushions, therefore, it will be because there are literally so many cushions already in existence that the population has already bought as many as it can find any use for. In real fact, however, before this can have come about, the real wealth floating about the world will have increased vastly compared with what is now current. In other words, the world as a whole will have much more goods, and correspondingly much more money than it has now. Therefore it will have been able to raise the gift of C money to a very high level per member, especially as the increased social ease and freedom from economic strain between employer and employed will probably have made the former very willing to give up a fair share of his increased profit margin both in the form of wages and gift-tax. So that when our cushion manufacturer finds that he has at last touched the limit of the demand for silk cushions, it will not be because the world is poor, but because it is so rich that it has all the cushions it wants.

What will happen to the employer's staff in this event will be one of two things. Either, although the world doesn't want an *increased* supply of cushions it nevertheless still wants the former output maintained, or else the failure to sell the extra cushions will be merely a preliminary symptom of the reaching of saturation point, and the manufacturer will find that his old sales have begun to fall. In the first case he *can*, if he likes, 'sack' the superfluous half of the staff in an arbitrary manner; or, more probably, he will come to some amicable arrangement with them, either to let the whole staff cut their working hours in half, or to let the two halves take holidays alternately, or some similar scheme. The essential point is that whatever arrangement is come to will not be a 'misfortune', as it is nowadays, but will correspond to the real fact that the cushion-makers, having done their work so well that they have satisfied the public demand for cushions, can take a holiday for the time being. Since the total income of the factory is still the same as it was before the new machinery was installed, that is, since there is still a sale for 5,000 cushions at 10s. each, there is no need for the manufacturer to cut his workpeople's wages, as would be the case at present. He can simply halve their hours and leave their wages untouched. He can, if one likes to put it in such a form, dismiss half the staff until he wants them again, meanwhile paying them a 'retaining fee' equivalent to their full wages.

Even if the second alternative we mentioned above is true, and the fall-off in the demand for cushions applies to the old output as well as to the increased ones, no hardship occurs. The value of the gift-share of C money, as we have said, will have risen to such a high figure by the time the world is as wealthy as the situation indicates, that the cushion-makers will be amply supplied with the necessaries of life and even with some of the luxuries, until such time as the demand for cushions rises again.

This much more humane, rational, and efficient manner of dealing with the 'unemployment problem', as the reader has seen, does not need any special machinery or Parliamentary programme. It simply happens, from the way in which currency is held in close relation to production, that unemployment automatically comes about only at the right moment in the economic process, and appears as a reward for having done the community's work satisfactorily, instead of a curse for having been so unlucky as to work *too hard* and so to create more wealth than the anaemic currency circulation can absorb and distribute through the economic body.

Banking under the New System

Since the banks play such an important part in the industrial world of to-day, despite the primitive nature of its currency system, it is obvious that in the suggested new organisation of currency, they will take an even more prominent place, since it will be through the banks that all the Board's currency controlling action will take place. It was suggested in an earlier section that a 'National Bank' should be created, in order to simplify as far as possible the book-keeping work necessary for the basis of the Board's activities. Such a central bank—founded by the Currency Board, and serving as the nucleus round which all the Board's work will centre; responsible for the handling of the currencies and their withdrawal and cancellation at each period decided by the Board; serving as a collecting-ground for the statistics upon which the Board will base its estimates of productivity; employing a highly-trained body of financial experts whose experience and knowledge of current industrial tendencies would be at the Board's disposal for the efficient conduct of its delicate and intricate task of maintaining a smooth relation between the currency and production streams without exerting arbitrary interference with them—this would be the ideal body for acting as the Board's agent.

It is not essential, however, that such an institution should be specially created. The existing group of big banks, working with the Bank of England, would doubtless be quite capable of conducting this task adequately, since with their existing interrelations they already form a sufficiently unified body for all practical purposes.

The reader may raise a question as to the necessity for making *everybody* in the community a client of the bank (or banks) controlled by the Board. In strict fact it is not essential to the working of the new scheme that such should be the case, but it would so facilitate its working as to make it highly desirable. To begin with, the *external* form of most transactions under the scheme will be in some way connected with loans. The ordinary citizen will not merely pay his bills with the money he receives as wages, as he does at present. The money he is given by his employer will be P money (either in the form of currency notes in a characteristic colour and design, or in the form of a cheque on the employer's own P currency loan—and here again, if both employer and employee are clients of the same bank the book-keeping involved will be at a minimum) and this will be useless in the retailers' shops, which will only sell consumable goods in return for C currency notes or cheques. This money received as wages will actually be used to liquidate the C money loan which the citizen applied for at the beginning of the current year or quarter. Similarly the C currency notes which he hands to the retailer when he buys a joint of meat will be needed by the latter to repay *his* loan of P money, which he also applied for at the beginning of the current period. The necessity for making the system work in this way has already been mentioned: it is to ensure the final recovery and mutual cancellation by the Board of the whole of both currencies, and to prevent confusion arising between the kind of money used for *purchasing consumable goods* and that used for *enabling them to be produced*; since it is this confusion that is the root cause of the flaw in our present currency system. Since these transactions thus take the outward form of obtaining or repaying loans, and it is desired to ensure that the two things shall ultimately balance, it is extremely desirable that they should be subject to the check which is imposed by making them the subject of book-keeping. (Possibly we should mention to clear away any cause for misapprehension, that there will be no suggestion of any discredit in these loan transactions. Mr. Jones will not approach the local Currency Board agent shamefacedly and ask for a loan as for a favour. The whole process will simply be an automatic matter of business—it happens to be the most effective way of getting the community's affairs carried through.)

That is one reason why everybody should be a client of the bank. Another one is that it is desirable that small currency should take the form, not of notes or coins of permanent value, such as are in use now, but of token pieces valid for one transaction only, having something of the nature of a cheque or money order; and this requirement is most easily satisfied if everybody has a banking account upon which such cheques may be drawn, and into which they may be paid. This condition again arises from the nature of the currency issued by the Board. It will be noticed that we have throughout this book continually emphasised that the new currency will not be of the unregulated, irrevocable type in use to-day, but will be subject to periodical recall and cancellation, as the volume of goods in circulation varies, and necessitates a corresponding variation in the volume of currency. To use a currency of gold coins or gold-backed notes would be inconsistent with this system, since the essential idea behind such coinage is that once issued it will remain in circulation until it is worn out, and it is given an intrinsic value to enable it to do this.

Yet again, even in the present economic system more and more people are finding it convenient to conduct their business transactions not by means of coins or notes, but through the agency of banking accounts.* A tenant pays his landlord by means of a quarterly cheque, and if, as not infrequently happens, both landlord and tenant use the same bank, the book-keeping work involved is at an absolute minimum, while there is no necessity whatever for using actual coin. To give everybody a banking account would therefore be merely to anticipate the logical conclusion of an already existing tendency. The book-keeping required for such accounts would not be complicated unduly by the fact that two currencies were in use, since each client, instead of having columns against his name headed respectively 'Debtor' and 'Creditor', would merely need the same two columns with the headings altered to 'P' and 'C'. At the end of a period, if his spending and repaying were in order, the total amounts under these would balance each other. Mr. John Smith, for example, would have been credited with a loan of £100 C at the beginning of the quarter, and would have spent this on consumables. But against this would be set the income of £100 P which he had earned as a clerk or as a shareholder in a business, and, on repayment of this into the bank, his two columns would balance each other, and could be ruled off.

If everybody had an account at the National Bank, or at one of the banks which together serve the functions of a National Bank, the work of preparing the Board's annual estimates of productivity would be enormously facilitated, since a record of all the business transactions

* Actually more than 99 per cent of all business transactions are now conducted by means of cheques.

of the community would be available for analysis, to reveal what types of product were in demand, what types of business showed increasing or decreasing importance in industry, and what branches of industry stood in need of stimulation.

Finally the existence of such a complete record of commercial activity would act as a safeguard against dishonesty and fraud on the part of individuals and firms. It would be relatively simple to find out whether the persistent failure of certain classes of people to repay their C money loans were due to misfortune, laziness, or dishonesty. Similarly, as we saw in the example given when we were discussing profiteering, it would be quite possible to find out, when the actual quantity of goods sold by a firm during a given period showed signs of falling off, whether this was due to mismanagement of the firm's business, genuine lack of demand on the part of the public, or a short-sighted attempt at excessive profit-making on the part of the firm itself.

It is therefore exceedingly desirable that the vast majority of the community's currency activities should be carried on in the form of banking transactions, and this necessitates the enrolment of the entire population in the clientele of the Board's Banks.

The cost of administration of the banks would be paid out of the issue of P money, since they would be part of the machinery of production. The banks and the Currency Board would settle by agreement what would be a fair charge for the use of the banks' services each year, and the banks would pay the usual tax on this allotment (like any other concern receiving P currency), and would then distribute the remainder in the ordinary way as salaries to the directors, expert staff, and clerks. Since the banks had been granted an allotment of P money, they would naturally have to recover C money from somewhere, since their services would count as a 'consumable product', just like the services of a dentist or lawyer. Perhaps the simplest way of enabling them to recover this C money would be to levy on every user of the bank a small fee proportionate to the size of his account. But this is only one of several equally practicable ways of dealing with the matter, and does not call for detailed discussion here.

Saving under the New System

We now come to the question of 'saving'.

Saving is refraining from the use of current income with a view to its postponed enjoyment at some future date.

This definition covers several different sorts of saving, differing in origin, motive, and sphere of application.

Some of the main types may be exemplified here:

1. Saving as a personal insurance against loss of working powers, unemployment, death, illness, loss by fire or burglary, etc.
2. Saving over relatively short periods for some definite and limited purpose, such as the purchase of a house, paying for a holiday, and so on.
3. Personal saving for the benefit of some other individual, e.g. to ensure having the money for a son's education.

4. Saving from working income to provide future working capital, replacing worn-out plant, or allowing for expansion of works.
5. Saving from surplus income, obtained either from working or as interest on investments, for purposes of investment pure and simple (i.e. 'shareholders' ' as distinct from 'Works Managers' ' saving).
6. Saving, perforce, from sheer physical inability to 'spend' the whole of one's current income.

These varied kinds of saving may be grouped into three main classes, according to the end for which they are adopted, and to their merit from the community's point of view.

I. *Personal saving.*—Saving out of one's personal income to provide for future benefits which one would otherwise be unable to obtain. Cases 1, 2, and 3 above are examples of this.

II. *Industrial saving.*—Saving deliberately planned by business men out of their firms' incomes to maintain them in working order, and to allow them to expand when increased demand for their product arises. This covers case 4 above.

III. *'Parasitical' saving.*—Saving indulged in not for future personal insurance against misfortunes, or for the maintenance of an industrial concern in healthy running condition, but purely with the object of obtaining means of subsistence from the community without rendering any service in return.

Saving on the modern scale is another of the things that has been made possible only by the 'invention' of money in the form in which it exists to-day. Such saving as occurs in nature is infrequent and only carried on for limited periods, as in the case of animals which save and hide a supply of food for the winter. This is, of course, due to the fact that the essence of saving is the postponed enjoyment of things required for bodily welfare, such as food; and, since such objects are (from the nature of the case) of a more or less perishable character, it is impossible to save them for any length of time. Furthermore, owing to the difficulty of obtaining a livelihood from nature with only the tools and weapons supplied by nature herself, a man's or animal's whole time is usually occupied in obtaining enough for current consumption, without any surplus capable of storage being left over.

Once money was invented, however, so that property need no longer consist of actual commodities, but could more conveniently take the form of *claims* to commodities, of kinds and quantities desired by the owner of the money, 'saving' could be carried on for year after year, until one individual could (under the clumsy money methods hitherto prevailing) acquire claims to far more commodities than he could ever hope to consume.

