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
with
A Practical Scheme to End the Muddle it has made of our Civilisation

PUTNAM

LONDON AND NEW YORK

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LIFE AND MONEY
Part 1

THE ECONOMIC MUDDLE

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? (p20)

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?

The Dilemma of Unemployment

We may begin our inquiries by questioning one of the victims of this fierce competition: one of our many millions of 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 a 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 (21) factory for a new supply. There may be a ‘glut’ in the wheat market; the cotton growers in America may be desperately resolving to bum 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 Press 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 (22) 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 (23) 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 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 (24) 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. Modem 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: (25)

'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 to put yourself in the place of a man going from 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 to 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 [(FN I shall use this term throughout this work, here disclaiming all offensive implication. Unemployment Insurance Benefit is too long; and Dole has the sanction or general usage.)] (26) 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, 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: (27)

'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 (28) 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.[(FN: Sleeping out on cold nights has a somewhat similar effect on human beings.)] 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! Surely there should be something to spare for the poet or the old soldier, even if 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 (29) 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 the Act of 1928, a man draws 17s. a week, [(FN Reduced by 10 per cent, by the Economy Act of 1931)]. 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 method 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;(30)

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 would be useless to him. Our orthodox 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.

The Age of Plenty, and the Scarcity Complex

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.

The world was poor once. Before the great scientific discoveries of the nineteenth century there were not enough goods to go round, poverty was inevitable in consequence, and idlers could be supported only at the (31) expense of the community or of their industrious neighbours. In those days the plain man might well scoff at the 'Utopian' reformer; but it is high time for the plain man to realise that those days are past. I have said that John Smith is starving in the midst of plenty: but how great that plenty is few people seem to be aware, even with the flames of hundreds of dumps of food and other commodities blazing up to the skies to enlighten their ignorance. The actual wealth of the world is enormous: its potential wealth—that is, the wealth we could produce if our demand for it were made effective—is almost incalculable. Some idea of it, however, may be gathered from statistics recently published by the Technocracy movement in America, from which I select three figures, relating to the three primary needs of humanity—food, clothing, and shelter. A modem flour mill can produce 30,000 barrels of flour per man per day; a modem shoe plant can produce 14 pairs of shoes per man per day; and a modern brick plant can produce 400,000 bricks per man per day. Here is wealth in full measure, pressed down and running over; enough not only to feed the hungry, but to make the comfortable more comfortable still.

The notion that the world is poor, however, still persists, and not only in the mind of the ordinary man. It dominates the actions of Governments, and obsesses the thinking of economists. As recently as 1921, Sir Josiah Stamp was laboriously proving 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. He was still preaching this doctrine in 1925, though Major Douglas had been (32) proclaiming the Age of Plenty for seven years, while 1, a mere amateur, with nothing to guide me but my own eyes and ears, was already writing my first satire against incendiary economics.

The *Westminster Gazette* of August 3rd, 1925, reported one of his speeches 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 what does that prove? It proves the last thing that Sir Josiah would like to admit, namely, the contention of those he would call the 'crank' economists that there is not enough money in the world to buy the goods that industry produces.

Money and Goods

Now it is impossible to believe that Sir Joshiah Stamp (33) who is an industrialist as well as an economist, is ignorant of the productive power of modem machinery, or that the scent of burning wheat and coffee has not reached his nose. Yet he still clings to the conception of the world as a very poor place, and in the Press and over the wireless preaches economy as eloquently as if there were serious danger of a famine next year. We can only assume therefore, that in his opinion an abundance of goods is not wealth, and that the only real wealth is money. This view is probably shared by nine-tenths of humanity, and yet it is very easily shown to be false. You have only to ask yourself which you would prefer to find if you were cast away on a desert island, a gold mine or a grove of coco-nut palms. Wealth is abundance of the means of human livelihood. Human life depends on the satisfaction of the three human needs—food, warmth and shelter— none of which can be satisfied with lumps of gold or pieces of paper. Money is only the means by which we obtain these things from the people who produce them; and we ourselves obtain it from others in return for what goods or services we render to them. In brief, money is simply the means by which people exchange wealth. It enables me, for instance, to exchange a copy of this book for some bread and cheese. It is, in fact, a convenience, invented quite late in human history, to do away with the obvious clumsiness of swapping, say, a cow for a suit of clothes. It was not in universal use until quite recent times, simple exchange, or barter, persisting alongside of it through the greater part of the history of civilisation. For some generations, however, all our buying and selling have been carried on by this means. We can buy nothing without it, and that is the (34) reason why we have come to regard it as wealth. It is an excusable mistake for ordinary men; but for economists like Sir Josiah Stamp it is unpardonable.

Since money is not wealth, but a means of exchange, it is absurd to say that a shortage of it makes us poor when we have abundance of real wealth in the shape of commodities. To think clearly in economics 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 that could be produced if all our factories and all our men were working full time. You will then have no need to fear the long words of the economists, which have so long concealed the muddled thought that has landed the world in its present mess.

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 pompoms are now the rage? Clearly no. Therefore it is ridiculous to let him go without food and clothes, and nobody will be a penny the worse, but rather the better, if we supply him with both.

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 (35) they would have bought if the 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 to work out these problems in simple figures. Doctor A's income was £600 a year; Doctors (36) 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 make it clear 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 one 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 (37) 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? (38) 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 poverty to-day can be abolished quite easily. 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 (39) —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 (40) 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 evident that Sir Josiah Stamp regards unemployment as a sign of poverty, and the whole body of orthodox economists holds the same view. In doing so they convict themselves not only of incapacity to understand their science, but of inability to reason. As I said in the *Spacious Adventures of the Man in the Street* (published in 1928), unemployment and poverty cannot exist together. They are mutually exclusive. If a portion of the community is unemployed, it can only mean that everybody's wants are satisfied. If any portion is in want, it means that there is so much work to be done as will satisfy it. That is an unescapable dilemma, and I defy any orthodox economist to get out of it. The reason why the two conditions do actually exist together is, of course, that we do not pay our unemployed in spite of our riches.

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 (41) 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 (42) 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 (43) 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.(44) 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 equally 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.

Some time ago 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* (45) *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 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 x o,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 (46) 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 the world at this moment would be the destruction of a dozen big cities, or of our 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 (47) 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. (48)

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 some thing 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 (49) 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. [(FN: 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.)] 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. (50)

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.

> "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 (51) 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 tomorrow 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 (52) 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 modem 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 our 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 (53) 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 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. (54)

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 (55) 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 (56) 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." (57)

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 m 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. (58)

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 (59) 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 (60) 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.

'Development' Schemes

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 (61) constructions would have added to that abundance which is the cause of unemployment, and thus the vicious circle would remain unbroken. Moreover the scheme was to have been financed with borrowed money, which would, of course, have had to be repaid out of the already inadequate supply of money afloat.

'Development' schemes of a similar kind have been actually set in motion since then, but they have done little towards solving the unemployment problem. Owing to the use of machinery they employ comparatively few men, which, from a Sisyphist point of view, is extremely unsatisfactory. They have, however, brought into existence an amusing new unit of measurement, the 'man-hour' of employment. This, being interpreted, means the number of hours of employment given to each man, and as it ought to go on the debit side of the ledger, should, like any other cost, be kept as low as possible. Sisyphist philosophy, however, puts it on the credit side, and therefore a scheme is not approved of unless it is as high as possible. One must have completely mastered the Leisure philosophy to get the full flavour of this joke.

Incidentally it occurs to me that Sisyphism, besides being bad economics, bad logic, bad philosophy, and nonsense to boot, is also bad book-keeping: for if the wealth created and the energy used to create it are both to go on the credit side of the ledger, what are we to put on the other side to make the accounts balance?

Protection

The worst example of Sisyphism that I ever came across was in a novel recently published, the hero of which (62) 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.

This novelist was no greater fool than the politicians at present mismanaging the affairs of the world. Faced with artificial poverty as a result of the unemployment created by abundance, their one and only policy is, in one way or another, to destroy the abundance in order to 'create employment'—in other words, to destroy the end to which work is the means. I have already mentioned the policy of crude destruction by burning. Another method, scarcely less crude, is that of the trade embargo, and the 'quota' system foisted on the British coal industry. More subtle, but based on exactly the same principle, is 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. In the summer of 1930, for instance, a London newspaper 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 (63) 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 modem 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; (64) 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 (65) 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. (66)

The Trading Fallacy

The orthodox economists are divided on the question of Free Trade or Protection, each side denouncing the teaching of the other as bad economics. Both, for once, are right; and the fact that they are in disagreement on such a radical question should be enough to settle the pretensions of their 'science' for good and all. What would we think of our astronomers if they were still violently arguing whether the earth goes round the sun or the sun round the earth? On the other hand, all orthodox economists are agreed that trade, like work and money, is actual wealth, an end in itself, and that a big export trade is a sign of prosperity. The consequences of this illusion have been so disastrous that we must examine it in the light of common sense by going down, as before, to first principles. That light shows us at once that foreign trade, like home trade, is simply a means of increasing our wealth by exchanging what our own country produces for the products of other countries. 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. If a country could produce all it needed at home, it would have no necessity to trade at all, and yet would be rich. America, for instance, can produce most of her own requirements within her own territory, and in consequence her foreign trade (exports and imports combined) only amounts to (67) about £17 per head of population. Ireland, on the other hand, being badly equipped for industry, has to produce far more food than she needs in order to exchange it for coal and manufactured goods. The result is that her foreign trade runs to £28 per head; but nobody imagines that Ireland is richer than America.

This misconception of the purpose of trade has produced the doctrine of the 'Trade Balance,' one of the most nonsensical ideas that the orthodox economists have foisted on the minds of the people. 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, as I have said, 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. 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 (68) 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.

It follows that the way to restore prosperity is not, as the orthodox monotonously chant, to 'develop our export trade.' All international trade (as the orthodox themselves are never tired of saying) is an exchange of goods, since one country's money is no use in another country. Exports being the price we pay for imports, we cannot increase them without increasing imports too; yet the Sisyphist has set the world the still more impossible task of increasing the one and diminishing the other. And the world has learnt the lesson only too well. Since work is the only means of obtaining a living, everyone naturally wants to get as much work as possible. Every nation therefore tries by hook or by crook to develop its exports and keep out imports, and the result is the hopeless impasse in which international trade has been landed. You have, for instance, the ridiculous spectacle of the British Government trying to increase our export trade to Argentina, and at the same time putting tariff barriers against the only things with which Argentina can pay for them— (68) wheat and meat. And you have the still more ridiculous spectacle of the British textile industry hawking round the world the shirts that the British people have no money to buy, and nearly beggared because the rest of the world will not have them at any price. Then, when the mischief has been done, and trade nearly brought to a standstill, the economist turns round and lays the blame on the governments he has instructed, pompously chiding them for 'exaggerated nationalism,' 'the insane desire for national self-sufficiency,' and so forth. It is not 'exaggerated nationalism' that is at fault: it is simply the ordinary Sisyphism preached by the economists themselves. Tariffs are not, as these gentlemen say, the cause of our troubles: they are the result of them. They are the bungling attempts of politicians, ignorant of economics, to set right the consequences of the money shortage and the work obsession.

Buy British Goods!

One popular offshoot of the Protectionist idea is the notion that prosperity can be restored by buying home-produced goods. From what I have already said it should be quite clear that it cannot. Trade being an exchange of goods, it is obviously impossible for foreigners to buy our goods if we do not buy theirs.

So 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 (70) 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? (71)

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 un-purchasable 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 (72) 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. (FN: 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 Labour Governments in Great Britain to solve the 'unemployment problem,' and equally by the pronouncements of the 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 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 judgement 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. (73)

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 uncoordinated, 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 (74) 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.

Shorter Hours

As an alternative or supplement to 'creating employment' Labour leaders and politicians have proposed the remedy of a general shortening of hours, which would involve the employment of additional men. This, of course, would be an excellent thing in itself, but unfortunately it cannot solve the economic problem, for so long as the money shortage continues, shorter hours must involve lower pay. It is, in fact, like taxing the rich, merely a method of redistributing purchasing power, when the real need is to increase it.

Very similar are the remedies proposed over and over again by enthusiastic amateurs in letters to the Press: that the Government should pass an act forbidding girls living at home, the wives of employed men, or persons with private incomes, to 'take jobs from those that need them.' As economics these proposals are too silly to argue with, but I would suggest to anyone who may have been struck by these bright ideas, that for the Government to compel parents to support daughters who are capable of earning their own living, or to forbid a man with a (756) few hundred a year to supplement it by his own exertions —in effect, to establish a legal maximum wage—would be an act of intolerable tyranny.

Wanted, More Leisure

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 modem 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.' (76)

We have now finished with Sisyphism, and I hope that I have proved that the policy of 'creating employment' arises from false economic conceptions, and won't work. You cannot ' cure unemployment' because it is not a disease; neither can you create employment. Employment is automatically created by the necessity to produce goods, and when sufficient goods are produced its end is achieved. The only thing that can create employment is a disaster, such as an earthquake, a fire, or a famine. In an age of scarcity the economic problem would be to produce sufficient goods and to distribute the necessary work fairly, so that none should be overworked and none should dodge his share. In an age of plenty, the problem is to distribute goods *and leisure*.

The last word is important. To-day, owing to the fierce competition for the inadequate supply of money, nearly everyone who is employed is so much overworked as to be hardly civilised. We come home from office, factory, field or mine so tired that we cannot be civil to our wives till we have been fed, and we see hardly anything of our children. When the feeding is done we are still so tired that we sit and stodge by the fire instead of mixing socially with our fellows, or enjoying ourselves socially at a theatre, or strengthening our souls with good music at a concert. All these civilising influences we have to leave to the 'idle rich,' whom we smugly censure while secretly envying them. Our brains are so tired that when we turn to the wireless we switch on jazz or vaudeville instead of good music, or we read trash instead of literature. Many of us, even, are so rushed that we have no time to linger over our toilet, to enjoy or digest our meals, or attend to the calls of (77) nature, and our health and appearance suffer in consequence. Probably it has never occurred to you that there is a connection between constipation and currency reform; but it is a profound truth notwithstanding! There is no need to labour the point. Leisure is obviously a prime human necessity, following immediately upon food, warmth, and shelter. Without it we can be neither healthy nor wise, and therefore cannot be really wealthy either. Like the other necessities it is available in plenty, only awaiting distribution.