Now it is obvious, so far as the community is concerned, that the only forms of saving which are of any real value are those which take the form of ensuring the future efficiency and development of the human and material instruments which provide the community with food, shelter, clothing, implements for passing on its traditions and acquirements (i.e. books, educational apparatus, scientific laboratories and observatories, etc.) and so on, so as to maintain its members in bodily, mental, and spiritual health. Those forms of saving mentioned above which serve these ends, or can be made to serve them, are meritorious; any others are either superfluous or definitely harmful. It is therefore desirable, if our currency system is to be as beneficial in this respect as it has proved to be in others, that it should be consistent with saving of the former kind, and should be antipathetic, or definitely hostile, to the latter. Coming down to concrete details, our currency system must provide facilities for saving of the kinds described in Classes I and II above, but should discourage Class III (though this parasitic existence of useless individuals would do less harm to a community organised on double-currency lines than it does to the present one, since in the former, with its abundance of wealth, it will do no very great injury to the population as a body if a few useless individuals are allowed to live at the expense of the remainder).

Let us deal separately with Class I and Class II, since they are different in scale and aim, and so will need different treatment. In saving of Class I type (personal saving) the essence of the matter is that some person forgoes his claim to spend a certain proportion of his current income, in somebody else's favour. That is, he either makes a simple contract with some other individual to take over and use his money for present purposes *or* he does the same thing with an insurance firm, who thereupon use his money to pay their staffs, to pay shareholders' profits, to invest, or for some other purpose. In either case, the money which he *could* have spent on himself is taken over and consumed by other people, either directly or indirectly. In return for this abstinence on his part he is given a claim entitling him at some future date to receive back again the claims upon commodities which he is forgoing at the moment.

Now there is nothing in the currency structure which we propose for adoption which is inconsistent with saving of this sort. If a man earning an income of £5,000 P per annum as a doctor wishes to save £2,000 P each year to provide an income in his old age, he can do this in several ways. He can, if he wants to, actually buy £2,000 C worth of gold each year, store it away in a bank, and then resell it again in later years, as he requires money. Or he can invest £2,000 P in some industry, and draw profits as a shareholder. Neither proceeding will upset the C–P balance. In the first case he will, as a doctor, have arranged to borrow a loan of £5,000 P from the Currency Board, and will have to recover from his patients £5,000 to repay this. But as a consumer he will also have borrowed some C money, say £4,500 worth. Thus if the P tax for the year is 10 per cent, when he has paid this he will still have £4,500 P left free to pay himself his salary as a producer (in this case as a producer of medical skill and service). Thus his salary will just balance his income-loan, and if he chooses to spend £2,000 C out of his total loan of £4,500 C on gold bullion, nobody will have any complaint to make about the matter.

If, as in the second case, he wants to invest his surplus income, there will again be no difficulty in his way. As before, he draws a loan of £5,000 P, pays a tax of £500 P back, and allots the remaining £4,500 P to himself as salary. The loan of £5,000 P is paid back with the £5,000 C he draws from his patients as fees for his services. In the actual currency-technique of the saving of his surplus income there is a difference in principle from the case given above. In that case what he actually saved was real wealth, in the form of gold. This counts as consumption, so that he has to pay for the gold in C money, and has therefore to borrow and pay back £4,500 instead of £2,500, which would otherwise have been the case. In this second example, however, what he wants to buy is not *goods* but *claims to goods*. *Goods*, when bought from retailers for personal consumption have to be paid for in C money, as in the case of the gold above. *Claims to goods* are not real wealth, however, and are not consumable, so that they are paid for in P money. That is, our doctor, instead of borrowing £4,500 C will now only borrow £2,500 C. He will therefore only have to pay the Board back £2,500 P, and will still have £2,000 P of his salary left for his investment. This he will dispose of just as he would do under present-day conditions. He will look round for an industry that wants to develop and will pass his £2,000 P over to it. The industry will use it to pay for new machinery, and the money will be gradually passed on in the form of wages, profits, and salaries, until it has reached the hands of the consumers who will have borrowed a spending power of £2,000 C to balance it.

Personal saving is therefore quite easily carried out under the new currency. How about industrial saving? The answer to this question has already been partly given in the last paragraph. An industrial concern, it will be remembered, always carries on its capital transactions in P money: it is only goods sold by retailers to the public that are paid for in C money (though there is no reason why big manufacturing companies should not conduct retail departments for themselves, if they want to). Now unless the industrial concern in question happens to be in the position of the last link in the production chain, i.e. unless it is the retail firm that actually transfers the completed goods from the producing organisation to the public, its financial operations will not involve the use of C money, and it will gain any money it requires in the same way as it would do now: by borrowing from somebody who has more income than he wishes to spend, like the doctor quoted above. There is an important point to be noted here, however. The money which the doctor invests in the industrial concern *will not affect the amount of money available for buying consumable goods*, because it will be a different sort of money (i.e. P money instead of C money), and not interchangeable with the latter; so the transaction will not injure trade or 'cause unemployment'.

We may just mention how the Class III type of saving (the parasitical variety) would be affected by the new currency. No definite obstacle would be set in the way of investment of excessive income, since it could always be lent to the industrialists by the same process as the doctor lent them his £2,000 P. The volume of such parasitical investment would become less and less important as time went on, however, since the proportion of the gift share of the C money would rise, until perhaps the greater part of this currency was issued as a gift, and only a small portion as a repayable loan. But an increase in the gift fraction of the C money would mean a corresponding increase in the tax on the P money which balanced it, and as it would be only out of the untaxed residue of the P money that parasite's profits could come, the volume of those profits would shrink relatively to the total income being distributed through the population generally. So that in course of time the parasite element in investment would become negligible, and in any case, as we pointed out before, with an abundance of wealth in the world, it would not matter greatly if a little of it was taken by people who had done nothing to earn it.

The Financing of New Undertakings

Under the present system, industrial expansion is financed (partly) by the savings of the public. These savings may represent either the superfluity of the rich or the self-denial of the more or less poor. In either case, as we have seen, they cause goods to be wasted and labour to be 'thrown out of employment'. I have just shown that, under our proposed scheme, saving would have no such effect. It would simply mean that an individual would renounce his claim on existing consumable goods (which would be consumed by somebody else) in favour of a claim on future consumable goods.

Capital development under the new system, however, would not be dependent on saving, as it is at present. So long as material and labour were available, there would be no need for anybody to deny himself anything in order to set the one to work upon the other.

Let us suppose that nobody in the country is willing to do any saving, and that the Currency Board's experts have forecast a shortage of the supply of jam. An acute business man has also foreseen this, and approaches the Board (through his banker) for a loan of £100,000 to put up a factory. Having satisfied themselves of his integrity and his capacity to do the job, the Board credits him with the required sum in P money.

This sum will presently be circulating in the form of wages and salaries, so an equal amount of C money will have to be issued also. But since the amount of currency already authorised has been equated to the supply of goods, this issue must be post-dated to the following year, so as to avoid inflation. (Remember that the unemployed workers who will be employed in building the factory will have the National Dividend to live on for the present, so this will be no great hardship.)

By this procedure another big factor that upsets the balance of the present financial system will be eliminated. I refer to what economists call the 'time lag'. This means that by the time a factory, or other capital implement is completed, the wages, and most of the salaries, paid out in course of building, have been spent; so that when the goods produced by the factory come on the market, there is no fresh purchasing power available to buy them. There has been a mild temporary inflation, followed by a severe and permanent deflation. Under the proposed system this cannot happen. The post-dated cheques cannot be spent until the extra goods are on the market.

When the factory is completed, the entrepreneur gives an estimate of his output for the coming year to the Currency Board, who will have to deduct from the normal increment of currency issued the equivalent of the post-dated cheques which will now be presented for the goods on the market. The sum would be like this:

Equivalent of last year's issue .	£5,000,000,000
Estimated normal increment .	120,000,000
Estimated output of jam factory .	40,000
Total . . .	£5,120,040,000
Deduct post-dated cheques .	100,000
Net total . .	£5,119,940,000

Now a difficulty arises. To whom does the factory belong? Not to the entrepreneur: he has not paid a penny for it. Not to the Currency Board: the credits it created out of nothing have all come back to it. Not to the workers who built it: they have all got their wages. Obviously it belongs to the community, on whose real credit the paper credits of the Board were issued. But the community do not want to own the factory, and the entrepreneur does. He must therefore buy it from them.

A way by which he can do this is suggested, oddly enough by an anomaly of the present system. When a new enterprise is financed by bank credits (which are created out of nothing) the repayment of the credits is charged into the price of the goods produced by the enterprise, and thus *the public really buys the factory for the entrepreneur*. Under our scheme the process would be reversed. By reducing the price of jam, the entrepreneur would buy the factory from the public.

If this method does not commend itself, the entrepreneur might buy the factory out of his salary as managing director, just as an ordinary investor would.

Some examples of Transactions in Terms of the New Currency

CASE I. *The weekly financial cycle of Mr. Thomson, a bricklayer*

Mr. Thomson is employed by a large building firm, and earns a weekly wage of £4 P. In arranging for currency C credits with such people as Mr. Thomson, the Currency Board will have found it most convenient to adopt 'mass-production' methods. Our bricklayer will simply fill in a standard type of form at the beginning of each year, stating his probable income during the year, and he will then be automatically credited at the beginning of each week throughout the year with a sum of £4 C, on which he can draw for the purchase of goods. (Perhaps matters will be simplified still further by arranging with employers to furnish a return every January, stating the names of the men they employ and the wage paid them. This will serve as a kind of guarantee for the bricklayer's application for credit.) Mr. Thomson will also be credited with a gift of, say, £2 C.

To save Mr. Thomson the trouble of making out special cheques for each separate purchase he makes, and to save book-keeping labour, it is probable that instead of his being given a blank cheque-book of the present-day type, the 'mass-production' principal will be applied again, and he will be given at the commence ment of each week a booklet containing £6 C worth of vouchers of convenient fixed amounts (say three vouchers of £1 each, two of 10s. each, and several for multiples of 1s.). Then when he wanted to buy a tin of tobacco he would simply hand over a 2s. voucher to the retailer, who would add it to the stock of C vouchers and cheques which he was accumulating to repay his loan of P money. Small change would be similar to that in use at present, the banks and retailers being supplied with a standing stock of them to avoid such farcical spectacles as that of Mr. Thomson searching for his voucher-book in a crowded tube-station in order to find a 1d. voucher to buy a newspaper. This would not involve any violation of the currency-circuit principle, since the sums involved would be too minute to cause any noticeable interference with the ultimate balance of the C and P currencies.

So Mr. Thomson would continue through the week, parting with his vouchers in exchange for meat, bread, tobacco, tea, cinema visits, and the other items of expenditure. The vouchers, as he parted with them would accumulate in the hands of the retailers until at the end of the week, or of the month, or whatever period the retailers had arranged to settle their accounts with the bank, they would pass again into the hands of the bank for destruction. At the end of the week, also, Mr. Thomson would draw from his employers his cheque for £4 P wages, and would pass this over to the bank to offset against his loan of £4 C.

But suppose that our bricklayer did not want to spend all his £6 C in this particular week? Suppose instead that he wanted to put by 15s. towards buying new clothes for his children, and towards paying for a summer holiday? This would present no difficulty, since the real basis of his credit is a year, not a week, the weekly allotment of £6 being simply the most convenient way of dealing with such cases as this one. The vouchers in Mr. Thomson's book will remain valid until the year has expired, so that he can save them from week to week until he does want to use them. They will, of course, be exchangeable for goods, settlement of rent, etc., in any part of the country, just as a postal order is. Since the one group of banks is managing the whole of the business of the Currency Board, and since all the retailers will eventually return all the vouchers of all the Mr. Thomsons (in addition to their takings of other forms of C money), the vouchers of our particular Mr. Thomson will automatically be returned for cancellation some time during the year, and since they will bear the distinctive number of his voucher-book it will be simple to trace the owner of any particular voucher, if needed for any reason.

Suppose again that Mr. Thomson is not merely saving from week to week to pay for a summer holiday, but also wishes to save from year to year, for the purpose of buying a house. This again would be quite simple. It would not be worth his while to buy gold metal, as the doctor did, but he could deposit his money with a savings bank, which would invest its collected deposits in industry as in the second example of the doctor. In this case, however, he would have to notify the bank, so that he could take a smaller-valued booklet of vouchers than the £6 one, and so release the spending power that he did not want to use, in order that the bank might pass it on to somebody else. Furthermore, since he would be saving P money from his earnings, and not C money from the bank, he would have to get the bank to change his £4 P cheque from his employers, so that he could deposit part of it with the savings bank, and only leave with the currency bank just that part of it needed to balance the amount of C money that he *did* propose to spend. (Incidentally, while we are speaking of savings banks, there is, of course, no reason why the currency banks should not institute savings departments as part of their legitimate business.) Yearly saving, therefore, will involve a little more book-keeping at the bank than weekly saving, but this would not be of any consequence.

CASE II. *The transactions of Mr. Jarvis, a small retailer*

Mr. Jarvis may be in one of two positions. He may either be an independent retailer, registered as such with the Currency Board, and therefore able to borrow P money directly from them, on the understanding that he can recover from his customers the C money necessary to repay it. (In this case, of course, he will have to pay the P tax himself, from his allotment of P money.) On the other hand he may merely be a 'branch manager' for some universal stores, which borrows its P currency allotment through the central office, pays off the P tax, and then distributes the remainder to its local branches, and re-collects the necessary C money through them. We shall take the former case, as being the more interesting from the more intricate relations which it involves. Our Mr.

Jarvis, then, has a small shop in a country town, in which he sells gramophone records, bars of chocolate, and jars of jam, made on the premises by his wife. He draws from the public, on an average, £20 C per week. Since he is registered as an independent retailer, he has to borrow say £80 P per month and pay it back in C currency. Mr. Jarvis's account with the Currency Board is also on a yearly basis, but in his case the short-period reckonings are made at monthly intervals. He therefore applies to the Board for a loan of £960 throughout the year, spread in the form of 12 monthly credits of £80 P. To prove his bona fides, if called upon to do so, he can produce his books for the past two years, showing that although he did not sell any more goods last year than the year before, and does not expect to do so in the coming year, yet he did maintain his former sales undiminished, and is therefore entitled to the same working capital.

The Board therefore allots him the desired £960 P, and then levies its P tax, which we will suppose to be 12½ per cent, or £120 P. He will therefore be credited in the books of his local bank with £70 per month, i.e. £80 P less 12½ per cent. His affairs being a little more complicated than Mr. Thomson's, he will probably use a cheque book more nearly like the present-day variety. The £70 P with which Mr. Jarvis is credited however, is merely the working capital needed for business. In order to buy food and other goods he will require some C money. His average net profit on the month's turnover is about £20 P, so that he will apply to the bank for a credit of £20 C, to be repaid in the P money which he takes as profit in the retailer's business. Thus against his name in the local bank-books will be the following column headings:

January 1940		*Consumer's Credit*	*Producer's Credit*
Jarvis, D.	Repayable	£20 C	£80 P
	Gift	£2 C	(less tax, £10)

During the first week of the month, the retailer sells records for which he obtains vouchers and cheques to the value of £10 C, chocolate valued at £5 C, and jam worth £5 C. His total receipts for the week thus amount to £20 C, which he passes on to the bank in part-settlement of his producer's loan of £80 P. At the end of the week, however, bills come in from the record wholesalers for £7 10s. P, and from the chocolate manufacturer for £3 P, while the fruit, of which his wife makes the jam, is sold to him by a neighbouring farmer for £1 P. (Notice especially that this is £1 P and *not* £1 C, since the fruit is not being sold *as a consumable product*, but as part of the *manufacturing chain*, and will not be reckoned as consumable until the retailer sells it in the form of jam.) Mr. Jarvis also employs an assistant in his shop, who now wants his wages, another £2 P. The retailer himself feels justified in awarding himself £5 P as his profit on the week's trading. Let us now look at the Producer's Credit side of Mr. Jarvis's bank account.

Total credit	*Withdrawn*		*Repaid*	
£80 P, less £10 P tax	£10	P tax	Records	£10 C
	£7 10s.	records	Choc.	£5 C
	£3	chocolates	Jam	£5 C
	£2 10s.	wages		
	£1	fruit		
	£5	profit		
Totals	£28 10s. P			£20 C

Thus at the end of the first week's work the retailer has used up £28 10s. P of his credit, and has repaid £20 C.

In addition to being a retailer, i.e. a part of the producing machinery of the country, Mr. Jarvis is also a consumer. A typical sheet of his week's *Consumer's Credit* account (in summarised form) might be as follows:

Total credit	*Withdrawn*		*Repaid*
£20 C loan plus £2 C gift	£2	butcher	£5 P profit
	£0 15s.	baker	
	£0 10s.	milkman	
	£1 5s.	rent	
	£0 10s.	other exp.	
Totals	£5 C		£5 P

So during the week he has used up £5 C of his credit (rather less than a quarter of the amount standing to his account), and has repaid £5 P earned as profit in his retailing business. The rent item might repay further study, as in strict accounting it should be partly paid as a business expense, since Mr. Jarvis has a combined shop and house, but this would be merely a matter of book-keeping (perhaps 10s. of the rent might be counted as a business cost, and would reduce his £5 profit by that much, while the other 15s. would be domestic rent, so that what he lost on profit he would regain in lessened expense at home, and he would thus be in the same position as before, for all practical purposes. There is no need to give Mr. Jarvis's accounts for the rest of the month, since they would all be similar to the above. At the end of that period the net effect of the entries in the bank's books would be this:

Mr. Jarvis's *Producer's Account*

Total credit	*Withdrawn*	*Repaid*
£80 P, less £10 P tax	£10 P tax	£40 C records
	£30 P records	£25 C choc.
	£10 P choc.	£15 C jam
	£8 P wages bill	
	£2 P fruit	
	£20 P profits	
Totals	£80 P	£80 C

Mr. Jarvis's *Consumer's Account*

Total credit	*Withdrawn*	*Repaid*
£20 C loan plus £2 C gift	£10 C food bills	£20 P profit
	£5 C rent	
	£2 C amusements	
	£3 C other exp.	
	£2 C clothes	
Totals	£22 C	£20 P

Thus the producer's account balances exactly, the £10 P having been paid as tax to cover the appearance in various people's credits (including Mr. Jarvis's own) of the gift part of the C currency. The remaining £70 has enabled him to carry on his retail trade, which has brought him in £80 C, in repayment of his loan. On the consumer's side he has been given a gift of £2 C and a loan of £20 C, both of which he has spent. He has, however, earned £20 P clear profit in his retail business, and this he pays in to balance his loan. (If the reader looks at the account given on the previous page he will realise that there is *not* a £2 deficit on the balance, as might at first sight appear from the fact that £22 C has been withdrawn and only £20 P paid back, since the odd £2 C of the £22 C is wiped out by the 'gift' of the £2 C.)

CASE III. *The case of Mrs. Robinson*

Mrs. Robinson is a widow, dependent on the interest on some investments in the steel-manufacturing industry, averaging £300 a year.

The method of dealing with this source of income will by now be quite clear. At some time in the past her husband will have handed over to the steel-making concern some P money that he did not wish to exchange for spending currency (i.e. C money). In return for the right to use up this P money the steel business will have given him a claim on a share of its future profits. These profits will be the P money left in the hands of the owners of the business as profit after they have paid the P tax, settled their wages bill, paid their supply-agents, and generally cleared off the running costs of the business. The widow, as a shareholder in the business, will then be allotted part of these profits, amounting as we said, to about £300 P. She will therefore have arranged for a credit of £300 C for consumption purposes, and when the half-yearly cheque for £150 P arrives from the steel manufacturers, she will pay it in to offset the loan. (Of course, Mrs. Robinson will also have her National Dividend of £104 C per annum.)

CASE IV. *The finances of Mr. Hornfels, a mine-owner*

Mr. Hornfels owns an iron mine producing £10,000 P worth of iron every year, and employs 14 men as miners. Since he is not a retailer, but is one of the chain of agents in the producing chain who is engaged in working up goods for consumption, he will not draw his P money direct from the Board, but will obtain it via the retailers, by selling them his iron in exchange for P money. (Being a mine-owner dealing with metal in the rawest of raw states, it is likely that he will not sell his iron directly to a retailer, but will sell it to an intermediate agent, who will make it up into iron goods such as cutlery and then sell *these* to the retailer. But the principle is the same in both cases. The retailer is the man who actually draws the P money from its original source—the Currency Board—and the others obtain it by selling him things. It will be remembered that we gave the explanation for this arrangement in Chapter III—it was to prevent the necessity for complicated transactions between the Board and the immediate producers, and to give as much scope as possible for 'individual initiative' and reasonable competition among the various agents acting as links in the chain of production.)

For simplicity we will imagine that Mr. Hornfels *does* sell his iron ore direct to the retailers, to the extent of £10,000 P annually. With this £10,000 P he has to pay his 14 miners their wages, say £2,800, to pay perhaps some shareholders in his business a sum of possibly £1,000 P, and also to pay for the plant he uses in getting up his ore—hauling machinery, timber for the mining galleries, and so on. This may come to another £5,000 P per annum. Then he will be left with the remainder, which he will take to himself as his profit on the year, totalling £1,200 P. He will, in anticipation of this, have arranged for a credit of £1,200 C at the bank, which he will spend on consumables during the year—food, clothes, theatre visits, doctors' and lawyers' services, education of his children, and so on—and will now pay in this profit of £1,200 P as an offset to the loan.

One Word More

Here, then, is our scheme complete. But before you start picking holes in it, I must say one word more.

Many people who have read the scheme in manuscript have criticised one point or another; and I have always found, on careful examination, that their criticisms have been without substance. The reason is that, while they have been reading the working details of the scheme, they have forgotten about the theory and principles enunciated in Part I. Their minds have unconsciously slipped back to old habits of thinking, and they judge the scheme by Sisyphist and Procrustean standards.

Take, for instance, the question about gluts of foreign imports. The man who asked that was in a perfect maze of misunderstanding. He was thinking strictly in terms of present conditions—of the difficulties of competitive selling in a full market with limited purchasing power—the very conditions which the scheme is designed to make an end of. Under the new system there would be no such thing as a glut until there were more goods on the market than people could possibly consume, and there are not many articles with which we could be glutted in that sense. It is a conceivable situation with perishable foods, but with very little else. Take shirts, on the other hand. A rich man does not consider himself glutted with several dozen a year, and there is no reason why everyone should not have as many if the means are there to produce them. So long as our needs are unsatisfied, we can absorb all the shirts that home and foreign factories can produce for us; and there is no 'problem' for the Currency Board to 'deal with'. All it has to do is to issue the money to buy them. What my questioner was trying to get at was the steps it would take to stem the flood of abundance.

In the same spirit this reader suggested that the scheme requires that the Currency Board should have a monopoly of foreign trade. Nonsense. The Board will do nothing but count and issue money. Trade will be all in the hands of private enterprise as at present. What put my friend on the wrong track is the work-scarcity-profit complex. He can only envisage the Currency Board as a meddling busybody trying to keep production and importation *down* in the interest of producers, instead of *up* in the interest of consumers (who, remember, are the *whole people*). He has, in fact, entirely forgotten the age of plenty and the elimination of work on which the whole scheme is founded.

Any reader who attempts to criticise details of the practical scheme will be liable to fall into similar errors. Hence this warning. I do not suggest that the scheme is perfect. I am convinced that the principles on which it is based are true. But whether the scheme is completely adequate to carry them out is another matter.

Again, before you criticise, look at the system under which you are living at present, and the hopeless mess in which it has landed us: the misery and squalor of the poor, the slums, the dirt, the disease, the prostitution; the worry and anxiety that affect all but a fortunate few at one time or another—and every bit of it utterly unnecessary. Think of the waste of youth and promise, the frustration of healthful ambition, the thwarting of young love, the heartless scrapping of old age, which are everyday features of this 'age of strenuous and growing competition'. And think of those derelict wrecks of humanity drifting by the dark rivers of great cities, within sight and sound of their light and laughter.

Before you criticise, then, remember that you are on a rotten ship that is sinking beneath your feet, and here I come with a new one to your rescue. Perhaps you don't quite like the cut of my rigging, or the colour of my paint. You may even suspect that my craft is not absolutely watertight (how many boats are?). But surely the wisest policy is to come on board, and if we do find a leak anywhere, we can turn and mend it.