The Cult of Proerustes

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 (78) 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. This was encouraged and facilitated by the British Government on the soundest economic principles, and British historians have unanimously described it 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 com, 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, (79)

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 modem 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 (80) 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. (81)

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 cackling of addle-headed nymphomaniacs. (82)

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 (83) 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.' (84)

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. (85)

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.[(FN: '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 arc 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.)] 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. (86)

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| million unemployed: the United States of America, with a population only 2| times as large, scattered over an area thirty 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 3^ million square miles, and a population of only 9 millions. Australia has 2,900,000 square miles, and 6| million people. Both these enormous and nearly empty countries are so much distressed by unemployment that they are discouraging immigration.

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 4! 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. If Ireland could get rid of her 4 millions, the 200,000 remaining would still have an unemployment problem to solve.

It is equally idle to try to 'cure unemployment' by means of emigration. Procrusteanism hits us both ways. A man is no longer any use either in crowded industrial Europe or in the vast open spaces of the recently- (87) discovered Continents. One would think that the new nations, with their pioneering traditions still living, would see in fresh man-power an asset, not a liability. One would expect them, with their undeveloped resources, to be crying out for men to help in exploiting them. 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. If this had been the spirit of the first arrivals, how would these nations ever have come into existence?

The financial system thus drives men out of the Old World, and refuses them admittance into the New. The latter is as grave an offence as the former: for though emigration with the Procrustean object of getting rid of the unemployed is to be condemned, there is no reason why we should leave large tracts of the earth empty. On the contrary, it would be an excellent 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. [(FN: '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.)] 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 (88) 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. But this can only be done when we have got rid of a financial system based on the illusion that capital consists, not of brains, brawn, tools, and material, but of money.

Birth-Control and Wages

Birth-control is preached by its advocates not merely as a 'cure for unemployment' but as a means of raising the standard of living of the poor; 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.

It is evident that the birth-controller suffers from the scarcity delusion; for I need hardly say that with the (89) overflowing abundance at our disposal it is as ridiculous that the workers should be stinted as that the unemployed should be starved. Let us, however, meet them on their own ground, and grant for the sake of argument that there is nothing more available for the workers than their share in the existing wage-fund.

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 (90) 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 Procrustean Nirvana

Procrustean methods, then, will get us no further than Sisyphist ones; but before leaving the subject I have one further consideration to offer. 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.

The First Step to a Remedy

As a result of all this argumentation we can only come to one conclusion. We have seen that the reason why people are starving, or at least stinted, in the midst of abundance of goods is that the money distributed by industry as wages is insufficient to buy the goods produced. It is true that industry also distributes money as dividends to the fortunate possessors of capital holdings, but even the combination of the two is insufficient, or we should (91) not be engaged in destroying commodities instead of purchasing them. The remedy therefore must include some method of distributing money in addition to wages and industrial dividends. What that method should be I shall not discuss for the moment: it is sufficient to note it and pass on.

I have dealt so far only with the distribution of money. We must now consider its production. Industry does not itself produce money. Where then does it obtain it? In answering that question we shall find a striking confirmation of the truth I hope I have demonstrated that money is not wealth.

The Creation of Money

The word 'money' to most people means notes and coins, and at one time that was true. Modem money, however, is by no means so simple an affair, nor so tangible. Notes and coins form but a small proportion of our money to-day. Some people put it as low as one per cent. They are in fact, little more than small change. The vast bulk of our money consists of what is known as Bank Credit, a term which will require some explanation.

Everybody knows that a bank both borrows and lends money, and it is a common belief that the money it lends is the money entrusted to it by its depositors. This is now known to be untrue. In the often quoted words of Mr. McKenna, Chairman of the Midland Bank, 'every bank loan and every purchase of securities by a bank *creates* a deposit, and the withdrawal of every bank loan, and the sale of securities by a bank, *destroys* a deposit.' (My italics). The meaning of this is that when a bank (92) lends money it does not part with any that it has. It does not take, say, £1,000 from the account of Mr. Jones and hand it over to Mr. Robinson. The banker simply enters £1,000 in his books opposite Mr. Robinson's name, and the liabilities of the bank, which were formerly, say,

£1,000,000 are now written down as £1,001,000. In a phrase, the bank has created £1,000 out of nothing.

How can this be done? Simply as a result of the cheque system. At least 90 per cent, of all business transactions to-day are carried out by means of cheques, which are not cashed, but lodged by those who receive them, often in the same bank on which they are drawn. In this case the transaction involves nothing more than the transference of a figure from one ledger to another. Where different banks are concerned the procedure is equally simple. The banks balance up their accounts at the end of the day, setting cheques against cheques, and very little cash passes. The result is that so long as a bank keeps sufficient cash in hand to meet the ten per cent, of its business that is transacted in cash, it can lend money it has not got—that is, create it—at its discretion. (FN: This means, plainly, that the owners of current accounts possess more money than actually exists. The banks, in fact, are in debt to the public to the extent, according to Professor Soddy (*Money Versus Man*) of £2,000,000,000, and cannot pay their debt. For a fuller and more scientific account of the banking system than mine, see *The Monopoly of Credit*, by Major Douglas.) The amount is only limited to a certain proportion (fixed by agreement among the banks themselves) to its reserves at the Bank of England. What those reserves are we shall see later on.
Now it is by this 'money', created, as we have seen, out of nothing, that industrial production is financed; (93) and fresh money to purchase the new goods thus produced can come into circulation in no other way. The next question, therefore, is: why is it insufficient for its purpose?

The reason is that the banker treats the imaginary money thus created as a loan of real money from himself, which has to be repaid before a certain date, and on which interest has to be paid in the meantime. Let us suppose that a manufacturer receives an order for goods that will cost him £2,000 to produce. He has only £1,000 of his own at the bank. He therefore asks for and obtains an overdraft of £1,000, repayable in three months with £20 interest. He can then draw on the £2,000 as required, till it is all paid out in wages and salaries, and the money thus gets into circulation and becomes available for the purchase of the goods.

Now in order to repay his loan and the interest on it, the manufacturer must recover £1,020 from the public, and the only way he can do so is to charge it into the price of his goods. Having recovered it, he repays the bank, which promptly crosses out the figure of £1,000 standing in its books against the borrower's name, and thus, to use Mr. McKenna's word, *destroys* the money issued to finance the *production* of the goods before the public has had the opportunity to *purchase* more than a part of them. As this process is going on throughout the whole of industry, it follows that the people can never purchase all the goods produced. To put the case in a nutshell the reason why vast heaps of goods have to be destroyed is that the money that should be available to purchase them has been destroyed by the bankers.

Please observe that in describing this process I am not, in the melodramatic manner of the Socialists, attributing (94) any 'villainy' to the banker. I do not denounce him for 'grasping'. He does not 'grasp' the repaid loan: he only cancels it. All he takes for himself is the interest, which he has to share with his employees and shareholders. It is not the individual banker, but the banking system, that is at fault. It is not a question of morals but of mathematics, and it is no wonder that it took a mathematician— Major Douglas—to expose it. The fault ultimately lies with the bygone Government that gave the banks the power to act in this way.

Social Credit

The remedy for this is implicit in my argument that money is not wealth. The banks treat it as wealth. In their hands it has become a commodity in which they deal for profit, and of which they hold a monopoly, and it is their interest that it shall be scarce and dear. We must therefore end the monopoly, and restore to money its true significance as a symbol of exchange.

I said just now that the bankers create money out of nothing; but this was really an inaccuracy, for it is impossible for anybody to create anything out of nothing. What I meant was that they create it out of nothing visible or tangible to the senses. What is that intangible something? It is simply the known fact of the people's need for certain commodities and their ability to purchase them, and of the producer's ability to satisfy their requirements. In other words, it is the individual credit of the producer, and the collective credit of the people.

That credit—our own credit—we have allowed the banker to treat as his private property. We have allowed him to grant or withhold the use of it at his own discretion, (95) to charge us interest on it while it is lent to us, and to withdraw it at his pleasure to our own prejudice. The foundation stone of the new system, therefore, must be the restoration of this credit-power to its rightful owners, the people, and its administration by a national authority in the people's interests. It is for this reason that the policy derived from the science of the New Economics is known as Social Credit.

And now, before we consider the practical side of the new system, let us quit finance for a time and return to economics.

First Principles of the New Economics

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 recognised 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 (96) 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 of the demand for consumable goods, with the object of conserving energy and material, *if necessary*, 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; (97)

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.

Payment for Leisure

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 (98) 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

My experience in addressing public meetings tells me that, even if you have agreed with all my arguments so far, you will take fright at this declaration. But there is really nothing to be frightened about. The banks, as we have seen, create money every day, and we think ourselves none the worse for it. What a private company can do, a national authority can do, and do it in the right way.
Now, in dealing with the creation of money, I stated [(on the authority of Professor Keynes) (FN: *See his Treatise on Money. The significant passages, which I quoted in full in the first edition, are in Vol. i, page 30, and Vol. ii, pages 57- Mr. Keynes, though orthodox, is critical of banking methods.)] that the amount of credit issued by the banks is limited to a certain proportion (fixed by agreement among themselves) to their reserves at the Bank of England. These reserves (99) consist of gold or gold-backed paper. Our money is therefore on a gold basis: that is to say, the amount issued, both cash and credit, depends ultimately on the amount of gold in the cellars of the Bank of England.

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 comer 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 sell 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. (100)

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 (101) 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 IOU in return for a pound's worth of goods. The trader accepts the IOU on the distinct understanding (102) 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 IOU 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 IOU 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. (103)

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 IOU, and you can have a pound's worth of my goods if you'll guarantee to change the IOU 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 lOU's would lose their value. So long as he issues lOU'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 a 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 money needed to purchase all the goods produced.

The Control of Prices

It will be granted, then, that the proposal cannot be called inflation in the true sense—that is, as an issue of worthless money, such as Germany was driven to after the War. There is, however, a factor which would give it an 'inflationary' tendency, in the sense of raising prices. That factor is the unfortunate desire existing deep in the human breast to claim more than one's due. As soon as it (104) became known that more money was floating around, every producer and shopkeeper would inevitably try to get a little more of it than he was entitled to, and prices would go up. Not very much, it is true, for the law of competition would prevent that, but enough to wipe out most of the increment of purchasing power in the pockets of the public. Our new system must therefore include a corrective for that.

If we are to insure that the general price level shall never be higher than the amount of money in the pockets of the people, every article must be sold at its true economic price. Major Douglas has shown that, owing to the inclusion of bank charges in the way already described, the present financial cost of an article is necessarily much higher than its real cost. Moreover, the sale price is fixed at present by the law of supply and demand, which was all very well in the ages of scarcity, but is clearly disastrous in an age of plenty. By producing plenty— that is, by doing their job well—farmers and manufacturers have ruined themselves by bringing down prices, while the consumers have not benefited, partly because they have been thrown out of employment by the aforesaid plenty, and partly because the retailers scoop the advantage for themselves. The orthodox economists have at once jumped to the conclusion that the remedy is to raise prices artificially; but this is clearly unsound on first principles, and therefore will not work. It is unsound because it means depriving the community of the advantages of abundance, and it will not work because raising prices cannot increase purchasing power, but can only redistribute some of it. To 'create prices' for the producer is analogous to 'creating employment' for the (105) consumer: in a word, Sisyphism. Our object instead should be to create a system which will reward, the producer of plenty instead of punishing him, and allow the consumer to reap the full advantage.

The Exact Price

At this point many even of those readers who did not balk at the proposal to create new money will probably become alarmed. They will picture to themselves an army of inspectors harrying shopkeepers all day and night to find out if they are profiteering. Let them make their minds easy, however. Nothing of the kind is contemplated.

The true economic price of an article is not a figure which can be reached by the rough-and-ready reckoning of salesmen. Neither can it be fixed by legislation, since it must constantly change. 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 scheme invented by Major C. H. Douglas. I do not intend to expound it here. For that the reader should go to Major Douglas's own books, a list of which is given every week at the back of the *New Age*. The method proposed in Part II of this book (for which I claim only the merit of greater simplicity) is an automatic one. It consists, as will be seen, in the control of the issue of credit to producers, so as to provide that the financial price and the real price shall be the same. (106)

Distributing the Product

Most of the new money would be distributed, as at present, in the form of wages, salaries, and dividends. 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.' Social Credit says: 'Everybody should have an unearned income: and it is there waiting for him.'

That income will be an equal share [(FN: 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.)] in that potential surplus of goods due to the productivity and economy of modem 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 thing as a cabbage plot, how much more does it apply (107) to the complicated processes of modem 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, the vast amount of inarticulate human misery that this scheme is designed to relieve. It is not merely a case of giving a little more to the unemployed industrial worker.

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 (108) 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 (109) 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 millions of 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. [(FN: 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*.)]

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. As for 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. (110)

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 the plan, I hope, will substitute the competition of the sports field.

New Capital

The plan also involves the financing of fresh capital 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 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 (111) 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.

A Summary of Social Credit

Monetary reformers are many, but there is only one school of Social Credit. I do not pretend to have examined all the other schemes of money reform, but all of those I have examined seem to me bound to fail because they do not take all the factors into consideration. Some, for instance, are Sisyphistic, and make no provision for payment without work otherwise than by a dole. Others are merely palliative, suggesting various new bases for the currency, but not its equation to production. Social Credit is the only policy that takes all the factors into account and is framed in accordance with them.