PART III

SUPPLEMENTARY NOTES

SUPPLEMENTARY NOTES

To keep the main line of my thesis clear and straight before the mind of the reader, and to avoid cumbering my pages with footnotes, I have foreborne to give all the illustrative quotations I would have liked, and resolutely eschewed the pursuit of important and interesting side issues. Now that my case is stated, and my colleague's remedy propounded, these uncalled witnesses may be produced, in no particular order, to clinch the matter for anyone who may still be hovering on the border-line of conviction.

This Is an Age of Plenty

The following quotations from various sources, all as 'orthodox' as you please, bear out my contention that we are living in an age of plenty, and that Sir Josiah Stamp and others like him are wrong in saying that our economic troubles can be settled simply by increased production:

> 'The direction of employment is slowly downward. The U.S. Department of Labour index is 3 per cent less than a year ago. This situation may seem strange in view of the fact that we are having fairly active business. But this downward trend in employment is not due fundamentally to the condition of business. New inventions, labour-saving devices, improved technical processes, and other short-cut methods are putting workers out of jobs. These developments have actually taken care of bigger volume of business with fewer workers. Unemploy-

ment has hit practically all lines of industry. The present pinch comes in great measure from the fact that new jobs are growing less, and the number of seekers is increasing. This is the inevitable temporary penalty of efficiency. We are in what might be called a period of workless prosperity.'—*Commercial and Financial Chronicle*, September 22nd, 1928.

'It is important to bear in mind that an industry may decline in its capacity to provide employment while increasing in its productive capacity.'—*The Times*, November 21st, 1928 (leading article).

'You can make all the boots and shoes needed annually in America in about six months, and you can blow all the window glass needed in America in seventeen days. You can dig all the coal necessary in six months with the men now in the industry. Because of the increase in population in the last eight or ten years it now should take 140 men to supply the needs of the country where 100 could do so. Instead of that, and in spite of our having 20,000,000 more people, the needs of the country are fully supplied with 7 per cent fewer workers than in 1919.'—Mr. James John Davis, American Secretary of Labour, quoted in the *New Age*, November 29th, 1928.

'We have improved machines and methods so that the amount of products that can be turned out by each individual is far greater than it was even ten years ago, with the result that now, with all its efforts, the world is unable to make consumption keep pace with all that it could manufacture, did it use to the utmost all its present resources. . . . The question must be examined scientifically, and when the cause has been found it must be treated rationally, however repellent it may be to our established principles, and whatever courage an heroic cure may demand.'—*The Engineer*, March 14th, 1930 (leading article).

'Nobody will deny that Applied Science has greatly benefited mankind. In Agriculture, for example, it has falsified the dismal prophecy of Sir William Crookes in 1898 that the prices of wheat and other staple foods would have risen uncomfortably high in 1931 (this year was actually mentioned by the famous chemist), when the whole world would be in danger of starvation. But the production of types of wheat which ripen sooner, requiring only 100 days of summer instead of 130, or which can be grown successfully in regions formerly regarded as hopelessly lacking in humidity (the necessary yearly rainfall has been cut down 5 inches), has so greatly increased the area of possible cultivation, that wheat is now uncomfortably cheap—at any rate from the wheat-grower's point of view. Another factor which has made for a largely increased yield of staple foodstuffs is the use of "artificial fertilizers", of which no fewer than 35 million tons were made in the season 1929-30. . . .

'These and many other equally significant facts are summarised in *Man and the Machine* (The Lindsey Press, 1s.), the Essex Hall Lecture for 1931, by Sir E. John Russell, D.Sc., F.R.S. . . .

'In America, where the use of labour-saving machinery in mass-production has been carried farther than in this country, the output per man has increased by 45 per cent in the last ten years, whereas the number of workers required has decreased by 10 per cent.

'Another striking and very disconcerting effect of machinery is noted:

' "The Machine is highly selective and intolerant of a succession of minders; all attempts to cut down hours of labour proportionately to the increased power of the Machine have failed; at any rate, no one has yet found a solution of the problem."

'So it comes about that the Socialist vision, so poetically expressed by William Morris and other delightful dreamers, of an ever-decreasing working day for all has vanished in the bleak light of grim reality. Instead, an ever-decreasing force are overloaded with work, while an ever-increasing number fall out of the ranks of producers and lose their purchasing power. As the Machine is only in an early stage of development, we must expect this process to continue, perhaps even more rapidly than in the past.'—*Morning Post*, May 7th, 1931 (leading article).

Needless to say, the *Morning Post*, being thoroughly 'practical', has no remedy to propose.

'The economic crisis which to-day oppresses the business world is the stupidest and most gratuitous in history. All essential circumstances—except monetary wisdom—favour an era of commercial prosperity and well-being. Crops are more abundant than ever before, science has developed production beyond all precedent, inventiveness has discovered new processes of industry, increasing the power of man over nature and enabling him to produce more at less cost. War does not disturb commerce; pacification has made a certain progress, and relations between employers and employed are not disturbed by strikes or lock-outs.

'But the incapacity to adjust vehicle to burden and means of payment to requirements has brought about a crisis, so that many are starving in a world of plenty, while all are oppressed with a sense of depression and of incapacity to meet the situation.

'The explanation of this anomaly is that the machinery for handling and distributing the product of labour has proved quite inadequate. The means of payment provided by currency and credit have fallen so short of the amount required by increased production that a general fall of prices has ensued. This has not only caused a disturbance in the relations between buyer and seller, but has gravely aggravated the situation between debtor and creditor. The gold standard, which was adopted with a view to obtaining stability of price, has failed in its main function. . . .

'Until attention is concentrated on currency and credit, there will be no general lasting remedy. Discussion of minor points may safely be postponed until a solution has been found for the major cause of our distress. . . .

'Appropriate decisions by the larger central banks could modify the economic situation of the world within a month. They have only to show that they realise the underlying cause of the crisis—and are prepared to deal with it.'—Lord D'Abernon in the *Manchester Guardian*, December 23rd, 1930.

(The decisions which Lord D'Abernon would deem 'appropriate' would not, of course, commend themselves to anyone who accepts the reasoning followed in this book.)

The following extracts appear in the *Liberal Magazine* for May 1931, under the heading 'Over-production?':

> 'Mr. H. B. Butler, Deputy-Director of the International Labour Office, delivered an address at the Royal Institute of International Affairs, London, on February 3rd, 1921, on "Unemployment in the U.S.A.". Mr. Butler gave the following example of over-production in the United States:—
>
> > ' "The actual output of boots is about 300 million pairs, and it is said that the capacity is for about 900 million pairs. Three hundred million pairs is about three pairs per head of the population. . . . It seems to me fantastic to expect anybody to wear nine pairs of boots a year."—*International Affairs*, March 1931.
>
> 'A writer in the *Evening Standard* of April 14th stated that a boot manufacturer had given him the case for under-consumption rather than over-production, and continued:—
>
> > ' "With diagrams and figures from his own industry, my informant showed me the whole tragedy of Europe's lack of purchasing power. If the inhabitants of Europe (exclusive of Russia) could buy two pairs of shoes per annum the number of shoe factories would not suffice to supply the demand.
> >
> > ' "The present consumption falls far below this modest standard. Germany buys only 1.1 pairs of new shoes yearly per head of population. Switzerland heads the continental countries with 1.4 pairs, Holland buys 1.3, France 1.1, and Austria 1. Poland, Hungary, and Bulgaria do not average more than half a pair per annum." '

Mr. Cox's Great Discovery

The acute eye of Mr. Harold Cox seems to have discovered this very recondite fact in the early days of 1930. In the *Sunday Times* he wrote:

> 'The developments which have taken place in machine production sometimes even enable one man to do what twenty were required for in the last generation. Consequently we have the curious problem, *to which no one seems to have given sufficient attention*, that the world's power of production has outgrown the world's capacity for consumption.'

Bless Mr. Cox's little heart! When was he born? Why, a whole school of economists has been preaching this ever since the end of the War; and a review, the *New Age*, has been saying it week after week for I don't know how many years. Even so unlearned an economist as I had discovered it independently in 1925. I suggested it in my book, *King Goshawk*, published in 1926, and I said it quite definitely in the *Spacious Adventures of the Man in the Street*, published in 1928. No one gives it sufficient attention, says Mr. Cox. May I suggest that, now that he has at last made the discovery, he should give it his entire attention, and throw the rest of his economic 'science', based on the opposite assumption, overboard.

Mr. Wells Hot on the Trail

Mr. H. G. Wells, writing in the *Sunday Express* on April 5th, 1931, said:

> 'I suppose to-day there is more want and worry in the world than there has been for many years. We are going through a bad time. This is as true of America as it is of the Old World. Increasing multitudes of people are out of work, and they do not know how to get work. At a higher level of social fortune people are distressed by loss of capital, and by a deepening sense of insecurity. A creeping paralysis seems to have come upon business. Great stocks remain unsold and there is nothing doing. And we are all together in not having any clear ideas of just what has brought about this situation and how it is going to turn out.
>
> 'It is a very paradoxical situation. In the world now there is more than enough to give every soul alive a reasonable life. There is too much corn—it can't get sold—too much wool, too much cotton, too much rubber, too much iron and steel and copper and tin, and so on and so on.
>
> 'We have all the stuff we could ask for. And more. But on the other hand there are swarms of underpaid or unemployed folk who can't use up these things because they have no money. There is the stuff and they can't touch it.
>
> 'On the one hand plentiful supply, on the other urgent need—and a mysterious inability to bring them together. That's a fantastic paradox of work and business to-day.'

As to a solution, however, Mr. Wells has nothing better to offer than the slogan 'Community buying'. We already buy our roads and battleships on this plan, he says, so why not everything else?

Alas, Mr. Wells, did you never hear that tastes differ? Most of us, I'm afraid, would prefer to buy our own food and clothes and things, instead of having them chosen for us by a committee of civil servants. The community telephone is bad enough, but just think what the community hat would be like, especially on our wives and daughters.

The War—and a Spot of Goodwill

Mr. J. H. Thomas, when Lord Privy Seal—in practice, Minister for Unemployment—said at a luncheon in London on November 14th, 1929:

> 'There are hundreds of thousands of unemployed who must feel dissatisfied. The unemployed soldier is entitled to ask, "Is this the reward for my sacrifice?" The difficulty is not because there is not the will, but because through the war, we have spent the nation's wealth.
>
> 'All we can hope for is to mobilise all the goodwill in the country and say to men and women of all classes, "This is your problem as well as mine".'
> —*Daily News*, November 15th, 1929.

Here is a truly glorious hotch-potch of confusion of thought, benevolent cant, and mere ignorance. If the nation really has spent its wealth, what on earth is the use of 'mobilising goodwill'? Goodwill can't 'provide work' or feed hungry multitudes; and, as Mr. Thomas mentioned half a second earlier, the lack of it is not the difficulty.

But has the War really spent the nation's wealth?

What did the War spend?

First of all, a vast quantity of metal and explosive. Are we short of metals in consequence? No. Isn't there talk, even, of over-production?

Secondly, a great deal of food and clothing consumed by the armies. But the men would have been fed and clothed in any case (though not quite so well); and, if they had not been, the stuff would not have kept till now.

Thirdly, there was a lot of material damage done, mainly in France, where its restoration 'gave' the 'employment' so much belauded by Sisyphists. Great Britain also lost a good deal of shipping. But are we short of shipping now? No. Much of our shipping is unemployed.

Of course there was a lot of depreciated paper currency 'spent', and we are still paying interest on it. But that interest is again spent on commodities, and therefore 'gives employment', and, in any case, we know now that money is not wealth.

The only real wealth that was spent was the blood of the young men. A million producers were slaughtered; but, if they had lived, our stupid economic system would not have allowed them to produce anything. Most of them would now be among the unemployed.

But the short answer to Mr. Thomas is, as I have said so often, that our troubles are due not to scarcity but to abundance.