Let me sum up the essentials of the policy. They are:

1. That money shall be valueless, a mere ticket for the exchange of goods.
2. That the issue and control of money shall be in the hands of a national authority responsible to the people.
3. That the amount of money issued in any particular period shall be equal to the collective prices of the goods available for sale in the same period.
4. That goods shall be sold at their true economic price, calculated scientifically.
5. That a National Industrial Dividend shall be paid to every citizen without conditions as to work.
6. That new capital developments shall be financed out of new credits created for the purpose instead of out of savings. (112)

More than one practical method of putting these principles into operation might be devised. That of Major Douglas is already fairly well known, and as it has my cordial support I should never have presumed to try my hand at inventing another. That scheme, however, has many capable exponents, including its author; and it is rather hard to understand without a greater knowledge of mathematics than is possessed by the average man, who, not unnaturally, is inclined to ignore principles, however much he may agree with them, if he cannot see clearly how they are to be applied in practice. In this book therefore I am offering to the public another scheme, invented by Mr. Cyril Rock, which shows that the principles of Social Credit can be applied immediately by a method that is comprehensible to any intelligent person.

How will it Work?

If we adopt these principles and this system, 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 (113) 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 t 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 (114) 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. (115)

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, [(FN: 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.)] 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. (116)

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. Unemployment is increasing in every civilised country, and must, unless man loses his inventive power, go on increasing. If we continue our present policy in regard to it, the logical end of the process 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. (117)

LIFE AND MONEY
Part 2

A NEW MONETARY SYSTEM

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 (120) 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 (121) 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 maimer 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 ear-rings.)
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 (122) 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, (123) 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 (124) 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 'overproduction', 'labour costs', or other worries; 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 (125) 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 106.) 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 (126) render it easy to remedy the great injustices which discredit the present economic system.)

As mentioned above, the amount of C currency issued by the Board will be strictly limited to the quantity necessary to purchase all the goods which the country? 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, there- fore, 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 individuals share of the 'gift' issue of C money be alienable from him.

It is desirable that the Currency Board should adopt (127) 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 amounts 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 C money. (128)

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 (129) 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 (130) 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 (131) 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.[(FN: 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.)]

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 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 (132) 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 (133) hopelessly into debt. It is his share of the heritage of humanity' as a whole, and must be left to him. [(FN:*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.)]

Present Industrial Arrangements Unaffected

It may be useful to call attention at this stage to one very valuable argument in favour of the adoption 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 there 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 (134) 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 plough-makers, 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 tire 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 plough-making 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 (135) 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 two 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 com crop, and this they sell to the consumers for £1,000 C (that is, the 80 working consumers buy £12 worth of com 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 (136) 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 plough-makers, 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 plough-makers 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. (137)

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 for equal loans of C currency. This need not necessarily be the case. In the plough-making 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, fio 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 plough-making and com-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. (138)

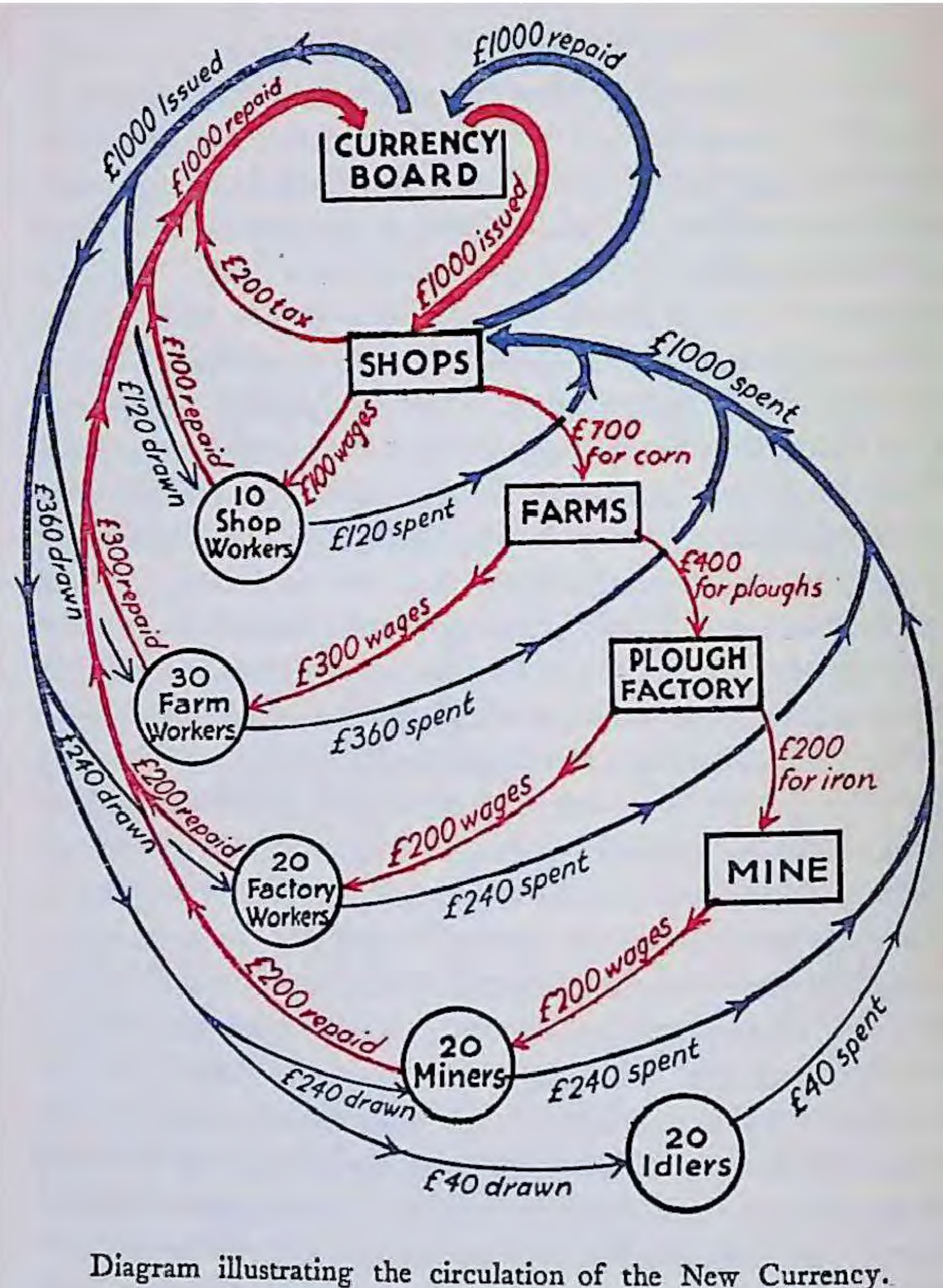

Diagram illustrating the circulation of the New Currency. The red line represents P money, and the blue C money.

(139) 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 wit 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 latters' 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.(140)

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, (141) 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 reabsorb 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 (142) value in six months’ time, but would it in twenty years? An irrevocable paper currency must necessarily be 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 (143) 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. (144)

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 notion, 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 Effect 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 inquires (145) whether Cornwall is being ruined by imports from Devon. Nobody is frightened lest there should be an undue strain on the gold reserves of Surrey. Why should these things be regarded as perils in the case of larger communities?

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 (146) 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 (147) 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.

Price Control

Let us now 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. (148)

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 (149) 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 (150) 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 (151) 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 Payment of Leisure

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 (152) 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 [(Cf. The Spacious Adventures of the Man in the Street, p. 174)]

As in the case of the profiteers, we will compare the 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 (153) 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 (154) 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 farther 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 (155) 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 (156) 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.
[(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 counter-measures 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 m 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.)]

Since it appears that the public still wants to buy cushions, (157) 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 (158) 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, £l, 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. (159)

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 (160) 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 tire 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 work people'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. (161)

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 (162) 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 (163) 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 insure 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, as such 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 (164) 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 today, 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 bookkeeping 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 (165) amounts under these would balance each other. Mr. John Smith, for example, would have been credited with a loan of £100 Cat 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 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 tailing off, whether this was due to mismanagement of the firm s business, genuine lack of demand on the part the public or a short-sighted attempt at excessive profit-making on the part of the firm itself.(166)

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: (167)

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 I, 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. (168)

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 (169) 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 (170) 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. (171)

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 (172) 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 (173) 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. (174) 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 (175) 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. (176)

A Note on Hoarding

Since this scheme was first published a year ago the evils of deflation have become so conspicuous even to the business man and the orthodox economist that the old fear of inflation has lost some of its force. Indeed, there is a growing body of opinion in favour of inflation (or 'reflation' as the fashionable term runs). To this extent the necessity for correlating currency-volume with production has been realised. But the ineffectiveness of the present financial system, which fails to distinguish between the 'consumption' and the 'production' functions of money, immediately becomes evident when the cry for reflation succeeds. In America recently some attempt has been made to increase the circulation of money. The result, however, has been not to raise the consumption of goods, or even to raise prices: all that has happened has been that people reduced to despair by the fantastic effects of their monetary system have hoarded the new money instead of spending it. Although one would imagine that even the man in the street would by now have realised the crying need for increasing the speed of purchase of goods, there is still no realisation that a rational financial system should put its new money into circulation in such a way that hoarding is impossible.

The only effective way of doing this would be to recognise, as the C-P scheme does, that consumption-money and production-money are two essentially different kinds which should be kept free from any possibility of confusion with one another. Failing this there can be no scientific regulation of the relations between currency-volume and production-volume. Under the C-P scheme (177) the clear distinction between the two functions of money would prevent hoarding at a time like the present. People who insisted on saving their money would automatically have to convert it into a P-holding instead of a C-holding, and the C-money so released would not be immobilised (as it is now) but would simply be transferred to somebody who did want to spend it. (This would probably take place by adding all such unclaimed C-money to the amount available for the National Dividend.) This position obviously corresponds to a natural fact. If there is a given total of goods available within a community, and the various members of the community have rights to given shares of the goods, then if some of the members wish to practise 'abstinence' and forgo their share, this should clearly be available for the other members. Under the present system this is not the case: the goods simply help to swell the already unsold stocks on the market, while the community's purchasing power shrinks by the amount of hoarded or saved money.

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, (178) 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' principle will be applied again, and he will be given at the commencement of each week a booklet containing £6 C worth of vouchers of convenient fixed amounts (say three vouchers of £1 each, two of ios. each, and several for multiples of is.). 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 penny 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, (179) 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 £4C.

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 (180) 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 (181) 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 ffio 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 12 1/2 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 (182) less 12 1/2 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 £29C	£80P
	Gift	(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 (183) 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*	
£80P, less £10P tax		£10	P tax	Records	£10C
		£7 10s	Records	Choc.	£5C
		£3	chocolates	Jam	£5C
		£2	wages		
		£1	fruit		
		£5	profit		
		-------------------		------------------	
	Totals	£28 10s. P			£20C

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*
£29C loan plus £2C gift	£2	butcher	
	£0 15s	baker	

	£0 10s milkman	
	£1 5s rent	
	£0 10s other ex.	
	---------------------	----------
Totals	£5C	£5P

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 (184) 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
£80P, less £10 P tax	£10P tax	£40 C records
	£30P records	£25c chocs
	£10 P choc	£15 C jam
	£8 wages bill	
	£2P fruit	
	£20 P profits	
Totals	£80P	£80 P

Mr. Jarvis's *Consumer's Account*

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

Thus the producer's account balances exactly, the £10 (185) 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 £80C, 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 (186) 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. The explanation for this arrangement has been given (page 127) - 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 (187) £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 - (188) 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 interests 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 (189) 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 to and mend it.

LIFE AND MONEY
PART 3

THE SABOTAGE OF PLENTY

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 forborne to give all the illustrative quotations I would have liked, and resolutely eschewed the pursuit of important and interesting side issues. In this and the following parts these uncalled witnesses will be produced to clinch the matter for anyone who may still be hovering on the border-line of conviction.

This is an Age of Plenty

When this book was first published it was necessary to go to some trouble to demonstrate that we are living in an Age of Plenty, but that fact is now so notorious that I can save my space. A few quotations, however, will show how vast that plenty is. The first is from the Sunday Express for August 9th, 1931, a paper for which I have in general no use, but testimony from orthodox sources is valuable. In a ribbon headline we have the following:

> ‘Too much of Everything. The World’s Great Glut of Wheat, Sugar, Tea, Coffee, Cotton, Tin, Copper, and Rubber.’

Then, still in bold lettering, we get:

> ‘Enough Wheat to Last for Two Years. Coffee being Burnt by the Ton. More Tea than we can Drink.’ (194)

Underneath all this we read the characteristic sequel:

> 'The Agricultural Party and the Norfolk Farmers’ Union held emergency meetings at which Cabinet action to meet the crisis was urged.’

Crisis! And of course the ‘action’ urged was not distribution but restriction.

The New Age for November 29th, 1928, quoted the following statement by Mr. James John Davis, American Secretary of Labour:

> ‘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.’

Equally striking is the following extract from the leading article in *The Engineer* for March 14th, 1930:

> ‘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 (195) repellent it may be to our established principles, and whatever courage an heroic cure may demand.'

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. 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:

> 'We have all the stuff we could ask for. And more. But on the other hand there are swarms of under-paid or unemployed folk who can't use up these things (196) 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 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? What a futile, and, for a man of Mr. Wells's intellect and imagination, what a resourceless expedient. Apart from the fact that an insufficient money supply will go no further in the hands of the community as a whole than in those of its individual members, it involves treating the nation like a lot of children, whose shopping has to be done for them by a nurse or governess.

The Fear of Plenty

The abundance which we have spent such energy and ingenuity to produce, instead of being hailed with joy, inspires nothing but aversion and fear in a world driven clean out of its reason by orthodox economics. A typical example is an article by Sir Oliver Lodge which appeared in *Tit-Bits*, May 24th, 1930, under the heading:

'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 (197) 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'

After remarking that, for the first time, the trend of modern invention may be towards making less work instead of more, the article states:

> 'Hundreds of thousands of these dispossessed men and women have found work in new and growing industries, such as automobiles, road transport, and radio..... 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. (198)

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.'

Note 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 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 (199) commodities we wanted without working at all, we should all starve to death.

Paying for Progress

Some people have resigned themselves to plenty as an inevitable evil, as is shown by the following letter to the Editor of the Daily Sketch. I quote it to show how the mind of the ordinary man is being corrupted by the materialistic teachings of political economists:

> 'Science Causing Unemployment.
>
> 'Common sense 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 this writer? 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. (200)

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. . . .
>
> ' "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 (201) 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 Social Credit.

Procrustes in puris Naturalibus

Disastrous to the intelligence as I have shown orthodoxy to be, the following financial opinion reported in the Paris edition of the New York Herald Tribune seems almost incredible:

> 'Only a serious failure of the wheat harvest can save America from a great financial disaster.'

In a book I am writing at present, [(FN *Asses in Clover*, now published)] 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 (202) 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 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".'

What will happen if something goes wrong with the reduced wheat crop? (203)

Burn Coffee, but not Coal

With nearly everybody, high and low, thinking in the terms illustrated by these quotations, it is not surprising that the 'practical' politicians' remedy for our troubles should be wholesale destruction. The scale on which this is being done is indicated by the following quotation from the Leisure Society's bulletin, *Leisure*, for February 1933:

> 'It has recently been calculated that some 12 million bags, or over a thousand million pounds, of coffee have been burned or otherwise destroyed in Brazil since the start of the coffee destruction campaign in June, 1931. This enormous quantity may be more clearly visualised when it is pointed out that it represents enough coffee to supply every man, woman, and child in Great Britain with a cup of coffee a day for three years.'

Contrast the following from the same source:

> 'Three elementary schools in a town in the Ruhr, which are surrounded by huge dumps containing thousands of tons of coal, have been closed because the local education authorities cannot afford to buy coal to keep the schools warm. For the same reason it is feared that the higher-grade schools in the neighbourhood will have to be closed before long.'

What can be thought of a race that claims to be distinguished by the possession of reason, and is guilty of such insanity? Yet when I draw the attention of apparently intelligent people to such facts, and indicate the obvious remedy, I am met with cackle like: 'It's a dangerous game to play about with the currency.' The speaker (204) evidently regards it as a perfectly safe game to play about with real wealth in the manner of destructive children. 'Playing about' with the currency would, no doubt, be a stupid game, though it would be far more sensible than to allow the currency to play old Harry with humanity, as it is doing; but to be afraid to make the currency serve human ends is stupider still.

At the back of such catch-phrases is the delusion, fostered by the orthodox economists, that finance is a science, like chemistry. They talk of the way money 'acts' or 'behaves', as if it were a natural substance 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 correlate currency to production is not like trying to make water run uphill. 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.

The Orthodox Strait Jacket

A writer in the *New Age* for February 23rd, 1933, said that economists and bankers are gentlemen who were born into, and have spent their lives in, a world in which certain principles are regarded as axiomatic; that it has never occurred to them to question any of them; and that they look on the challenging of them by the New Economists as elderly Victorians in 1884 (thirteen years after the publication of *The Descent of Man*) looked upon the Darwinian theory. He gives the propositions as follows: (205)

'1. That prices must be, at least, the sum of all the money costs incurred in their production.
'2. That an excess of exports over imports is a "favourable"—and desirable—balance of trade.
'3. That National Budgets must be balanced by means of taxation revenue.
'4. That the National Income is the sum of the money incomes of the members of the national community in question.
'5. That financial credit can only be issued in the form of Debt, and must be based upon cash.
'6. That the provision of employment is a definite function of industry.
'7. That the money cost of new capital production must be saved by the community.'

The seven dolours of humanity!

All these propositions are refuted, explicitly or implicitly, in Part I of this book, but it will be amusing, and useful to beginners, to give short answers here.

1. No. Because the financial cost of an article includes charges for 'loans' of money created out of nothing.
2. No. Because at the end of a period in which exports exceeded imports a country would

contain fewer goods (that is, less real wealth) than before.
3. No. Because in an age of plenty it is unnecessary to take from the citizen the money issued against food and clothing in order to provide money to buy, say, steel for a battleship, or food and clothing for a government servant. Enough money should be in existence to buy bread and clothing both for the citizen and his servant, and steel for the battleship as well.
4. No. The National Income in real wealth consists of goods produced plus imports, minus exports. (206)
5. No. Because money is only a ticket to facilitate the exchange of goods, and costs the lenders (the banks) nothing.
6. No. The function of industry is to produce goods as cheaply, that is with as little work, as possible.
7. No. Why should the nation deprive itself of consumable goods, existing in abundance, when labour, tools, and material are already available for the work?

The questions and the answers strikingly illustrate the difference between the New Economics and the Old. The Old Economist thinks in terms of money, the New Economist in terms of things. (Which, then, is the 'practical' man?) The Old Economics is financial economics; the New Economics is natural economics.

The Poverty Complex

I shall now give some quotations illustrating the mental processes of various persons habituated to Old Economic ideas, and convicting them of stupidity, ignorance, and incapacity to reason. My purpose, of course, is not to annoy the gentlemen, but to expose the absurdity of the alleged science that stultifies them. I am dealing with ideas, not with personalities.

This is from Mr. Chamberlain's Budget speech in 1932, as reported in the Press for April 20th:

> 'Hard work, strict economy, firm courage, unfailing patience—these are the qualifications that are required of us, and with them we shall not fail.'

One would think we were faced with a famine, or that the country had been laid waste by an earthquake. Hard work! Why urge it when you cannot supply it? (207) Strict economy in the face of 'over-production'! This gives the orthodox case away as badly as Sir Josiah Stamp's famous figures. What are we poor in? Only in money.

The War—and a Spot of Goodwill

Mr. J. H. Thomas is also under the delusion that we are poor, and attributes it to the War. When Lord Privy Seal—in practice, Minister for Unemployment—he said at a dinner 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. Mr. Thomas has surely heard of over-production? (208)

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.

Wait for a Trade Revival

Every orthodox economist and politician without exception tells us that our present troubles will only be ended by a revival of trade. Trade can only revive if people buy more goods. People can only buy more goods if they get more money. But everywhere both the State and private employers are enforcing economy and wage cuts. Therefore people cannot buy more goods. Therefore trade cannot revive. Therefore our present troubles can never end—so long as we stick to the present financial system. Therefore the present financial system is not only absurd: it admits itself to be helpless. (209)

Sir Robert Horne, M.P., said at a meeting of the Constitutional Club on April 7th, 1932:

> 'Until the prices level in this country rises we shall not achieve the compensating advantage that ought to accrue to us as a result of our abandonment of the gold standard.
> 'It is true we have gained the benefit of cheaper export prices, but they do not give industry the strength to carry the enormous debt which alone amongst the nations of Europe we sustain at values now high above those at which the debt was contracted.
> 'At least let us strive to get back to the prices of 1928.
> 'The quoted value of the pound to-day is much too high. It checks exports and dislocates trade.' —*Daily Herald*, April 8th, 1932.

When will the orthodox agree whether it is better for the pound (franc or dollar, as the case may be) to be up or down? Or whether prices ought to be high or low? These are rather fundamental questions on which to be diametrically opposed.

Mr. Cox on the Origin of Wealth

A part of a quotation I have already given from an article by Mr. Cox is worthy of some further comment. Having noted (gravely, though rather belatedly), the fact that people are starving in the midst of plenty, the famous economist says:

> '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.' (210)

Note the schoolboy conception of economics. The poor can only live by finding some rich person to 'employ' them. How then does Mr. Cox imagine that the rich live? Who gives 'employment' to them? Does he think that if a party of men were wrecked on an island they would have to starve until one of them became rich enough (by land grabbing, say) to 'employ' the others? And if this is the 'essence' of our troubles, what can we do about it? How are we to provide ourselves with more rich people to provide employment for us?

One-Big-World-Problem Humbug

A favourite trick by which the orthodox excuse themselves for their failure to get their country out of the mess in which they have landed it is to bleat pathetically about 'World Causes', crying that one country alone cannot help itself, and that the difficulty is 'One Big World Problem'; after which they drop their 'science' (such as it is) for slobber about 'international goodwill', 'co-operation', and the rest of it. Tariffs, for instance, are unctuously blamed as the prime cause of the whole trouble, of which they are only one of the consequences, and the impression is conveyed that a liberal squirting with the oil of 'goodwill' would be enough to abolish them; when we could all start carousing on a banquet of exports. (Protectionists, on the other hand, seem to think that the world won't be happy until every nation is toiling snugly behind a nice high tariff wall, consuming nothing but its own produce, with all shipping except tourist traffic—the tourist 'industry', they call it—swept from the seas.)

The short answer to this sort of rubbish is that so long (211) as the people of the world cling to Sisyphist ideas, so long must they cling to Sisyphist practice and grab all the work they can. That means that so long as orthodox economics hold the field, tariffs will never come down, and all the conferences in the world, though they blubber about goodwill till their eyes melt, can do no more than come to mutual agreements between this party and that to take a brick or two off their walls and admit some driblets of each others' unsaleable goods into each others' markets. The 'Interdependence of Nations', in the sense in which the economists mean it, is all my eye and Betty Martin. The nations are dependent on one another, economically, for *supplies* of certain commodities, not, in the Sisyphist vocabulary, for 'markets'; and to obtain supplies from another nation needs no more goodwill than you or I feel towards our grocers and butchers. We buy, and they sell, because it is our interest to do so. The brotherhood of man is not based on 'markets'.

Moreover, if the problem is really a world problem, the contention of the orthodox economists implies that we Europeans, with all our equipment of wealth, cannot enjoy it until the natives of the Congo and the cannibal islands and other places still in the age of scarcity are set up in prosperity first. This would take a long time. But no doubt the orthodox will say, in their spacious manner, that we ought to take 'Long Views'.

War Debts and Reparations

War Debts 'hanging like millstones round the nations' necks' are another of the 'World Causes'. Characteristically, the nations' chief difficulty in this problem is not how to pay their debts, but how to *receive* payment (212) without ruining themselves. Payment in paper money is useless to them; payment in gold raises the value of their currency, which orthodox economics has just discovered to be a greater calamity than depreciating it (and there isn't enough gold, anyway); payment in goods spreads ruination like any other form of abundance. Conference after conference of 'the world's best brains' has failed to find a solution to this problem, and in consequence we have a universal demand on the part of financiers, bankers, politicians, and a host of others, for general cancellation. There is a surprising unanimity about it. Hard-faced financiers who, in 1918, clamoured for the extraction of the last farthing from the prostrate enemy, are for the moment in agreement with the Liberals who demanded a reasonable settlement, and with the Socialists, pacifists, and humanitarians, who were for cancellation from the beginning.

As a newspaper put it a short time ago, 'the problem before us is, how are we to secure payment of what is lawfully due to us without throwing our own people out of employment?' And that problem is insoluble. The whole purpose of receiving payment is to spare the labour of our own people—the labour which produced the money lent, and which will have to be used to repair the damage done if we cannot get the enemy to repair it for us. If that saving of labour is a loss instead of a gain, the reason is to be found in a wrong financial system.

The Reds, let us say, make war on the Blues, destroy a number of Blue towns, ravage their fields, and so on, but are at length defeated. The Blues then demand reparation. They want their towns rebuilt, their agricultural produce replaced, their roads repaired, etc. They (213) express all this in terms of money, but the sum is so large that it cannot be paid in gold and of course Red paper currency is no use in Blueland. The only thing to do, therefore, is to accept an equivalent in goods and services—that is, they might compel the Reds to send them free bricks, coal, and wheat, and a certain number of Red workmen to do the necessary labour. By these means the damage done to Blueland would be repaired without cost to the Blue people.

But though this would mean a real restoration of Blue wealth *at the cost of Red*, it cannot be done under the Old Economics because the Blue brick makers, coal owners, and farmers cannot be paid unless their produce is wanted, and their labourers cannot be paid unless their work is wanted. All these, therefore, see themselves ruined by a flood of foreign bricks, coal, and wheat which they cannot buy; they are bankrupted and thrown out of employment in consequence; and, as their purchasing power is thus destroyed, other industries are affected adversely in their turn; and finally the whole nation is driven to the ridiculous conclusion that the only remedy is to refuse reparations altogether and use up its own materials and energy in restoring the damage.

Under Social Credit such an absurdity would never arise. The Reds would shell out the coal, bricks, and wheat required of them, and rebuild all the towns, roads, and bridges, while the Blues enjoyed leisure or set themselves to the production of new wealth.

Please note, however, that this is not a plea for the enforcement of reparations. There are excellent reasons, political, economic, and religious, for letting bygones be bygones. I am merely concerned to show that (214) cancellation is not required by economic science, and that the economic system which makes it appear so is false.

The True Purpose of a House

In February, 1932, the Minister of Health (Sir E. Hilton-Young) received a deputation from the various organisations concerned with the building trade; the purpose of which was to draw his attention to the serious unemployment in the industry. The deputation expressed the belief that much of this was due to the curtailment of building by Government Departments and local authorities, which they said was due to mistaken ideas on the subject of public economy, and particularly to misunderstanding of a recent circular issued by the Ministry to local authorities.

According to *The Time*s report (February 5th, 1932), the Minister, in the course of his reply, said:

> 'The circular . . . emphasised that the Government did not desire local authorities to embark on a wholesale and ill-considered course of cutting down expenditure, whatever its character or purpose. The circular also stated plainly that the criteria to be examined in considering proposals involving expenditure were whether the proposals would be remunerative, whether they were required on urgent grounds of public health or on other grounds of public

> urgency, or whether they were justifiable as providing employment.'

Before reading this I had always imagined that the function of a house was to be lived in. According to the Old Economics, however, its function is to be remunerative (215) and to supply bricklayers with jobs. It is only in urgent cases that they are to be lived in—if the number of people dying of exposure, say, becomes really serious, or the number of bricklayers on the dole a menace to the balancing of the Budget. But the gem of the speech comes last.

> 'As regards housing expenditure, the Government were of opinion that the pressing need at the present time was for the small house which could be let at a rent within the means of the more poorly-paid workers, and had asked local authorities to concentrate their efforts on the provision of this type of house. There would be no curtailment of assisted housing where this need remained unsatisfied.'