Procrustes in Puris Naturalibus

> 'Only a serious failure of the wheat harvest can save America from a great financial disaster.'—Financial opinion reported in the Paris edition of the *New York Herald Tribune*.

In a book I am writing at present, one of my characters—a big business man, of course—says: 'One bad season is all we need to save us.' No doubt the reviewers will tell me that my satire is exaggerated.

But worse (if possible) remains behind. Perpend:

> 'With two months of the wheat year past, the probabilities for the rest of the season can now be seen more clearly. They are distinctly encouraging. The weather over most of Northern Europe during August and September has been as bad as it could be for the harvest. . . . Reports have come in at one time or another since the beginning of August announcing loss and deterioration of crops.'—*Financial News*, September 29th, 1931.

After this one would hardly be surprised if the churches were presently to counsel us all to pray for famine. And why should not science lend a hand by spreading disease among our too plenteous crops?

Procrustes Has His Way

The following is from the *Daily Mail* of May 25th, 1931:

> 'RATIONING WHEAT
>
> 'CONFERENCE PLAN
>
> 'CENTRAL CLEARING HOUSE
>
> 'The final plenary session of the conference of delegates of the wheat exporting countries, which was held in London last week, took place on Saturday.
>
> 'An official report issued afterwards stated: "The conference is convinced that among the underlying causes for the present position are:
>
> ' "The effects of economic depression throughout the world,

'"There is more wheat produced than can be sold at a profit,

'"The absence of sufficiently adequate information regarding the movements of wheat, and the requirements of certain countries,

'"The present uncertain state of the wheat market.

'"The conference considers that where possible a reduction in the area devoted to wheat should be undertaken in whatever way each country considers to be most effective and practicable.

'"The conference has established a committee consisting of one representative from each state to submit to the Government of each of these countries a definite proposal for establishing under the supervision of the committee a clearing house of information to serve the wheat exporting countries.

'SOVIET CO-OPERATION

'"In view of certain reports that the attitude of the Soviet delegation created difficulties in the work of the conference, the chairman, Mr. H. E. Ferguson, High Commissioner for Canada, wishes to state that these reports are unfounded and that the Soviet delegates showed a spirit of complete co-operation."

'The committee set up by the conference will meet in London at a date to be fixed by Mr. Ferguson.'

What will happen if something goes wrong with the reduced wheat crop?

Mechanophobia

On May 24th, 1930, an article appeared in *Tit-Bits* from the pen of Sir Oliver Lodge, entitled:

MACHINERY IS MENACING HUMANITY.

It was illustrated with a photograph of a fierce-looking Robot from the film *Metropolis*, and it asked a number of questions, challenging rather vaguely and half-heartedly the blatant idiocies of Sisyphism, but admitted that the author had no solution of the 'problem' to offer. I hope Sir Oliver will find his questions answered in this book, and see that the 'problem' can be settled quite simply.

On January 14th, 1930, the following scare headlines appeared in the *Daily News*:

'MILLIONS OF MACHINE-MADE UNEMPLOYMENT

'GRAVEST PROBLEM IN THE UNITED STATES

'ROBOT RULE

'OVER 3,000,000 PERSONS ON THE WORKLESS ROLL

'The startling fact is revealed by our New York Correspondent to-day that the roll of the unemployed in the United States is between 3,000,000 and 4,000,000 persons.

'Unemployment, in fact, despite the greatest prosperity boom in history, has become—as in Great Britain, with 1,500,000 workless—the gravest of all national problems.

'An immense number of men and women in the United States have been "scrapped" in favour of machinery and "robots" used in all kinds of business; and our Correspondent points out that, for the first time, the trend of modern invention may be towards making less work instead of more.'

The article included the following statements:

'There are about 2,500,000 fewer workers employed

> in agriculture, factories, railroads, and mines, in the United States than there were ten years ago. . . .
>
> 'The causes of this huge displacement of workers are declared to be: improvements in machinery, the invention of labour-saving devices, the extension of cheap electric power, the processes described in Great Britain under the name "Rationalisation".
>
> 'Hundreds of thousands of these dispossessed men and women have found work in new and growing industries, such as automobiles, road transport, and radio, but in making the change they have often had to accept lower wages, and have had the anxiety and expense of changing their homes.'

No mention, incidentally, of the heartbreak. That is not an economic factor. To proceed:

> 'The new industries, however, have not been sufficient to absorb the displaced labour. . . .
>
> 'The problem of what to do with the men and women "scrapped" by the relentless new machines is baffling the best brains in American Industry. . . . Distinguished economists say that the situation must inevitably grow more acute as time goes on. The theory that workers thrown out of one occupation can find employment in others is not sustained by observation. . . .'

My readers will smile at the notion of machines 'making more work'; and will be inclined to ask why, with over a million permanently unemployed in Great Britain, it was necessary to send a Correspondent to New York to discover that workers thrown out of one occupation cannot find employment in others.

The facts were sufficiently shocking to the complacency of the *Daily News* to inspire it to a leading article, which is a perfect gem of self-deception.

'It is a kind of nonsense', says the writer, 'to say that a process which makes the world richer must inevitably make thousands of individuals poorer. That may be its immediate result; it cannot really be its ultimate result'; and he goes on to say that the sad facts revealed by his Correspondent are merely the 'violent jolts which new methods on their introduction inevitably give to the industrial machine'. The remedy is to 'control the processes of change'. In other words, apply your admittedly beneficial inventions more slowly, and you won't have so many workers all thrown out on the streets together. Moderate the tragedy a bit, and all things will work out for good in the end.

I wonder how much consolation that leader-writer would derive from the perusal of this futile scribbling if 'the processes of change' in Fleet Street were to give one of their 'violent jolts' immediately under his own chair. I almost hope it will happen; for nothing but experience can teach the unimaginative.

Lord Birkenhead on the Horrors of Plenty

The following paragraphs are from an article by the late Lord Birkenhead, entitled 'The World in 2029', which appeared in *Nash's Magazine* in March 1929:

> 'The coming of this new energy (atomic energy) will obviously be accompanied by acute social problems. Its adaptation to industry will entail, for example, the final extinction of coal-mining. Since, however, it cannot but vastly reduce the cost of all manufactures, there is hope that the new wealth

> it creates will enable governments adequately to provide for the millions whose livelihood it destroys'. 'By their aid (nitrogen-fixing bacteria) five or even ten ears of wheat will grow where one grows now; while the pasture which now feeds ten beasts will feed fifty. Such a development will, of course, be watched with anxious eyes by all governments. Food prices will slump; millions of labourers all over the world will find their livelihood vanished'.

Lord Birkenhead was a very clever man, but, as he showed in the speech which inspired Chesterton to write *Chuck It, Smith*, he did not understand first principles.

Note the confusion of thought. From the first paragraph we gather that the reduction of the cost of manufactures would provide the means of maintaining those deprived of their means of livelihood by the new energy. In the second we are told that a fall of food prices means ruination.

Note also how the modern mind thinks automatically in Sisyphist terms. Not even for an instant can it see good in abundance. Such a development will, *of course*, be watched with *anxious* eyes. With what sort of eyes, may I ask, would our governments watch an approaching dearth?

The eye of the Sisyphist sees in plenty, not a blessing to be enjoyed, but a social problem, to be met by some grudging social service. With the precedent of the dole, we may be sure that the 'adequate provision' envisaged by Lord Birkenhead would be some beggarly pittance insufficient to buy a fraction of the good things with which we are threatened.

The logical conclusion from Lord Birkenhead's absurd article is that if we could produce all the food and commodities we wanted without working at all, we should all starve to death.

Paying for Progress

The following letter to the Editor of the *Daily Sketch*, signed 'Ex-Fusilier, Bow', shows how the mind of the ordinary man is being corrupted by the materialistic teachings of political economists:

> 'Science Causing Unemployment
>
> 'Commonsense should realize that in the poorer districts the majority of married women who go to work do so because their husbands are unable to obtain other than short periods of casual work, and they prefer putting their shoulders to the wheel to seeking poor relief.
>
> 'There is no apparent cure for unemployment. Application of science to industry—i.e. use of time- and labour-saving machinery—is gradually eliminating the human operative, while the amalgamation of huge business concerns is resulting in great reductions in maintenance staffs. Someone must pay for progress.'

What, one wonders, does that blessed word Progress mean to Ex-Fusilier? He apparently recognises that we are heading for a time when the mass of mankind must look on and starve while machines supply the needs of a favoured few. And someone, he says, must pay for that millennium. When we were children we never tired of asking the question Why? What a pity we drop the habit when we grow up.

Humanity and Efficiency

Many industrialists, recognising the inhumanity of our economic system, have hesitated to apply 'rationalisation' to their undertakings, and even to install labour-saving machinery. All honour to anyone in this materialistic age who puts humanity before efficiency; but, of course, the actual effect of such self-denial is only to stave off individual tragedy at the general expense.

As an example of this mode of thought among industrialists, I quote from a speech delivered by Mr. Angus Watson at a meeting of the Industrial Co-Partnership Association on April 9th, 1931. The *Manchester Guardian* of April 10th reports the speech as follows:

> 'Rationalisation of industry could only effect economies by causing dismissals of staff and by entirely ignoring the human factor, which was the greatest source of national wealth. This aspect of modern business was a serious menace to the future well-being of our nation, for increased dividends to the individual citizen had little value if the cost of obtaining them was the creation of a huge national obligation—the dole—and the fruits of the transaction terrible citizen waste.
>
> 'One of the results of the post-war period had been a replacement in commerce of the industrialist by the financier, and those who had created businesses had either retired or lost control. The future administration had been handed to men who had only increased profits before them as their goal.
>
> ' "Rationalisation is largely a fetish", added Mr. Watson. "After we have gone through the inevitable

> disillusionment that will come because of the final collapse, I think we shall return to the development of trade along its natural lines, for the human element in industry is of greater importance than either the machine or its profits." '

I put it to Mr. Watson, and to all business men who think like him, that humanity and mechanical efficiency are not really incompatible. They are only made to appear so by an economic system based on false first principles. Although rationalisation is often adopted merely to increase profits, the consequent increase of efficiency renders an industry more serviceable to the community. Our object, therefore, should be, not to put a stop to rationalisation, but to secure for humanity the benefits it produces. The remedy for the state of things that humane industrialists deplore is the adoption of the scheme I have suggested.

Mr. Keynes on Saving and Investment

As it may not seem quite fair to criticise Professor Keynes' views on saving by taking an extract from a press article, I shall now quote some passages from his most recent book, *A Treatise on Money*. On page 152 of the first volume of that work he says that the conditions for the equilibrium of the purchasing power of money require that both the value and the cost of current investment must be equal to the amount of current savings, and that aggregate profits (over and above normal remuneration of entrepreneurs) must be zero. On the following page he says:

> 'By the scale and the terms on which it is prepared to grant loans, the banking system is in a position to determine the rate of investment of the business world. At the same time the aggregate decisions of the members of the community, as to how much of their money-incomes they shall spend or save, is determining the rate of saving. Accordingly, therefore, as the banking system is allowing the rate of investment to exceed or fall behind the rate of saving, the price level will rise or fall' (abbreviated).

Later (page 173) he says:

> 'That saving can occur without any corresponding investment is obvious, if we consider what happens when an individual refrains from spending his money-income on consumption. It does not matter what he does with the surplus. . . . There is now in the market one purchaser less for consumption goods, with the result that their prices fall. This fall in prices increases the purchasing power of the money-incomes of the rest of the community and they are able, therefore, to increase their consumption by the amount which the saver has forgone, whilst spending the same amount of money as before. If, however, these others then proceed to reduce correspondingly their money-expenditure on consumption and, consequently, to increase their savings, this only has the effect of still further increasing the purchasing power of the balance of their income which they do spend.
>
> 'Meanwhile the savers are individually richer by the amount of their savings, but the producers of consumption goods, who have sold their current output at a lower price than they would have got

> if the savings had not taken place, are poorer by an equal amount. Thus in such circumstances the saving, instead of resulting in an increase of aggregate wealth, has merely involved a double transference—a transference of consumption *from* the savers to the general body of *consumers*, and a transference of wealth *to* the savers from the general body of *producers*, both total consumption and total wealth remaining unchanged.'