So, although we have abundance of labour available in the building trade, and though one man operating modern machinery, can produce 400,000 bricks in a day, we must build our houses as small as possible—that is, as inadequate and as uncomfortable as possible. The people must accommodate themselves to homes measured according to the inadequate purchasing power dribbled out to them by the financial system.

'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. (216)

Orthodox fallacies are not confined to what may be called the conservative sections of the community. *The Daily Herald* for April 5th, 1932, at the end of a leading article that might almost have been written by Mr. Cox or Sir Josiah Stamp, said, with a great air of portentous wisdom:

> 'Without some well-conceived policy of industrial reconstruction, applied with all vigour and speed, the country will not make any alleviation of unemployment in the only way it can be alleviated.
> 'That is, by providing jobs for the workless.'

Obviously the only 'reconstruction' of industry which could provide more jobs would be a reconstruction backwards, that is, by scrapping labour-saving machinery.

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 (217) the price level. The tariff could disappear when the price-index reached an appropriate level.

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.

What the Orthodox are Coming to

Sir William Beveridge, in a wireless talk on Unemployment on May 19th, 1931, said:

> 'Some degree of unemployment, or at least some risk of unemployment for individuals, was probably an (218) 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?

Mr. Keynes and the Currency Cranks

In volume ii of the Treatise on Money, Mr. Keynes devotes a section to those whom he calls 'the Army of (219) 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 propose to show that they are invalid against the Douglas scheme and Mr. Rock's.

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. (220) . . . If, therefore, sufficient bank credit was freely available, there need never be unemployment.’

Mr. Keynes’s Sisyphistic habit of mind completely misinterprets the reformer’s 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. If the bankers create credit to such an extent that the value of new investment is raised above the amount of 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 (221) 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 or 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 (222) 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 (223) 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 securing a maximum consumption 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 Bankers as Prophets

Let us finally examine the mental qualifications of the gentlemen who ultimately control all our destinies, the directors of the big banks. Their pretensions to omniscience on questions of economics can be exposed most (224) simply by taking a list of the prophecies made by them for the past ten years at the annual meetings of their shareholders. Most of these I quote from a pamphlet called *The Bankers in the Dock*, by Emrys Hughes, but the last few I have excavated myself from the Press. They are so monotonously optimistic that I only give them for alternate years, but I assure the reader that those omitted are in the same tone.

1923. 'Happily there are signs that the worst period of trade depression has passed. We may expect a cumulative increase in business activity.'—(Mr. McKenna, Midland.)
'There are definite signs of a strong trade revival which is already doing something to diminish unemployment, and seems likely before long to do a great deal more.' (Mr. Leaf, Westminster.)
1925. 'In my opinion the outlook is good.' (Mr. Goodenough, Barclays.)
'The prospects for increased trade throughout the world are, I believe, favourable, and confidence is gradually returning. Sentiments on all sides are more optimistic.' (Sir H. Goschen, National Provincial.)
1927. 'In a year when there has been so much to depress us, there has, on the other hand, been much also to justify a sane optimism for the future.' (Mr. Beaumont Pease, Lloyds.)
'I do not remember a time when, throughout the industries of the country, there has been such a feeling of expectation and, indeed, optimism.' (Sir H. Goschen.)
1929. 'Looking, however, to the future, there is, in my opinion, ample ground for a confident and hopeful feeling.' (Mr. Goodenough.) (225)
'I cannot help thinking that at the present moment great possibilities exist for the development and expansion of all sections of our trade.' (Sir H. Goschen.)
1932. 'When we look ahead we find the prospects more encouraging than a year ago. . . . As far as British trade is concerned, the outlook is undoubtedly brighter now that we have established our independence of the continued decline in gold prices.' (Mr. McKenna.)
1933. 'I have the firm faith that our characteristic steadfastness, courage, and endurance will carry us through these still difficult times to as creditable an issue as has ever been achieved in our past history.' (Hon. Rupert Beckett, Westminster.)
Such is the foresight of these oracles. What further need have we of witnesses against them and their methods?

Commendable Humility of Mr. Montague Norman

One wonders whether it is because the bankers' prophecies have been so consistently wrong that Mr. Montague Norman, Governor of the Bank of England, spoke with such unusual humility at the Lord Mayor of London's banquet to the City Bankers at the Mansion House on October 20th, 1932. In the course of his speech he said:

> 'The difficulties through which we are passing are too great. ... In spite of every attempt that has been made, the vast forces of the world, the herd instinct, the desperation of the people who have neither work nor market, have brought about a series of events, and a general tendency, which appear to me at the present time to be outside the control of any man or any government. . . . The difficulties are so vast, (226) the forces so unlimited, so novel; precedents are so lacking, that I approach this whole subject not only in ignorance, but in humility. It is too great for me. . . .
> 'I must admit that for the moment the way is not clear.'

What a confession of futility! Blame forces, blame tendencies, blame the herd instinct (called patriotism in war time); blame anything but the financial system— the one force that is really 'outside the control of any Government.' That alone is free of responsibility for a financial muddle.

Mr. Montague Norman is the financial adviser of the British Government, and the way is not clear to him.

A Little Sense for a Change

There is more economic wisdom in four lines of a song that I frequently play to myself on the gramophone than in all the bankers and orthodox economists in the world. The song is called *Hallelujah, I'm a Bum!* and the lines are these:

'Why don't you save all the money you earn?'
'If I didn't eat I'd have money to burn.
'Hallelujah, etc.'

'Why don't you work as other men do?'
'How the hell can I work when there's no work to do?
'Hallelujah, etc.'

After that I cannot resist bursting into song myself. Here is (227)

Social Credit in a Nutshell

Money's neither here nor there:
Goods should be your only care.
Of these there's plenty and to spare,
So what's the need to pinch and pare?
Work is nothing but the means
To gain an end—that's bread and beans.
Then why not pay the Jacks and Jeans
Whose work's done for them by machines?

Burning heaps and heaps of stuff—
Don't you think it rather rough
When people haven't got enough?
(Poverty's a tragic bluff.)

Why is plenty treated so,
And never sold at prices low?
Because we haven't got the dough
To buy the things. So now you know.

Because by cheque most trade is wrought,
The banks make money out of naught,
And cancel when they didn't ought.
That's why the goods cannot be bought.
This monopoly must be fought.

First we'll resume the credit powers
That are by right and nature ours.

Then we must print sufficient cash
To buy the goods now burnt to ash. (228)
But this, alone, would be inflation:
Price, therefore, needs some regulation.
True price goes not by estimation,
But scientific calculation.

Then, since machinery's our friend,
And doth to greater leisure trend,
A universal Dividend
We'll give to all, and that's the end.

LIFE AND MONEY
Part 4

THE SABOTAGE OF CIVILISATION

Financial stringency is narrowing and impoverishing the whole of our civilisation. It is also vulgarising and cheapening it. Books might be written on this subject, but I can only devote a few pages to it, suggestive rather than comprehensive.

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; and I have since answered it pretty fully. 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 (232) 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.

In such an atmosphere true civilisation cannot survive. Unselfishness, urbanity, gentleness, modesty are qualities that unfit a person for a struggle for existence, and the possessors of them go to the wall. To live at all one must be selfish, unscrupulous, and pushing. 'Pep', 'go', and similar commercial virtues are the only ones that will, in the current abominable phraseology, 'get you on'. 'Aggressiveness' is esteemed a good quality, and its cultivation is taught in those damnable 'schools of salesmanship'. The salesman—our circumstances seem to necessitate about fifty salesmen to one producer—is instructed how to 'overcome sales-resistance'-—that is, cajole or bully a poor or unwilling 'prospect' into making a purchase. The teachers even go so far (I know, because I attended a school to study their methods) as to tell their pupils never to call at a private house except when the husband is out: the wife is more easily browbeaten.

Here is an example of the kind of stuff published for the instruction and edification of thousands of young men. It is taken from an advertisement of a school of salesmanship, and is illustrated by a photograph of the founder of that institution holding his hand up to heaven while 'delivering one of his famous Tonic Talks' to good employees.

> 'There is no limit to the heights to which an ambitious man or woman may rise. Jeb Carter's (233) career is one of the many true stories that make fiction seem dull by comparison.'

Jeb's cute career as a youth is then described, and the tonic talk proceeds:

> 'He believed in doing "something different", and as the second biggest broker on an Eastern market, he was able to prove that his youthful flair for strategy had not deserted him. There was a fight between himself and the biggest holder of cotton for a corner of the market. It was a veritable struggle for existence. One or other of them would be made bankrupt on the result.

> ‘New bales of cotton due by one firm to another can be delivered in any quantity down to one bale. Jeb paid a debt of 48,000 bales owing to the bigger man by sending over 48,000 contract notes for one bale at a time. His adversary—a one-man firm—had to sign these individually. In addition Jeb hired a brass band to play outside the other broker’s house every night.
>
> ‘Jeb won the fight sheerly because he seized his opportunities and took advantage of every opening. In face of the heaviest odds the tables were turned by a masterstroke. Jeb came out on top of the market.
>
> 'Life, said Saint Beuve, is it not extreme happiness merely separated from utter despair by the trembling of a leaf? Business is like that. Resourcefulness and courage would always be on Jeb's side. He had mastered man's great enemy - Fear - and knew how to be different.'

The existence of thousands of men and women trained to admire this sort of thing is a much worse portent (234) than that of a handful of grasping millionaires: for it is on the ordinary man and woman that the course of the race’s evolution depends. Quite needlessly we are resuscitating the characteristics of the ape and tiger, which Tennyson urged us to let die.

But it is not only the kindlier characteristics that handicap the business employee. Manliness and independence of spirit may easily cost a man his job and throw him penniless on the street, while the servile tuft hunter sticks to his stool and breeds his kind. How often have we heard it said: ‘I agree with such-and-such a cause, but I daren’t support it or I’d lose my job’. Thus we are softened in the wrong way as we are toughened in the wrong way. Amid all the security and abundance of civilisation, our lives are dominated by fear and hunger, the motives of the jungle.

The Decay of Reason

I have quoted many instances of the fallacious reasoning indulged in by leading economists, and I could quote many more if I had space. But this mischief is not confined to economists. I seldom read an article or speech by a public man—politician, scientist, or clergyman—without finding examples, and the effect on the public mind they are presuming to form is deplorable. It is not a question whether one agrees or disagrees with the opinions of these gentlemen. It is a question of reasoning in the abstract—as a mental process. The writings of Mr. Chesterton have exposed this over and over again. He attributes the decay, I fancy, to the Devil. I attribute it to the abandonment of reason by our economic system. After all, on that system depends (235) our bread and butter, and if we reason incorrectly on such fundamentals as these, we are not likely to do any better in other matters.

Another very ominous sign of the times is the growing contempt for intellect—due, I suppose, to its being a quality of no great value in a scramble to ‘get on’. The appearance in our vocabulary of the new word ‘high-brow’ is typical. In the days before popular education the ordinary man looked up to and admired intellect. Now he is taught to regard it as of no account, and hence the invention of the word. ‘High-brow’ is simply a derogatory term for high intelligence used by people of low intelligence. No popular writer would like to say ‘People of higher intelligence than mine think so-and-so’. Instead he says ‘High-brows think so-and-so’, and, by thus giving the thinker a bad name, condemns his opinion (for the humble reader) before he quotes it.

Then we have the cult of the ‘practical man’, condemning philosophy, art, and such things as mere frippery and prating of ‘stout common sense’, and so on. Common sense is one of the rarest qualities in the world, and what usurps its name is generally stupid nonsense. Consider this expression of the views of Mr. Morris, the great motor manufacturer, which I have cut from an article contributed by him to the Daily Express for June 27th, 1927.

'I look upon life essentially as a practical man' he writes. 'Frankly, I have not much use for philosophies. Theories of any sort leave me cold.' What, Mr. Morris? Theories of any sort? Even the theory of the internal combustion engine? That, surely, is ungrateful. And what about the theory of the right of private property, (236) which you pay large sums in rates and taxes to maintain? What would you do if some 'practical' burglar made an assault on that? And how would you like to see the theory defied by a 'practical' Communist government?

I am sure that Mr. Morris, and business men like him, would regard what I have written about Sisyphism and Procrusteanism as 'mere theorising', and would prefer the solid opinion of a practical banker—whose practice, by the way, is also founded on theories, and false ones.
But if only such practical business men would take the trouble to understand economic theory, neither they nor their customers would be robbed by the financial system.

Regretfully I must leave this subject, and refer the reader who is particularly interested to a little book recently published, called Culture and Environment, by F. R. Leavis and Denys Thomson.

The Debauching of Public Sense and Taste

On this subject almost enough is said by the single word 'newspapers'. In order to swell up the circulations necessary to win advertisers—on whose support a modern newspaper is absolutely dependent—the very lowest elements of the community must be raked in as readers; and in order to attract them the whole newspaper must be dragged down to their level of character and intelligence. Both proprietors and editors have the impudence to call this 'giving the public what it wants'; but it is nothing of the sort. The majority of the public do not want the muck that is flung at them. Since, however, it is all they can get, they put up with it, and are hardly aware of the harm it does them. That, apparently, does not (237) matter to editor or owner. If a 'popular' paper cannot maintain its circulation, and thus grab, for itself and its advertisers, a sufficiency of the inadequate currency, down it goes, its shareholders are ruined, and its staff thrown on the street.

The 'popular' Press of Great Britain has thus become a disgrace to our civilisation. Yet the Chancellor of the Exchequer, at one of the annual junketings of the trade, complimented it (inclusively, of course, with the more reputable Press) on the 'quality and extent of its news', its 'literary distinction', and its 'sense of responsibility'. Responsibility! Out of a file bulging with folly, lies, malevolence, cant, stupidity, salaciousness, and vulgarity I dig one sample. On the front page of a Sunday paper of enormous circulation there appeared in March, 1930, the face of a simpering female with a headline above it proclaiming: 'I MAY RE-MARRY MY HUSBAND . . .' Underneath the photograph the owner was described as 'the film vamp, and inventor of "companionate divorce" ', with the information that she 'says she may remarry her husband if he asks her. After divorcing him she has continued to live with him'. That such a thing should find its way into print—no, that anybody could imagine that anybody else could want to see such a thing in print—marks the beginning of an era, not merely of unreason or stupidity, but of downright idiocy.