All this is true as far as it goes. But Mr. Keynes ignores some important facts. (1) In an age of plenty there is no need to finance capital undertakings out of savings, and there is therefore no necessary relation between saving and investment. (2) Speaking generally, people don't save unless they must. (3) They *must* save, whatever the rate of investment, to provide for sickness, old age, unemployment, and so on. Therefore the disequilibrium which Professor Keynes deplores is necessitated by the Sisyphistic organisation of society; it cannot be corrected so long as society is so organised; and if society were not so organised it would not be injurious.

While it is true, consequently, to say that money-saving at present 'throws men out of work', it is only a secondary factor in the economic muddle, its ill effect being to contract still further an already deficient currency.

Mr. Keynes illustrates his argument by means of a parable. He imagines a community living entirely on bananas and labouring entirely at the cultivation of bananas. He supposes that there has been an equilibrium of investment and saving, so that the total money-saving of the community has been just sufficient to finance all the development of plantations required; and he postulates that the selling price of bananas is equal to the cost of production, including the remuneration of the entrepreneurs.

A thrift campaign is inaugurated, but there is no corresponding increase in investment. The same quantity of bananas as before comes on the market; but, as there is less money in circulation, the price falls proportionately. The public thus consumes as many bananas as before, but at a lower price, and the loss falls on the entrepreneurs. The parable concludes thus:

> 'The continuance of this will cause entrepreneurs to seek to protect themselves by throwing their employees out of work or reducing their wages. But even this will not improve their position, since the spending power of the public will be reduced by just as much as the aggregate cost of production. By however much entrepreneurs reduce wages and however many of their employees they throw out of work, they will continue to make losses so long as the community continues to save in excess of new investment. Thus there will be no position of equilibrium until either (*a*) all production ceases and the entire population starves to death; or (*b*) the thrift campaign is called off or peters out as a result of growing poverty; or (*c*) investment is stimulated by some means or other so that its cost no longer lags behind the rate of saving.'

This illustration is completely misleading, because it bears no relation to a mechanical age. The reason why the selling price of bananas is equal to the cost of production is that there is no need to include a charge for depreciation of capital—which is one of the prime causes of the inability of our own community to purchase the product of its labour.

The cause of the Bananalanders' troubles, therefore, is not the thrift of a few devotees of Samuel Smiles, but the folly of the community in general in letting its banana-trees go out of cultivation in obedience to a theory of currency. The moral for us is that there is no need to be frightened of thrift; and that the remedy for our troubles is more currency and a national dividend.

Birth-Control and Wages

Most of the arguments used by anti-conceptionists are economic; and anyone who opposes the abomination at once has all the statistics compiled by social reformers in regard to housing, infant mortality, disease, wages, and so on flung at him like stones, as if he was a hard-hearted ignoramus who had never heard of such things. Only in an age which had totally abandoned the use of reason could people who use such logic pass as scientists. The awful facts tabulated in these statistics are arguments for social reform of some kind or other—any kind you like, from Communism to more Welfare Clinics. To use them as arguments for birth prevention is like saying that a child's toes ought to be cut off to prevent him outgrowing his boots.

The Malthusians seem to think that because a small family is better off on the average wage than a large family, to reduce the average family will increase the average of prosperity. It won't. The size of the average family is a factor which enters into the calculation of wages; and therefore, if it is reduced, the average wage will be reduced sooner or later. Employers will not give more than they must (not necessarily because they are greedy, but because the financial system compels them); and, in a crowded labour market, the measure of what a man will accept is the measure of his needs, *taking all his circumstances into consideration.* Therefore the smaller his family, the less will be his minimum demand.

The process can be seen in operation at present as a result of the growing tendency of wives to go out to work. At one time this meant a little more money coming into the home. But already it is becoming a factor in calculating the wages of the husband. A man will take less than he otherwise would if he knows that his wife will be earning too; and employers know this and act accordingly. The time is in sight when no man will be able to marry unless his wife works too; and what of the home and children then? If the present nonsensical economic system is allowed to continue, we shall see husbands and wives everywhere slaving to pay for the upkeep of homes they will only be able to visit at night; while their children (if any) will be looked after by some paid spinster, who herself is unable to marry because she cannot get a job to help her to pay for a home of her own. Our economic system, in short, is the enemy of life and of the natural habits of man.

The Logical End of Contraception

I have given considerable space to this side of the question, and rightly so; for the strongest testimony to the rottennesss of our economic system is the fact that it has made birth-prevention plausible.

The 'logical' developments of this perversion of thought are far-reaching and sinister. Already demands have arisen for the legalising of abortion. 'Logically', say the propagandists (mainly women, by the way), 'why not?'

I agree. Logically, why not?

A few years ago a doctor read a paper to the Sexual Reform Congress advocating the compulsory sterilisation of those in the poorest third of the community who presume to have more than one child.

Logically, why not?

Abortion and sterilisation once made lawful, the next step would be the legalisation of infanticide—with, perhaps, compulsory infanticide for 'the poorest third of the community'.

Logically, why not?

And after that, what about a general fusilade of all the unemployed?

Logically, why not?

When a civilisation takes to making war on life (as we have begun to do), one of two developments must follow. Either the habit of thinking in terms of death will become ingrained, and the race will die out; or the forces of life will break that civilisation, and the community will go back to barbarism.

The Flight from Free Trade

Many orthodox economists who have hitherto supported Free Trade have recently begun to change their minds; the theory of Free Trade, when tinctured with Sisyphism, being unable to stand up against the facts of the present situation. One example is Sir Josiah Stamp, a speech by whom, on March 13th, 1931, was reported in the *News-Chronicle* of March 16th as follows:

> 'He (Sir Josiah Stamp) told an audience at Oldham on Friday that the time had come when serious attention must be given to the remedy of a general tariff, not for the usual protective reasons, but completely generalised over all imports, so that it had almost the same effect on prices as a general rise of the price level. The tariff could disappear when the price-index reached an appropriate level.
>
> 'The historic and sound objection to tariffs—that no one had the intelligence or pluck to take them off at the right time—might be got over if they were made dependent upon the very change in the price-level which had made them necessary. The old risks—that a tariff could not be properly devised and politically undebauched and that no political machine could be trusted to remove duties at the economic moment—were as great as ever. But the points to be gained were to-day very great and the risks of doing nothing were so serious that the risks must be faced. He would meet the tariff adjustment temptation by keeping the duty general and uniform. He would meet the time difficulty by making the removal dependent upon a fact and not a political whim.'

Another example is Mr. Keynes, who writes in his *Treatise on Money* (Volume ii, page 189):

> 'It may be that the attainment of equilibrium in accordance with our traditional principles would be the best solution—if we could get it. But if social and political forces stand in the way of our getting it, then it will be better to reach equilibrium by such a device as differential terms for home investment relatively to foreign investment, and even, perhaps, such a falling off from grace as differential terms for home-produced goods relatively to foreign-produced goods, than to suffer indefinitely the business losses and unemployment which disequilibrium means.'

This is only a bookish way of saying what the Tory orator spouts more forcibly from the hustings: 'Protection means more work for British workers.'

If Protection is bad economics—as Messrs. Stamp and Keynes used rightly to maintain—it cannot be converted by an emergency into good economics, any more than prussic acid can be converted by an emergency into wholesome food. This pitiable shifting is the result of attempts to evade, consciously or unconsciously, the real implications of the age of undistributed plenty.

Emigration

I have attacked emigration when proposed on Procrustean principles as a means of getting rid of population. But no general condemnation is thereby implied. On the contrary, I think that it would be a very good thing if large communities were transferred from the crowded parts of Europe to countries like Australia and Canada, not to empty their own countries, but to develop the resources of the others. It is really uneconomic, in fact, to allow populations to concentrate, as we do, in a few relatively small parts of the globe; because an immense amount of time and energy has to be wasted in bringing food from the ends of the earth to feed them, and that food has to be frozen, or otherwise preserved, thus detracting from its nutritive value. If these populations were spread over the open spaces of the New World, they could grow their own food, provide a market for the products of colonial industry (now desperately trying to keep itself alive by means of tariffs), and develop new sources of wealth for the benefit of the world as a whole. Instead, therefore, of sending odd men out of civilisation to wring a livelihood from virgin soil with pick and spade, we ought to organise large colonies, including people of every craft and profession, and equip them with everything necessary to bring the wilderness into civilisation. Some of the capital now spent on monster cinemas, luxury liners, and weapons of war, might usefully be diverted to this purpose, and the investment would repay itself a hundredfold.

A Word to Socialists

Socialism is almost a religion with the most earnest of its adherents; who, in consequence, are apt to shut their minds to arguments against it, much as the pious shut their minds to the seductions of unbelievers. They regard all non-Socialists as the heathen and the publican, and refuse to believe that those who do not accept their dogmas can be genuinely seeking social regeneration. As I was a Socialist myself in younger days, I can understand their mentality, and propose, therefore, to add a few words for their benefit, which non-Socialists may skip.

The first difficulty in dealing with Socialists is to get them to define Socialism. They differ among themselves, both as to its end and as to its means. I have even known vigorous champions of the creed to declare that it means nothing in particular—a fine example of the mental chaos of this enlightened age. The most generally accepted definition, however, is 'the public ownership of all the means of production and distribution'. Some Socialists boggle at the 'all', but in doing so they give away their case entirely; for nearly everybody is agreed that *some* of the means of production and distribution should be publicly owned (many of them are publicly owned already), and if the Socialist is merely a person who wants public ownership more or less extended in scope, then there is no general Socialist position to attack or defend, but only a number of particular cases to be decided on their merits.

I take it, then, that Socialism means the public ownership of *all* the means of production and distribution. The arguments of 'big business' against that solution of our difficulties are well known, and mostly stupid, and Socialist writers can make short work of them. What Socialists fail to realise is that the instincts of the ordinary man and woman are against it, and quite rightly, for it is based on wrong first principles.

It is true that eight million electors voted for the Labour Party at the general election of 1929, and that even more may be induced to do so in the future; but that does not mean that eight million people voted for Socialism as properly defined. Most of those votes represent either the natural desire of workers for better conditions, or the general yearning for a better social life than the present muddle and scramble.

Socialism is fundamentally Procrustean. Its principle is that man exists for the state, instead of the state for man. Socialists have definitely maintained that proposition in argument with me, and it is, moreover, implicit in all Socialist doctrine, whether individual Socialists deny it or not. Many Socialists (Bernard Shaw, for instance) assert that the state should have the right to enforce birth-prevention. If the state is to be responsible for production, they say, then it has the right to regulate the number of consumers. (Note once again that 'regulation' for Procrusteans always means 'restriction'.) Of course there are Socialists who would not go so far as this, but if once the principle of 'the state over all' is admitted, there is no limit to the extent to which it might be applied. Socialism, in fact, involves an amount of government interference in people's personal affairs which the ordinary man and woman will not tolerate. There is already too much of it—mostly due to well-meaning attempts to remedy notorious abuses—and we don't want any more. An economic reform which runs contrary to that sound and healthy human instinct can never command general acceptance.

Though Socialism lays down no definitely Sisyphist principle, it is coloured throughout with Sisyphistic concepts, as I have already shown. Thus, Socialists usually express the utmost horror at the idea of the national dividend. 'Why should some people have to work to maintain others in idleness?' Faced with the fact that in an age of plenty there is not enough work to go round, they propose that everybody should be compelled to do a certain amount of the work that is necessary—that Shelley should be taken from his poems to do a turn at a machine, while a perfectly competent mechanic is sent to lout about at a loose end. Surely it would be far better to leave Shelley alone, to dream on his dividend, and pay the mechanic handsomely to do the work he is fitted for and enjoys doing? Or, if you object to the exceptional example of the poet, is it not better to pay one mechanic to do the job properly than to compel half a dozen indifferent or unwilling men to do it badly?

'Economic equality', you object. But equality does not really matter if everybody has plenty. When writers and speakers deplore the 'inequalities' of the present system, their theme in reality is poverty: if there were no poverty, nobody would bother about inequality. In a society where an individual had a free choice between leisure at, say, £250 a year, and work for six hours a day at £600 a year, the inequality would not be an injustice. What we want to do is to abolish poverty and establish prosperity; and the only way to do that is to produce plenty of goods and equate our consuming power to the supply. Socialism, aiming at equality through restriction, work fetichism, and suppression of liberty, can only achieve an equality of poverty, or at best a general industrious frugality, like that of bees in a hive.

The process of reasoning which led to Socialism is fairly obvious. Karl Marx crudely divided mankind into Capitalists and Workers and declared that there was an essential clash of interests between them. This was true enough in an age of scarcity, though it would have been more accurate to say that there was a clash of interests between every man and every other man—that each had to scramble for what he could get, and that the capitalists, being the best equipped, came off best. In an age of plenty, however, this conception of society has become as false as the doctrines of the bankers and orthodox economists. There is enough for everybody, and the interests of individuals no longer clash with one another, nor with those of the community, though the restrictions on plenty caused by a deficient currency make them appear to do so. The prosperity of each depends on the prosperity of all, *if only people could be got to see it.* The scheme proposed in this book shows how this can be realised in practice. By equating consumption to production we can make the self-seeking instincts of the ordinary individual work out to the benefit of the community as a whole.

'Playing About with the Currency'

People who can find no answer to my arguments nearly always fall back on some thought-saving catchphrase like: 'It's a dangerous game to play about with the currency.'

Now, I don't suggest 'playing about' with the currency. I suggest that we should operate it in accordance with human needs. But, for that matter, it would be far better to play about with the currency than to let the currency play old Harry with humanity, as it is doing.

What vitiates the reasoning of orthodox economists (of whose doctrines such catch-phrases are the popular offspring) is the delusion that currency is a pure science like chemistry. They talk of the way money 'acts' or 'behaves', as if it were some natural product like water or carbon dioxide, instead of being a manufactured article like a wheel or a rope, designed by human intelligence, and subject to human control.

To co-relate currency to production is not like trying to set water on fire. It is like pedalling a bicycle in the way you want to go, instead of letting it carry you downhill and over a precipice.

There are no 'inexorable laws of political economy'. We are kept in the muddle by the inflexible minds of political economists.

How the Bankers Play About with the Currency

That bankers both inflate the currency and finance industry by credits created out of nothing is shown by the following extracts from Mr. Keynes's *Treatise on Money*:

> 'Practical bankers, like Dr. Walter Leaf, have drawn the conclusion that the banks can lend no more than their depositors have previously entrusted to them. But economists cannot accept this as being

> the common sense which it pretends to be.' (Volume i, page 25. A few omissions not indicated.)

Mr. Keynes demonstrates this very lucidly, and concludes thus:

> 'There can be no doubt that, in the most convenient use of language all deposits are "created" by the bank holding them. It is certainly not the case that the banks are limited to that kind of deposit, for the creation of which it is necessary that depositors should come on their own initiative bringing cash or cheques. But it is equally clear that the rate at which an individual bank creates deposits on its own initiative is subject to certain rules and limitations: it must keep step with the other banks and cannot raise its own deposits relatively to the total deposits out of proportion to its quota of the banking business of the country. Finally, the "pace" common to all the Member Banks is governed by the aggregate of their reserve-resources.' (Page 30.)

After this last sentence, the following extract from Volume ii of the *Treatise* (pages 55–57) is rather significant:

> 'In England there is no law governing the proportion of cash which must be held by the member banks against their deposits. The figure is determined by custom and convention; though, once the figure is determined, it would be bad for the prestige of a bank to lower its own ratio of reserves below the prevailing level. But there are two peculiarities about the English custom in this matter.

'In the first place, since there is no law governing the question, it is more important to satisfy the custom on the dates for which the figures are published than on those for which they are not published. Formerly they were only published half-yearly; now they are published monthly. Partly, perhaps, as a survival from the days when these were the only published figures, the banks are still accustomed to work to a much higher customary figure in their annual accounts at the end of the calendar year than in their monthly accounts, publishing, indeed, in their annual accounts a total of cash in hand and at the Bank of England as much as 50 per cent higher than they normally carry except on the annual balance sheet day—which seems a stupid practice, whether or not it is intended to deceive. It is also the case . . . that the figures published in their monthly accounts . . . are higher than their true daily average. Nor is this all: the "Big Five" Banks which follow this practice, being four in number (excluding the Midland Bank), can and do choose different days for their little manœuvre. That is to say, each takes it in turn to call from the money market a certain quantity of resources which will swell their balance at the Bank of England on the day of the week sacred to the particular bank which is calling. In this way a certain part of the published reserves of the "Big Five" is a stage army which appears four times over. When Bank A's sacred day has passed, it lends to the Money Market that part of its Bank of England balance which is no longer required for publication purposes, for the Money Market to pass on as promptly as possible to Bank B, whose sacred day has arrived, so that a Bank of England balance which belonged to Bank A's reserve at dawn has put in a public appearance before sunset as part of Bank B's; and so on day by day. In short, as Dr. Leaf, when chairman of the Westminster Bank, frankly expressed it, the published reserves are "to a certain extent fictitious". In this way the traditional strength of the British Joint-Stock Banks is safely preserved and handed on for the admiration of posterity.'

Mr. Keynes uses language which is both learned and polite. I, being unlearned, and seeing no reason for politeness in such circumstances, translate this as meaning that every bank balance-sheet always contains a thumping lie.

When currency reform is called for, the last people who have the right to cry 'Inflation' are the bankers.

Mr. Keynes and the Currency Cranks

In the same volume of the *Treatise*, Mr. Keynes devotes a section to those whom he calls 'the Army of Heretics and Cranks'—namely, the various schools of monetary reformers. These would appear to be very numerous, but he does not mention any of them by name, not even Major Douglas, the most eminent, whose scheme is supported by a large and growing following, has been expounded in a hundred books, and is the constant theme of a high-class weekly review.* Whether Mr. Keynes's criticisms are valid against other monetary reformers I cannot tell; but I

* *The New Age.*

propose to show that they are invalid against the Douglas scheme and mine.

After paying a tribute to the disinterestedness, honesty, and vigour of the cranks (page 216), Mr. Keynes says:

> 'Their theories of Money and Credit are alike in supposing that in some way the banks can furnish all the real resources which manufacture and trade can reasonably require without real cost to anyone, and, if they qualify their claims, it is according to some criterion as to the purpose to which borrowers apply the resources they borrow.'

This is a misrepresentation. Credit reformers do not expect the banks to furnish real resources—which can only mean labour and material. The demand is that they shall furnish the credit necessary to utilise these resources according to scientific, instead of rule-of-thumb, methods.

Mr. Keynes proceeds:

> 'For they argue thus. Money (meaning loans) is the life-blood of industry. If money (in this sense) is available in sufficient quantity and on easy terms, we shall have no difficulty in employing to the full the entire available supply of the factors of production. . . . If, therefore, sufficient bank credit was freely available, there need never be unemployment.'

Mr. Keynes's Sisyphistic habit of mind completely misinterprets the reformers' case. We do not say that credit reform will abolish unemployment. We say that it will abolish poverty by distributing the existing or potential plenty which industry can produce. Unemployment, in our eyes, is not an evil, but a blessing in disguise. We call it leisure.

Mr. Keynes goes on to say that we accuse the bankers of restricting credit in order to raise its price, and that we pay due regard to the danger of inflation, maintaining that this can only occur if the new credits do not meet a genuine demand for working capital.

The reply of the bankers to this charge is, says Mr. Keynes, 'singularly unconvincing', implying, as it does, that the amount of working capital available for industry depends in some way on the amount of gold in the Bank of England or the Federal Reserve System.

He then goes on to say that it has been a principal object of his *Treatise* to answer these perplexities. The answer lies, he says, in the preservation of a balance between the rate of saving and the value of new investment (see my note above on *Professor Keynes on Saving and Investment*). If the bankers create credit to such an extent that the value of new investment is raised above the amount of the current savings of the public, they are guilty of inflation; and unless they create sufficient credit to prevent the value of new investment from falling below the amount of savings, they are guilty of deflation.

> 'How much credit has to be created in order to preserve equilibrium is a complicated matter—because it depends upon how the credit is being used and upon what is happening to the other monetary factors. But the answer, though it is not simple, is definite; and the test as to whether or

> not such equilibrium is being preserved in fact can always be found in the stability or instability of the price-level of output as a whole.'

This is no answer to our perplexities. The stability of the price-level doesn't matter tuppence if the goods produced by industry cannot be consumed; and they cannot be consumed at any price-level until the purchasing power of the community is equated to its productive power. As a matter of fact, progress towards prosperity means a *reduction* of the price-level—that is to say, more *result* for less *effort*—the price of goods being the measure of the effort needed to produce them. Mr. Keynes with his price-level is thinking in mechanical terms: we think in human terms.

Professor Keynes continues:

> 'The mistake which the heretics have made is to be found, therefore, in their failure to allow for the possibility of *Profit* inflation. . . . They have not allowed for the contingency of investment outpacing savings, of the new wealth which is created not being in consumable form simultaneously with the new spending power allotted as their remuneration to the factors of production. They do not perceive that prices can rise even though the rate of remuneration of the factors of production per unit of output is unchanged.'

On the contrary, Major Douglas pointed out long ago that it is a fault of the present system that the factors of production have always spent their remuneration before the goods they have produced can come on the market. It is precisely because of our recognition of these things that we insist on the scientific equation of consumption to production. In the scheme advocated in this book currency will only be issued against actual production, and prices will be kept down automatically by the apportionment of credit to turnover instead of profit. Major Douglas's scheme settles the difficulty by means of the Price Calculus.

> 'The ideal of stability (concludes Mr. Keynes) is not to be attained either on the principles of the heretics or on those of the bankers. . . . Neither of them attends to the real criterion of stability, namely, the equilibrium between saving and investment. The banks determine how much they will lend by reference to the quantity of their reserves . . . while the heretics would have them determine it by reference to the quantity of the factors of production available to be employed; but neither of them propose to determine it by reference to the equilibrium between saving and investment, though this is the only criterion which would preserve the stability of prices. Nevertheless, the heretics are calling attention to a real defect in the present arrangements when they complain that the banks are not, and cannot be, influenced in their lending policy, under the present regime, primarily by the object of maintaining the optimum level of employment.'

Here Mr. Keynes's misunderstanding of our position becomes hopeless. We are not aiming at 'stability' but at the abolition of artificial poverty. We do not ask that credit should be determined by the quantity of the factors of production available to be employed, but by the quantity of goods needed by the community and capable of being produced by the proper utilisation of the community's real resources. Finally, we do not complain that the banks are not influenced in their lending policy by the object of maintaining an optimum level of employment. We complain that they are not influenced by the object of producing a maximum output of goods.

This 'ideal of stability' is the key to Mr. Keynes's mentality. He looks upon the economic system as a thing existing *per se*; discusses most learnedly its parts and functions; and is deeply concerned that it shall work efficiently. But he seems almost unaware of its real purpose, and fails to observe, or, at any rate, to allow for, external conditions which must radically affect its action. Thus in the whole of his comprehensive treatise he never mentions the fact that this is an age of plenty, and he thinks in terms of scarcity as tacitly as did Adam Smith two hundred years ago. The *Treatise on Money* is rather like a treatise on bicycles which might be written by a brilliant mechanic who knows all about the construction and working of a bicycle, but has forgotten that its primary purpose is to carry a man, and is imperfectly aware of the improvement of the roads since the eighteenth century.

'*The Devil can Quote Scripture to his Purpose*'

When national dividends are mentioned, it is extraordinary how pat comes a certain quotation from Saint Paul from people not usually addicted to scriptural citation or markedly given to piety. I refer, of course, to the text: 'If any man will not work, neither let him eat.'

Reader, if any solemn humbug plays that trick on you, tell him in the first place that St. Paul did not say: 'If there is no work for a man, let him starve.'