The Degradation of Religion

In December, 1932, the Archbishops of the Church of England authorised a prayer for use in the churches containing the following invocation: (238)

> 'By the restoration of commerce in the confidence of restored credit and mutual goodwill: Give us our daily bread.'

It is only fair to say that this prayer raised an outcry of protest from both clergy and laity. But why? Mainly because the use of modern economic terms seemed to clash with the language usually used in prayer. This was a most superficial objection. Modern men can surely pray to God, whose existence is timeless, in modem language; and if the restoration of credit is what we want, we are surely right to ask for it. Nobody seems to have noticed that what was really wrong with the prayer was that it wasn't a prayer at all. It was an instruction— an instruction to God Almighty. He has given us bread enough in the shape of bountiful harvests. These we have burnt, as if to tell him that he is going the wrong way about it, and then we coolly direct him to accommodate his gifts in future to our ridiculous financial system. The prayer is really an unconscious blasphemy. Compared with it, the following advertisement in an American paper looks rather mild. I quote, via the Universe, from the Observer, which notes that it was inserted by a 'Committee of high-minded citizens'.

> 'THE YOUNG MAN in business—whether office, shop, or factory—owes it to himself and his future to go to church regularly. Success and a certain amount of religion seem to go hand in hand.'

You have noted, I hope, that he owes it to himself, not to God. And yet I have never met an American who did not protest that Babbitt was a libel on his country. (239)

The Cheapening of Emotion

The urgent necessity to sell has resulted in the intensive development of advertisement in every shape and form, with effects on our streets and landscapes which other writers have sufficiently bewailed. The evil goes deeper. It is making subtle havoc of our minds. The advertising expert has learnt to play on every human emotion that can aid his purpose, and, by constantly strumming on the notes, is putting them out of tune. Emotional language, unless when reproducing emotion genuinely felt (as by an artist) is necessarily insincere. The advertisement writer does not feel the emotion he is writing down: he is only concerned with the effect on the reader. If, for instance, a serious writer says that the love of a mother for her child is the most beautiful thing in nature, he is uttering a truth. If an advertisement writer says it, he is merely trying to sell a new baby-food. Such a purpose cheapens the emotion he is exploiting and the words that express it. The language of pathos becomes 'sob-stuff', and that of sincere purpose becomes 'uplift'; and the uncritical reader soon becomes incapable of distinguishing the true from the false. Thus he will be really moved by a 'sob-stuff' advertisement to buy a present for his sweetheart, and will snigger at a touching passage in a good book or play.

Any newspaper will supply you with examples of emotional advertising, so I need not quote. For examples of the cheapening effect on the mind, see any of those bright 'feature' articles on the language used by modern lovers. 'Well, old fruit, what about it?' style of thing. Note, too, that the writer is always careful to explain that (240) in spite of it our young people are at heart as romantic as their grandparents were. Observe that a marriage, even between an octogenarian and a girl of seventeen is always called a 'romance' by the papers, and ask yourself why the word 'romance' is applied indiscriminately to a love affair and to the cute schemes of a gentleman like Mr. Jeb Carter. All this silliness is the result of an inadequate currency. Dear money means cheap living—except where goods are concerned.

The Starving of Education

The economies of governments nearly always fall on education, which is the one thing we do not over-produce. Hence we have one teacher vainly trying to train the minds of sixty children in one overcrowded classroom while other teachers are unemployed. Hence also we have ugly, insanitary, badly equipped schools in spite of all the resources at the disposal of an insufficiently employed building trade.

The following extract from an article in *The Serpent*, the organ of the Manchester University Union, is extremely significant:

> 'It seems criminal to waste three or four years of a boy's life at the University if, in the end, he is going to be pushed by sheer economic force into work capable of being done by someone with, or even without the most elementary of educations. How many of those in the Faculty of Education in this University will obtain teaching posts consistent with their status and qualifications?... How many chemists in the Research School, with good records, first-class degrees, and much experience, will be absorbed into (241) our industrial life? What are the prospects for engineers and for members of the Faculty of Commerce?'

The moral to be drawn from this would seem to be that We should restrict the number of men receiving University educations to the number required by big business, and let the remainder do with, 'or even without' the elementary education required for sewer-sweeping and so on. The trouble is, however, that there are already too many uneducated men for the number of unskilled jobs, so there's not much hope there either. *The Serpent* writer suggests the setting up of an Appointments Board 'to clarify the position and tell us exactly where we stand'. I'm afraid the position is clear enough, my poor lads, and you don't stand an earthly chance under the Old Economics.

Some time ago, in one of those fatuous press articles on modern youth, I came across the sentence: 'Our young folk know that there will never be any jobs for large numbers of them, yet they keep smiling'. That is undoubtedly courageous of them, but how long will they be able to keep it up? It is indeed a tragic prospect that we offer to our youth. No living unless they work, and work constantly dwindling. It is time that these young people stopped smiling and worked seriously to bring in Social Credit. It is the only thing that can redeem their lives from futility.

The Starvation and Prostitution of Science

By a tragic irony, Science, the creator of plenty, suffers from its consequences as badly as any other department of civilisation. The young scientist counts himself lucky (242) to get a job in the research laboratory of a commercial firm at three or four pounds a week, while aggressive salesmen can earn five times as much selling stockings. At the other end of the scale, Sir Ronald Ross, to whom the world is indebted for thousands of square miles of territory made habitable, is left to struggle along in poverty, and one of the pioneers of X-ray study actually dies in want.

It is well known, too, that the talents of scientists are unscrupulously prostituted by Commerce. Research into pure science is not wanted. To live, the scientist must devote himself to discoveries that are financially exploitable. Particularly significant is the following extract from the *Daily Herald* for December 30th, 1931:

> 'An unprecedented slump in inventions is revealed by this year's Patent Office figures. More than 1,500 fewer patents have been applied for, and the number which will never be completed because the inventors cannot find the money for fees will be relatively much greater than ever before.
> ' "Inventors cannot afford the expense of completing the patents, which, if carried out by patent agents, cost more than £12," said Captain Drury Coleman, the secretary of the Institute of Patentees, to the *Daily Herald* yesterday.
> ' "Many of the working-class engineers of the type who gave birth to many of the notable inventions of the past are unemployed. They may have plenty of ideas, but they cannot find the money for them. Nor can they now go to enterprising firms and get them to take up the ideas. Firms cannot afford to lay out the plant for new enterprises." ' (243)

The Starvation and Prostitution of Art

The starving artist has been a feature of every age, but in this age of plenty he is more prominent than ever. In his early years the practitioner of any art cannot live by his work, and must either starve, take some routine job, or prostitute his talents to journalism or commerce. The poet, unless in very exceptional cases, is compelled to do the same all his life. As for music, it ought now to be scheduled as a dangerous trade. The talkies and mechanised music have broken up scores of orchestras, and thrown hundreds of musicians on to the streets. Many well-known orchestras cannot pay their way, and the plight of Opera is so serious that it may become a lost art.

Then books. Have you ever noticed the pitiable sight of a hard-up booklover gazing into the windows of the Charing Cross Road, or regretfully fondling the treasures he cannot buy? There are the books, but the money to buy them is not only not in his pocket, but doesn't even exist. There is the bookseller, willing and anxious to sell. And at home, perhaps in an attic, is the author, economising in over-produced bread, coffee, and coal. Buyer, retailer, and producer all anxious to do business, and no tickets available to set it going!

Ecrasez I'infame! So long as the financial system is preserved the impoverishment of our civilisation must go on, and at an increasing rate. The arts will perish first —by the mere starvation of artists; then the industries will follow, one by one, the less essential first, and the others in course of time. And, on the same principles as are invoked to-day, the increasing poverty of the world (244) will be advanced as a reason for still further restrictions and economies, until, logically, mankind would be stripped of every appurtenance of civilisation. I say 'logically' because that state of affairs would not as a practical fact, arise—there would be bloody revolution first, and then, chaos.

The Death-Rattle of Competitive Civilisation

The first edition of this book was completed before the occurrence of what is called the World Crisis. The general principles and the remedy advocated, therefore, were not devised merely to meet a temporary difficulty, which, if my analysis is correct, was bound to arise. The remedies since adopted by the Governments of the world had all been examined and criticised in advance. They consist simply in economies and restrictions. 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 (245) 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 install (246) 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 (247) controversy out—each so absolutely right within the limited circle of artificial financial ideas, and both so hopelessly wrong in terms of reality.

Besides economising and playing the fool with the currency, governments everywhere have also put up higher tariff walls, Great Britain has turned to Protection, and between them they have almost brought international trade to a standstill. At the same time a World Economic Conference has been arranged to try to get some of the tariffs off again by 'mutual agreement', 'goodwill', and the rest of it. It is all one tragic piece of bungling and ineptitude.

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 (248) 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's tragedy goes on. 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. Immense numbers of people (249) 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.

Back to the Primitive

There are signs on every hand of a general lapse from civilised conditions. In some places people are falling back on the primitive custom of barter. Canadian farmers, we read, go to the cinema with a pig or a sack of corn in the back of their cars to exchange for a seat, and some governments have been driven to similar expedients. Brazil, for instance, has traded some of its notorious coffee for Italian coal. In the United States, thousands of unemployed workers have taken to a nomad life, and are the dread of the farmers—who are bankrupt.

The increase of crime, too, is a symptom of the relapse to barbarism. Men like Al Capone are the modern counterpart of the robber barons of the dark ages. They are powers in the land. According to the *Evening Standard*, when Al Capone was asked how he managed to control elections, he answered briefly: 'Good dollars.' 'Isn't it rather expensive bribing the electors?' inquired his questioner. 'Hell', replied Capone, 'we don't waste our dollars on the electorate. We buy the guys who count the votes.'

Motor bandits are a worse sort of highwaymen—men who deliberately organise and equip themselves to make war on society. Robberies and brutalities perpetrated on women and infirm people are now almost things of custom in our country roads and even in our streets. (250) And the outcry for more and more savage punishment for criminals is another sign of relapse. Flogging the individual offender will not cure the economic conditions that make his extremely dangerous occupation preferable in his eyes to the hazards of honest industry. If the honest worker is denied security in the employment that is his only passport to a livelihood, who is to blame for the cutting of purses?

The word 'security' here deserves to be stressed: for insecurity is far more symptomatic than poverty of a breakdown of civilisation. Without security, indeed, civilisation becomes impossible. Men will not have it. Better far to take one's chance in a state of reckless lawlessness than to sit down tamely and starve to save the face of cold legality. Now it is pretty obvious that our civilisation to-day is in many respects less secure than the jungle. In the midst of all our abundance, an accident or an illness may leave a man as helpless to provide for himself as a crippled beast; the death of a breadwinner may leave a family as destitute as orphaned cubs; the superannuated clerk or artisan has little better prospect than the superannuated wolf or antelope. A man may wake up in the morning to find that his means of livelihood has been destroyed during the night by forces (acting with unimpeachable legality) against which he is as powerless as against a storm or flood. The rationalisation of a factory, the closure of a mine, the amalgamation of two newspapers (to glut the greed or ambition of some millionaire) brings ruin on hundreds of homes more completely and more irretrievably than the most violent efforts of nature. The destruction of homes is, indeed, as common a feature of our civilisation as if we were (251) chronically subject to such visitations. An Englishman's home ceases to be his castle the moment his work ceases to be required: and what renders the tragedy more poignant is that the event that leaves his life as desolate as if the land had been swept by a horde of barbarians is, more often than not, some beneficent invention that enriches the whole of the community to which he belongs.

If civilisation is to be saved, we must establish the economic security of the individual.

A Word to Socialists

Except for Social Credit, only one comprehensive scheme for the salvaging of civilisation is before the public. That is Socialism—a remedy not much better than the disease.

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 (252) 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. [(**FN** Socialists I have argued with have refused to admit my definition; but they have never offered me another that was not applicable to the vaguest humanitarianism; and they have always stoutly defended the policy, as I have defined it, against my criticism. The only hostile reviews of this book were by Socialists. Several of them said, as nastily as they could, that the only sensible idea in it was the nationalisation of credit which was 'stolen from Socialism'. As if national institutions had not existed before Socialism was ever heard of. Curious, too, that Socialists, who deny the right of property in things, should claim a right of property, and a monopoly, in ideas.)] 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 (253) 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 (254) 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 fetishism, 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—(255) 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.

LIFE AND MONEY
Part 5

THE SABOTAGE OF LIFE

The strongest testimony to the rottenness of our economic system is the way it has perverted the natural feelings of man on the subject of procreation. Only one force in the western world now stands out against racial suicide —the Catholic Church, whose teaching, outside its own communion, is not only disregarded, but even derided, and often misrepresented. I propose, therefore, to add to what I have already said some further arguments on this subject.

Children as Cancers

Let us begin by examining the pronouncements of two distinguished public men. The first is reported by the Daily Herald of November 24th, 1931, as follows:

BIRTH CONTROL AS URGENT AS CURE FOR CANCER

> ' "Indiscriminate child-bearing" was described as a "disease of the body politic" by Sir Thomas Horder, Physician-in-ordinary to the Prince of Wales, last night. . . .
>
> 'Sir Thomas was speaking at the first annual meeting of the National Birth Control Association—of which he has just been elected President—at the Caxton Hall. . . .
>
> ' "You must convince society that this disease exists in its midst and you must convince society that it wishes to be cured," said Sir Thomas. "Have we a remedy in such form that it can be taught to medical (260) students and practised by doctors? I am not yet satisfied that we have, but neither have we for cancer or tuberculosis.
>
> ' "There is, in my view, a close analogy between these diseases and unrestricted child-bearing. We cannot afford to wait until the disease can be cured".'