Ask him, in the second place, does he know the context of the passage, and you will generally find that he doesn't. Here it is (2 Thess. ii. 10, 11):

> 'For also when we were with you, this we declared to you, that, if any man will not work, neither let him eat.
>
> 'For we have heard there are some amongst you who walk disorderly, working not at all, but curiously meddling.'

From this we see that St. Paul was referring to a particular case, and suggesting that certain gay sparks among the Thessalonians ought to do something useful in return for their keep. He certainly was not thinking of men whose work has been rendered unnecessary by machinery.

If it must come to scripture texts, what about this, from a higher authority than Paul?

> 'Give to him that would ask of thee, and from him that would borrow of thee turn not away.'

And what about the lilies of the field? In all the four Gospels you will not find a word in favour of the commercial virtues, or a single exhortation to let your fellowman starve. Indeed, are we not told to love our neighbour *as ourself*, without any qualification as to his integrity or business efficiency?

'You cannot serve God and Mammon' said Jesus.

To whose service is the present economic system manifestly directed?

What the Orthodox are Coming to

Sir William Beveridge, in a wireless talk on Unemployment on May 19th, said:

> 'Some degree of unemployment, or at least some risk of unemployment for individuals, was probably an essential part of economic health for the community. A society in which every individual was absolutely sure of never losing his job, would be a society without any change at all—a dead body, not a live one' (*Daily News*, May 20th, 1931).

After making the general comment that this is (*a*) cant, and (*b*) bolstering up bad economics with worse biology (Sir William seems to have got hold of what Shaw calls 'just that corner of evolution that a black-beetle can understand'), I should like to put these questions to this distinguished authority:

1. If unemployment is a disease, how can the unemployment of individuals be an essential part of economic health for the community?
2. What 'degree of unemployment' confers a state of communal health?
3. If unemployment is a disease, how could a society freed from that disease be a dead society?
4. Does Sir William seriously think that unemployment is the only possible change that can ever occur to a society? If not, his whole pronouncement is meaningless.

Sir William Beveridge is a world-famous economist, and a specialist on Unemployment, yet this is what he is reduced to. What would be thought of a specialist in medicine, who, finding that he could not cure his patient, tried to persuade him that a certain amount of disease was an essential part of health?

'We Must All Pull Together'

This silly phrase is current cant nowadays among economists, business men, bankers, and journalists. It appears often on the very same page with 'these days of strenuous and growing competition'. It means absolutely nothing. We simply cannot pull together. The economic system compels us all to pull like the very devil against one another.

Freedom

An independent income is essential to freedom; for no man can be free if his livelihood depends on his pleasing somebody else.

EPILOGUE

The Death-Rattle of Competitive Civilisation

I began this book by asking why, in the midst of an ever growing abundance of goods, mankind should be engaged in an increasingly strenuous struggle for a living. The answer is implicit in everything I have written. The competition is not for goods, but for a share of the limited amount of work necessary to produce them, in order to obtain a share of the limited amount of money available to buy them. This is equally true of the industrial capitalist and of the labourer. Just as the labourer must hunt desperately for work, the industrialist must hunt desperately for markets. As every chairman of every board of directors is constantly saying: 'Our problem, gentlemen, is a *selling* problem'; and, as he ought to add: 'it is a problem, not because people don't want our goods, but because they haven't the money to pay for them.' Hence we get the plague of advertisements that defiles our streets and landscapes, the swarm of salesmen that add their commissions to the price of nearly everything we buy, and the pestilential nuisance of seedy canvassers cadging for orders from door to door. Every industry is forced to grab, by hook or by crook, as much as it can of the inadequate purchasing power of the people, so that Peter can gain customers only at the expense of Paul, motors and gramophones can be bought only by doing without coats or wardrobes, and the *Daily Blather* can only 'progress' by squeezing the *Daily Blither* out of existence.

Hence again the desperate necessity for every country to secure foreign markets; and the equally desperate necessity to keep the foreigner out of its own market.

Surely the obvious remedy is to equate purchasing power to production, and, instead of cutting one another's throats in order to get work and grab markets, to co-operate with one another in distributing our abundance with the minimum of waste of goods and energy.

This book was hardly completed when the 'National Crisis' came along to point every moral I have drawn. First came the Report of the Macmillan Commission on Finance and Industry, recommending a 'managed' currency with the object of first raising prices (that is, compelling the consumer to work harder to obtain less goods), and then stabilising them (that is, putting an end to economic progress—which, of course, consists in increasing the proportion which result bears to effort). On this I cannot do better than quote Mr. J. A. Spender, whom nobody would venture to call a currency crank. In the *News-Chronicle* of July 15th, 1931, he wrote:

> 'It sweeps away at a stroke all the old ideas of supply and demand and leaves it to a consortium of bankers to decide how far the world is to profit from the abundance of things, from the discoveries of science, from the genius of inventors, from the innumerable factors which together determine the state of civilisation and prosperity.
>
> 'It is a power which, if it could be exercised, would far exceed that claimed by any existing dictator, or any state, however Socialist. That any group of human beings could wish to exercise it,

> with its liability to error on a devastating scale, and the exposure to wrath and reprisals which it would inevitably entail, is more than I can understand.'

From a Committee educated entirely on Sisyphist and Procrustean principles, nothing else, however, could have been expected.

Next came the Report of Sir George May's Committee on National Expenditure, insisting on the necessity of drastic and universal economies—and then the fat was in the fire with a vengeance. In a world suffering from 'over-production'—in which wheat was being burnt in engines instead of coal, and other food crops were being dug back into the soil; in which fish was being flung back into the sea; in which fruit was being left to rot on the trees; in which cotton was being destroyed wholesale; in which every kind of raw material was falling in price owing to sheer abundance; in which every shop was packed with goods at fantastically reduced prices—we were told that we were 'living beyond our income' and must immediately economise if we were to avert disaster. 'We must cut our coats according to our cloth', said Mr. MacDonald in a broadcast address. 'We must try, of course, to get more cloth. Whilst it is limited, our garments will have to respond to its limitation.' He could hardly have chosen a more unfortunate metaphor. There is no shortage of cloth—nor of anything else except money; and until we create more money, it is useless to produce more cloth.

However, the word went forth to economise, and the State began to set an example by cutting the salaries of its employees and the already miserable pittance doled out to the unemployed. The King, very nobly, gave a lead to his people, and the people followed. Within the existing financial system, it is difficult to see what else either government or people could have done. But one need not be a 'currency crank' to see that this policy is not going to work. We have been told over and over again that a return to 'prosperity' depends entirely on a 'revival of trade'. How can trade revive if the purchasing power of the public is reduced and there is general abstention from spending? Even the patient bewildered man in the street, who has been taught to regard economics as 'the dismal (and incomprehensible) science' is beginning to ask this question. Indeed so persistent has been this demand of outraged common sense that our governors have been compelled to hedge, and to announce that the truest economy is 'wise spending'—whatever that may mean. 'That's all very well' replies the awakened citizen. 'But suppose I do without my little luxuries—smoke less, cut out the beer, buy fewer gramophone records, and so on—won't that throw people out of employment? and shan't I be reducing my taxes and preventing the Budget balancing?' Orthodox economics has no answer to those questions.

If economy is so necessary, why do the brewers, who support the National Government, keep on advertising? If we must cut our coats according to our cloth, why does the Government stamp our letters with an appeal to instal a telephone? If 'wise spending' is the truest economy, why cut down the expenditure on education?

But even the economy campaign does not mark the height of 'orthodox' ineptitude. The National Government was formed, we are told, in order to 'save the pound'. The balance of trade was 'unfavourable', we were not exporting enough to pay for our imports, the 'confidence' of foreigners was being lost, and unless all that was remedied, the pound would slump, and we should soon be unable to import anything at all.

What priceless logic! We are importing too much—so we must hold tight to the Gold Standard in order to be able to go on importing. And yet scarcely had the decision been made, and a general tightening of belts begun, when suddenly it was discovered that we must go off the Gold Standard at once. What was folly and disaster on Monday became wisdom and salvation on Tuesday. What will be the policy for Wednesday is therefore a matter on which one hardly dares to speculate. Just as they are divided between Free Trade and Protection, between economy and spending, the orthodox economists are of two opposing minds in regard to the Gold Standard. Those who think it a good thing that the pound should drop to fifteen shillings will be hard set to explain why it should not be better still to let it drop to ten shillings—or even to ten pence. If not, I venture in all humility to ask, where are you going to draw the line? But they are not going to have their own way without a struggle; for there is another school determined to bring the pound back to parity—and even higher, as one bright genius has suggested. It will be interesting (though painful for the poor consumer) to watch them fight this controversy out—each so absolutely right within the limited circle of artificial financial ideas, and both so hopelessly wrong in terms of reality.

But if the policy of the National Government is wrong and stupid, that of the Opposition is merely silly. If the nation really were hard-up, it would be only common sense to reduce expenditure, and salary- and dole-cuts, however painful, would be unavoidable—the curtailment of purchasing power corresponding to a real shortage of goods. For the Labour Party, therefore, to howl against the cuts as cruel and unjust, without showing how the cost of continuing the old scale is to be met, is simply barren emotionalism or dishonest political obstruction. Vague talk about 'mobilising our foreign investments', and spiteful clamour for the further taxation of unearned incomes, will get us nowhere. Nationalising the banks, as I have already said, is quite futile without a radical change of banking policy based on the recognition of the age of plenty; and any attempt to change that policy on unscientific lines (say, by inflation, or the issue of insufficiently secured credits) must be disastrous. It is true that Labour speakers and writers have recently become vaguely conscious of the existence of the age of plenty. But they still remain blind to its true implications—contenting themselves with setting up the banker instead of the 'capitalist' as the villain of the social melodrama, while still remaining obstinately Sisyphist in mentality, and unable to suggest anything resembling a scientific method by which the age of plenty can be exploited.

While economists and politicians play the fool in this fashion, the world hurries on to economic disaster.

Businesses are going bankrupt, banks themselves failing, unemployment increasing rapidly. And unemployment is no longer confined to the 'working classes'. People in apparently secure positions, with incomes running into four figures, are learning what it is like to find themselves without means of livelihood. Moreover the system of credit known as 'hire purchase' is in danger of breaking down owing to the inability of people with diminished or vanished incomes to pay their instalments, and the shops are becoming glutted with cheap second-hand furniture which nobody can afford to buy. In the shops in my own suburb I notice an extraordinary increase in the number of second-hand wireless sets offered at bargain prices. More significant still, the notice board outside a newspaper shop exhibiting advertisements for rooms to let is crowded to overflowing—all the good people in the suburb are taking in lodgers to make ends meet; and the supply of lodgings is bringing down the price to such an extent that it is hardly worth while doing it. I imagine that the building societies are finding it increasingly hard to collect their mortgages; and people are losing their homes, which stand empty, or get sold to more fortunate persons for a song. The insurance companies are doing so little business that many of their commission agents are on the verge of starvation; and many of their customers are failing to pay their premiums, and being forced to realise at a loss. Immense numbers of people can neither pay their debts nor collect what is owing to them. In short, we are on the verge of universal bankruptcy. Nothing can avert it save a reversal of the policy of wage cuts and economy; and that policy cannot be reversed while the present financial system is maintained.

Such a reversal is hardly to be hoped for, but we may expect a modification which will bolster things up a little longer. A predominantly Conservative Parliament will almost certainly introduce tariffs, which, by increasing 'employment', may give a fictitious appearance of trade revival. This policy may be accompanied by a moderate inflation and release of credits, facilitating the starting of new enterprises (with more 'employment') and giving an apparent increase of purchasing power to the people—which, however, will be more than balanced by a rise in prices. Some of the money now being hoarded by the timorous will also probably be spent, as, sooner or later, boots and clothes, and even carpets and furniture, must wear out. We may therefore anticipate a sort of 'trade boom' in the near future; but it will not last long. The money shortage must again reassert itself, and the boom will be followed by another slump worse than the present.

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NOTE

The Author cannot undertake to enter into correspondence in regard to this book. Anybody who wishes to work for the realisation of the ideas herein set forth should write to the Secretary of the Leisure Society, 47 Berners Street, London, W.1.