The second pronouncement is reported in the issue of the same paper for December 1st, 1931, as follows:

> 'Mr. Justice M'Cardie ... in binding over a mother of seven who feared to have another child owing to poverty, recommended that birth control knowledge should be extended, especially among families living in needy and unhappy circumstances. His view, he said, was that the country was already heavily over-populated.
>
> 'He further declared that the law of abortion should be substantially amended, as it was out of keeping with modern conditions.'

Let us take Sir Thomas Horder first. Accustomed as I am to reading the imbecilities of public men (I have a newspaper-cuttings album full of them), this pronouncement fairly stunned me. At first I could not believe my own eyes, and I did Sir Thomas the justice of reading the passage several times over before uttering my very forcible opinion of him. His words are an insult to the human race. I doubt if anything so grossly offensive to mankind has ever been said by the most scurrilous of satirists. Swift himself never spat such venom at his fellow-men even in the fourth book of Gulliver. Our babies are henceforward to be regarded as diseases—nay, as peculiarly loathsome and painful diseases—and the (261) man who discovers a really safe and certain remedy for them is to be honoured with Pasteur and Harvey.

'Stop, though,' interposes a voice. 'This is going much too far. Sir Thomas Horder has not called child-bearing a disease. Only indiscriminate child-bearing.'

Thank you. I was aware of that. But it makes the case worse instead of better. It turns what might be an intelligent and intelligible—though a damnable—pronouncement into one of those utterly incomprehensible pieces of dogmatic mumbo-jumbo characteristic of modern men of 'science' when they leave their special subject to philosophise on things in general. One could understand a person saying straightforwardly: 'The world is over- populated. Further increase is therefore equivalent to a disease; so we must take steps to make it illegal for any couple to have more than three children.' One could have no doubt of the meaning of such a pronouncement. One could argue with it and controvert it. But to argue with vague talk about indiscriminate child-bearing is like fencing with Peer Gynt's Boig in the darkness. What is indiscriminate child-bearing? Is it indiscriminate to have three children? or five? or ten? or fifteen? No doubt Sir Thomas would answer that that depends on the family income. To what extent, pray? How many children may one venture to have per pound per week before incurring the reproach of being indiscriminate? I defy Sir Thomas Horder to say. I doubt if he has ever given two minutes' thought to the problem. He has simply observed that many poor people have larger families than they can afford, and boiled over with pseudo-sociological rage at their imprudence. That is your modern scientist all over. He dogmatises like the Catholic Church (which he (262) despises); but while the dogmas of the Church (whether one agrees with them or not) are always perfectly lucid in matter and form, the dogmas of the scientist are almost invariably such a hotch-potch of vagueness and begging the question as the specimen before us.

There are, of course, no answers to the questions I have just asked. There is no such thing as indiscriminate child-bearing; no such thing as an optimum population or an optimum family; no such thing, above all, as overpopulation: and if the state attempts any action on the supposition that there are such things, it will only make a fool of itself. Professor Harold Laski, the Socialist, speaking at the same meeting as Sir Thomas Horder, said: 'Birth control . . . may change the whole character of our power over nature to which no man can see the extent.' Surely that is a reason to pause, not to rush into legislation. Let us therefore consider some of the implications of what Sir Thomas Horder was trying so ineffectually to advocate.

When Sir Thomas talks of indiscriminate child-bearing he is referring of course to the poor. The rich are never indiscriminate. Like Professor Julian Huxley, Professor Haldane, and others, he wants to see a drastic curtailment of the families of all persons with incomes below a certain figure (so far unstated). Now the first blunder of which exponents of this doctrine are guilty is the assumption that 'the poor' are a sort of separate species, permanently differentiated from the rest of humanity—homo insipiens, perhaps, they would call them. But everybody knows that this is untrue. Incomes fluctuate like the weather. Poor people become rich, and rich people become poor every day. Poor men have rich sons, and rich men have (263) poor sons. Some of the world's greatest men have been the sons of poor parents, and some have been poor themselves all their lives. How can one possibly lay down the law for families in such circumstances?

The second mistake of the Malthusians is their failure to realise that if the poorer classes were to limit their families to what they can 'afford', the population would soon vanish altogether, for the rich and the middle classes, as our scientists sadly admit, do not produce enough children to replace their parents. Merely to keep the population stationary, every couple should have three children. But few of the working classes can really afford that number. Few, indeed, can afford two, and I rather think that the majority cannot afford any at all. Thus the Malthusians would condemn a large part of the race to childlessness, and the race itself to extinction.

The third mistake of the Malthusians is their ignorance (or ignoring) of an important biological fact. The eldest is seldom the best child, either mentally or physically, and the majority of great men have been third, fourth, or fifth children. Malthusians, who are always talking of 'quality or quantity' (as if these were necessarily incompatible) are thus advocating a course which must have a bad effect on the quality of the race.

Their fourth mistake is their failure to recognise that the happiest and healthiest environment for a child is a large family. The only child is universally admitted to be an unfortunate being: yet the Malthusians would have the majority of the race only children.

Their fifth mistake is their belief that there is such a thing as an optimum population. What that optimum is they never say, but obviously they must have some sort (264) of figure in mind. Such a figure, perhaps (whatever it may be), as the resources of the world can support. But that means nothing. For the more people there are to feed, the more hands and brains are there to develop the world's resources. I shall deal further with this point later on: but let me repeat that there is no such thing as an optimum population. As I said on an earlier page, nature abhors stasis as it abhors a vacuum. A race must increase or diminish; and if it diminishes it must eventually die out.

The Logical End of Contraception

Let us now leave Sir Thomas Horder for a moment and turn to Mr. Justice M'Cardie. The judge's dictum is only the logical sequel to that of the doctor. If child-bearing is to be regarded as a disease, from state-subsidised birth-control to legalised abortion is but a step, and this is not the first time that demands for it have been heard. 'Logically', say the propagandists (mainly women, by the way), 'why not?'

I agree. Logically, why not? But such logic can be pushed even further.

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?

(265) 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.

Abortion as an Economic Policy

Once you decide that your standards of right and wrong must be altered to suit an alleged economic necessity, there is no saying where you are going to stop. If the law of abortion should be amended because it is 'out of keeping with modern conditions', why not the law of murder for the same reason?

The distinguishing mark of both Sir Thomas Border's and Mr. Justice M'Cardie's reasoning is the characteristic fallacy of the age. With every other exponent of 'modern' ideas, from the professor in his chair to the female novelist scribbling a 'feature' article for the daily press, when the living and permanent thing comes in conflict with the mechanical and transient, they conclude instinctively that it is the living and permanent thing that must give way. Instead of saying, as the simpler and saner minds of an earlier age would have said: 'Our economic system seems to be inimical to large families: therefore something must be wrong with our economic system, and we'll have to change it,' they say: 'Large families don't suit the requirements of our economic system: large families are therefore a disease, and we'll have to get rid of them.' Instead of (266) saying: 'Modern conditions sometimes drive women to commit abortion: we must alter those conditions,' they say: 'The law against abortion is out of keeping with modern conditions: we must alter the law.' Final fatuity and blasphemy, they say (to quote Professor Laski's comment on Mr. Justice M'Cardie's dictum): 'What the state must do is to make birth control an essential part of maternity welfare services, and to give instruction in birth control, instead of being intimidated, as it is now, by religious and narrow-minded objections.'

This is the very death-rattle of reasoning. It is materialism gone mad. It is to proclaim that man exists for his institutions, instead of his institutions for man. It is to proclaim that the laws of public and private conduct are to be capriciously twisted and shifted to suit the passing moment. It is to proclaim that religion (which, whatever you may think of the dogmas of the Churches, is a fundamental function of the human mind) is a thing of no account whatever. It is, in fact, the final surrender of body and soul to circumstance—and to circumstances that we have ourselves created. It is the blasphemy against the spirit, and the ultimate depths of cowardice. All that is brave and noble in man cries out against it; reason cries out against it; the love of beauty cries out against it; the love of life cries out against it; every voice that ever spoke up for human rights and liberty cries out against it. And lastly the facts cry out against it.

The one possible excuse for Malthusianism is the Rev. Mr. Malthus' own—that the population of the world is outgrowing its food resources: and this is not true. Whether it was true a century ago I don't know, nor does it matter. It is certainly false to-day, as the so-called (267) overproduction is enough to prove. Only in an age like ours, which has lost or abandoned the habit of reasoning, could the cries of 'overproduction' and 'overpopulation' be raised at the same time. It seems like underlining the obvious to say that there cannot be too much bread and too many mouths as well. Yet apparently it is necessary to do so; for this childishly muddleheaded idea has figured in more than one distinguished economist's contribution to recent discussions.

Social Credit a Creed of Life

Whether Sir Thomas Horder and Mr. Justice M'Cardie, when they uttered the dicta I have quoted, were ignorant of the existence of the age of plenty, or blind to its implications, I cannot tell. Either way they should have been equally debarred from making dogmatic statements. The opinions which both these men have expressed were sufficiently subversive of nature and law to have made persons with a proper equipment of modesty pause before delivering them. That they should have been delivered on such reasoning as we have seen, based on such misapprehension of easily ascertained facts, makes one almost wish for the restoration of that dogmatic authority which would at one time have prevented such mischief. Even the suppression of a Galileo would not be too big a price to pay for salvation from the mental and moral chaos into which we are sinking at present.

Amongst the distinguished persons who commented in the Daily Herald on Mr. Justice M'Cardie's pronouncement was Father Woodlock, who declared that 'birth control by contraceptives is an immoral act which can never be tolerated by the Roman Catholic Church.' This (268) is all very well; but it is not of much assistance to people plunged in the abysses of modern industrial poverty, to whom each succeeding child is another step downward into squalor. The Vitalist who opposes birth prevention must have something more than dogmatic theology behind him. He must be able to propound an economic system which will give full recognition to those vital realities which the present chaos denies and represses: in which children will be obviously the delight and blessing that they truly are; and in which the most blunted conscience will not be able to find excuses for abortion. Such a system we have in Social Credit.

The New Economics is based on a fact—the Age of Plenty—and on right reasoning based on that fact. The Malthusian, when he recognises the age of plenty at all, deduces that since the abundance produced by scientific cultivation and mechanical invention renders the labour of millions unnecessary, those millions have no function and ought to be got rid of—or should never have been born. He cannot—or will not—see that if you cut down the numbers to be fed and clothed, you cut down also the need for the abundance. The New Economist, on the other hand, deduces that since abundance for everybody can be produced without requiring everybody to work, those whose work is rendered unnecessary are equally entitled to share in the product with the rest. And he shows how the thing can be done by the scientific equation of currency and credit to production, and the distribution of the National Dividend.

Now, a child is a consumer pure and simple, and in an age of scarcity might well be regarded as a burden, since its parents would have to make sacrifices in order to (269) support it. (Nevertheless, in the ages of scarcity, those sacrifices were cheerfully borne, either for love, or because the child was recognised as a future producer.) But in this age of plenty—before the dawn of which our cowardly fear of children was unknown—children are no longer a burden, and there is no need to make sacrifices for them at all. Why, for instance, should a father have to go without a new pair of boots in order to provide milk for his baby, when both milk and boots are being overproduced, and millions of producers are unemployed? Only because an outworn economic system, based on the delusion of scarcity, insists that he must. The New Economics protests that the sacrifice is not only unnecessary, but economically disastrous, and, by means of the National Dividend, provides a sensible way out of the apparent difficulty.

LIFE AND MONEY

PART 6

THE LEISURE STATE

THE fundamental difference between Social Credit and all other theories of political economy is that Social Credit aims at the Leisure State and the rest at some form or other of Work State. The difference between us and those other schools of thought which desire to change the present state of things is that while the rest seek to solve economic problems by establishing some new form of social and political *organisation,* we are primarily concerned with a new *technique* of economics, believing that if the error we have diagnosed in the present system of accounting is set right, poverty will disappear, and the people will be enabled freely to choose whatever form of political organisation they desire without regard to economic considerations.

The Work State

What is meant by the Work State? It is a state in which the claim of an individual to a livelihood is based on the performance of a certain amount of work, and which employs compulsion in one form or another to induce its citizens to work. In the 'Capitalist' state, for instance, the multitude of unpropertied men and women are lashed into the service of the wealthy by the invisible whip of starvation. In the Distributive state (Mr. Chesterton's ideal) the incentive would be the same. It is true that by the redistribution of property the citizen would be made, to a certain extent, his own master, free to earn his own (274) living, instead of having to hang about waiting for someone to employ him; but the whip would be there all the same, ready to come down on his shoulders if idleness, illness, or misfortune should cause him to slacken his efforts. The Socialist state, one gathers (for there is no sort of unanimity in Socialist opinion), claims the right to use compulsion pure and simple, and assumes the duty of providing 'work or maintenance' for its citizens: that is to say, the citizen will be required to do some work if there is any, and only if there is none will he be entitled to maintenance—at the expense of the rest of the community.

Social Credit opposes each and all of these policies. It declares that they are based, consciously or unconsciously, on the theory of scarcity, and on the moral ideas evolved during the prolonged historic age of scarcity. It declares that there is no virtue in work as such, and insists on the right of the citizen to a free choice whether he shall work or not. It rejects the idea that justice requires that everybody shall do his share of the world's work, and replies that the world's work will be done best by those most competent to do it, who should be highly paid in return. (FN pp274-275 Note that under present conditions idle and incompetent men are driven to enter industry as an alternative to starvation, while earnest and competent men are unemployed. Moreover a humane employer will often keep an unsatisfactory worker in his job for the sake of his family. The presence of thousands of such 'clock-watchers' must militate against industrial efficiency. Again, old men are compelled to work long after their usefulness is over, and when they are entitled to a rest, while young men are compulsorily idle.
The same is true of the professions. I know of many teachers who 'simply hate teaching,' and only take it up because ' there is nothing else to do,' which is hardly fair to their pupils. All the professions are full of old men slaving away because they cannot afford to retire, and of young men barely able to make a living.
The increasing age of the members of Governments is another sign of an unsound economic system. Young men cannot afford to enter politics unless they have a private income, or have the backing of a Trade Union.
Under the Leisure State, work will be the privilege of the competent, not a task to be scamped by the shirker. End FN) Finally it declares that freedom and leisure are (275) essential to the spiritual

evolution of the race, and demonstrates that they are economically possible. In a word, the policy of the Social Credit state would be 'maintenance' simply, without any condition as to work.

To this policy objection is commonly raised on two grounds: (*a*) religious or moral, and (*b*) sociological. There is also, of course, the practical objection of the man in the street that, if there were no compulsion to work, everybody would at once fall into idleness and dissipation. The good fellow never seems to realise that in saying this he is slandering himself. It is always 'others' whose misbehaviour he fears. He cannot see that there are no 'others'—only millions of you's and me's; and the answer to his difficulty is that if most of us stopped working, there would soon be nothing to dissipate with. In this essay, I propose to examine the other more serious objections, assuming the economic case as proved.

Leisure the Only Alternative to Retrogression

Before proceeding, I wish to stress the economic point that the Leisure State is inevitable. We are living in it now, if only we could get people to realise its implications and order things accordingly. We have a large leisured class enjoying an existence graduated from modest comfort to grotesque luxury, and we have another class compulsorily retired from business, not because, as the (276) man in the street believes, we are too poor to employ them, but because we are too rich to require their services. Every human invention ever made, from the palaeolithic flint to the latest electrical apparatus, has been designed to save labour and create leisure, or else to make leisure more enjoyable. We have definitely set ourselves to do away with labour, and we are continuing to do away with it. Any attempt, therefore, to 'create employment' is running directly contrary to that process, and it is simply futile and ridiculous to try to run both policies concurrently. One or other should be stopped. The only logical course for those who object to leisure is to put a stop to scientific invention and to all co-ordination of industry, and to reorganise society so that each individual shall separately earn his own living. This is the objective of the Distributists, and its drawbacks are obvious. Anybody who, culpably or otherwise, failed in his job, would either starve or become dependent on others, and so we should find ourselves back in the age of scarcity, with periodic famines instead of periodic 'gluts' as our principal economic trouble.

Moral Objections

The number of people whose dislike of leisure would push them to the logical extent of advocating Distributism is, however, small. Yet their moral and other kindred objections to the inevitable coming of the Leisure State remain. Let me try to set these doubts and scruples at rest.

Those who take the religious view would, I suppose, base their case on two extracts from Scripture: the first being the divine command: 'In the sweat of thy face shal (277) thou eat bread' (Gen. iv. 19), and the second, St. Paul's advice: 'If any man will not work, neither let him eat (2 Thess. ii. 10). In regard to the former, my commentary would be, in the first place, that if it is literally a command, it is a command to the race as a whole, not to every individual of the race; otherwise there would be some definite stigma cast in some other part of the Scriptures on persons who do not earn their living by the sweat of their brows. But we do not find any such. Jesus himself, though he declared it difficult for a rich man to enter the Kingdom of Heaven, did not denounce the rich for not working. On the contrary, when the young man with 'great possessions' asked his advice, we are told that 'he loved him', which he would not have done if he had regarded his leisured life as sinful. Neither did he tell him to go and work, but counselled him, 'if he would be perfect', to sell all he had, and 'come, follow me'. In the second place, I submit that the text is not a command at all. It is a statement of the inexorable fact that, having forfeited the leisured abundance of Eden, man would now have to toil for his bread. And so he must. Even in the Leisure State the race as a whole will have to work, both with brain and muscle, to maintain itself.

As to the quotation from St. Paul, it is a case of taking a phrase out of its context, where it has a particular application, and so transforming it into a general precept; just as some people interpret Christ's *obiter dictum* that 'the poor ye have always with you' as an injunction against all attempts to abolish poverty. Indeed it is surprising how pat the quotation comes from people not usually addicted to scriptural citation or markedly given to piety.

Reader, if any solemn humbug plays that trick on you, (278) 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?

But the religious objection is not entirely dependent on (279) scriptural citation. There is also the deeply-seated instinctive distrust of leisure, partly as a thing evil in itself, but principally as giving opportunities for evil. Why is it that the feeling does not express itself more commonly in hostility to the present system, which, on the one hand, gives its richest rewards to idlers, to spend in extravagant luxury, and, on the other, compels millions of willing workers to stand idle and starve? Why, in fact, is it that this system, with these crimes on its head, finds its firmest supporters among people honestly convinced of the criminality of idleness? The reason is fairly simple. Our moral ideas developed during the long era of scarcity, when a man's livelihood depended to a great extent on his personal exertions. His capacity for exertion was in turn largely dependent on his character—on his diligence, patience, perseverance, temperance, and so forth—so that, speaking broadly, his prosperity was a measure of his virtue. Conversely, as indolence, intemperance, etc., tended to injure a man's capacity for work, poverty came to be regarded as a sign of vice. Since 'Capitalism' was a development of this primitive economy, it was only natural that for a time the moral standards of the previous period should persist, and that the piling up of wealth on the one hand and poverty on the other should be regarded as the cumulative effect of industry and idleness, and justified accordingly. But the day for such simplifications is past. Everybody with an eye in his head knows that no amount of industry nowadays will guarantee a man a modest livelihood, let alone wealth and comfort. These things are decided by forces and conditions as much out of the individual's control as the movements of the heavenly bodies, and we must (280) recast our moral ideas accordingly. Industry and thrift, after all, are not absolute virtues like justice, honesty, and love of our neighbour. They are conditional virtues —conditional, that is, upon a system of economy that has been superseded. Just as we have ceased to need the gigantic thews and animal craft of our primitive hunting ancestors, and have been able to cultivate grace and refinement instead, so we can now dispense with these lower materialist virtues, and develop the higher spiritual ones that are now being starved and stunted.

But even where leisure is not regarded as an evil in itself, it is distrusted as giving opportunities for evil, and those who hold this view have plenty of object lessons to point to in the follies of the rich and the demoralisation of the unemployed. To these it is really sufficient reply to say that the virtue which is secured by the removal of temptation is not virtue at all. The freedom which Europeans allow to their women gives occasion for a good deal of sexual misconduct, but nobody suggests that we should institute a system of purdah, or that the moral fibre of the race would be strengthened if we did. No doubt some people will abuse their leisure, just as they abuse it to-day, and just as they abuse every other good thing: but that is no argument for keeping the whole race lashed on to unnecessary toil. Moreover, the examples quoted are unfair. The follies of the rich are due to their having more money than is good for fools, and the demoralisation of the unemployed is not due to unemployment but to poverty. Under the Leisure State there would still be the rich, but there would be no poor, and the vast majority of the leisured would live in a state of modest competence. (281) What will they do with their leisure? I had better leave the answer to that question till I have dealt with the sociological objections. I suggest, however, that one thing they would do would be to pay a little more attention to the things of the spirit than is now possible in 'this age of strenuous and growing competition'. To the so often recurring question, 'Why are the churches empty?' there is one very simple answer—that people are so exhausted by the fret and strain of this unnecessary competition that on their one day of rest they desire nothing but amusement. I cannot imagine that religion will be worse served in a society where leisure and abundance prevail than in the present soulless scramble, where all the higher faculties are sacrificed to the primitive necessity to grab or go under.

'Scientific' Objections

The sociological objections may be condensed into this form: that man, like the other animals, has evolved from lower forms of life as a result of a ceaseless struggle with his environment, which eliminates the unfit and keeps the rest up to the mark; and that if the stresses of circumstance are removed and a leisured existence instituted, the race will deteriorate and finally rot into inglorious quiescence. As Mr. Wells put it forty years ago in *The Time Machine*, 'We are kept keen on the grindstone of pain and necessity'; and if that grindstone be broken we shall degenerate into something like the pretty and futile Eloi of that story. The argument, of course, does not always take this scientific shape. The ordinary man who is neither religious nor scientific is content to say loosely that it is not good for people not to have work to do. This doctrine is (282) extraordinarily widespread. Some time ago I was invited to expound Social Credit to a party of young men and women whose main objection to what I may call the philosophy of my thesis was that I had 'fixed standards' of judgment in ethical and metaphysical questions. They were the most nominalistically-minded people I had ever met. They had no fixed standards of any sort. All their ideas were fluid, and to my mind their thinking seemed utterly shapeless and incoherent. It was a case of *irdvra pet* with a vengeance. But one and all of these standardless gentry were dogmatically certain that it was bad for a man not to have a good deal of work to do. (I did not ask what their standard of badness was, as I wanted to get on to the New Economics.) After a little wrangling they eventually agreed that four hours per day was the absolute minimum that a man should be compelled to do. I don't know how they fixed this standard, but fix it they did, and so it became unnecessary for me to continue my discourse. These, remember, were rationalising, free-thinking young people, so it is to be supposed that the dogma which bound them so straitly commands even closer allegiance among more conventional folk. There is no need for me to deal with it separately. It will be refuted *a fortiori,* by what I have to say about its scientific form, as summarised above.

Even if I were to grant the premiss of this argument (which I don't) there is an important flaw in the conclusion. Organisms may have evolved through a struggle with environment; but who ever heard of an organism that deliberately *sought* a hostile environment in order to get evolved by it? And that is the course our sociologists want us to take. To say the least, it is a long way round to (283) achieve one's objective. It is like shutting oneself up in prison in order to learn to appreciate the value of freedom. If the race has the intelligence to will a certain end, surely it is better to go for that end consciously and directly, instead of awaiting the action of forces which are problematical and require an immense time to act in. Moreover, in trying to preserve circumstantial stresses, we should again be attempting to reverse the consciously directed efforts of the race; for the whole course of scientific invention has been bent towards making life easier. The sociologists are therefore in the same contradictory position as the religious objectors, and logically ought to demand the cessation of invention and a return to the Stone Age.

In any case I do not admit the premiss, and the theory that the struggle for existence (or circumstantial selection) is the cause of progressive evolution has been severely handled by competent scientists. Let me put the case against it as briefly and simply as possible. Suppose that a number of rose-trees are left to struggle with an unfavourable environment as best they can. What will happen will be that some, whether through their own weakness or some tougher stress in their immediate locality, will be eliminated; others, either by having better luck, or because of some innate superiority, will manage to flourish; and between these two extremes there will be a multitude of mediocrities of varying quality. Circumstance will have selected for survival the rose-trees best fitted to survive those particular circumstances. But is that the best way to produce good roses? Certainly not. Even the best roses have suffered in the struggle, and the average quality of the roses has been most adversely (284) affected. If a gardener wants to produce good roses, he does not submit them to stresses. On the contrary, he protects them so that they will not have to waste their strength in overcoming them, and pays careful attention to their nourishment, thus strengthening the weak plants, making the good better, and turning the best into champions. Observe, though, that the gardener merely helps the rose to develop *itself*. Nothing he has done could turn a dead stick into a rose-tree. His function has been to enable the rose-tree to attain its fullest development by removing the obstacles in its way, and supplying the nourishment that its nature requires.

That environment can *influence* evolution is, therefore, obvious; but that influence may be bad, and may tend to retard progress. It may eliminate the unfit; but 'unfit' is a relative term: the individuals eliminated by any particular circumstance might be intrinsically the more valuable. It may also land a whole race in a blind alley. For instance, the limpet survived the stresses of the sea by evolving a shell and a vacuum-like power of suction. But think of all the qualities it had to sacrifice for these advantages, and how badly it is now situated for any further evolution. It must wait for the seas to stop raging before it can dare to attempt mobility.

The human race has evolved to its present relatively high estate *in spite of* circumstances, which it has overcome by its own inner powers, not by maintaining and yielding to them. If it had not possessed these powers, all the stresses in the world could not have moved it forward, any more than all the waters of the sea can turn a stone into a fish. Man's efforts all through history have been directed towards eliminating stresses. Why? Surely (285) because some driving force within or behind us had some purpose in view which could only be achieved when those stresses were all overcome, and a state of leisure achieved. That purpose could only be the development of a being with less of the animal and more of the spirit in him than is apparent in modem man. We have had individual outcrops of such beings from time to time in the shape of philosophers, saints, and poets, but the circumstances of our civilisation have always been against them. Men like Plato and Shelley would have starved and never been heard of but for the accident of their having private incomes; and we may take it as certain that men of equal quality actually have been eliminated for lack of that convenience.

Now it is pretty obvious that the type of man favoured by our present competitive civilisation is by no means a high type. Its richest rewards are for the grasping, cunning, acquisitive type, and it affords a modest livelihood to a certain proportion of the dull, patient, plodding type. To every other type it is fiercely intolerant. For the poet and philosopher it has no use at all; for the man of letters it cares only so far as he can market his talent; for the man of science, only so far as his discoveries have 'commercial value' (sometimes, on account of its lack of imagination, not even then). If such men as these are not to starve, they must prostitute their gifts, or crush them out of mind and undertake some routine occupation; and even these are increasingly hard to get. And it is not only genius that is thus discouraged. The ordinary man with spirit, active imagination, initiative, and so forth, who dislikes being tied to somebody else's stool, or harnessed to some company's machinery, also finds fewer openings (286) in our increasingly capitalistic society. In short, it is yet another paradox of this astonishing age that high intellect and character have become as great a curse to the individual as abundance of goods to the community.

The continuance of the Work State is, then, not only not favourable to human evolution, but decidedly inimical to it. Religion and science unitedly demand the institution of the Leisure State, that is, a state in which the world's work will be done by a comparatively small number of highly-paid and highly-skilled mechanics and by handicraftsmen working for mere love of their jobs (there will be no 'competition' to kill them, since there will always be enough money to buy whatever is produced). The 'dirty work' will all be done, as far as possible, by machinery, and any that may have to be done by men will be paid for at the highest possible rate, instead of the lowest as at present. Those whose work is not required will use or abuse their leisure according to their natures, but, since most people are sensible and decent, I presume that it will generally be used profitably. Apart from the simple pleasures of domestic life, there will be books to read, music to listen to, knowledge to acquire, sports to enjoy, and the thousand and one hobbies that are usually far more interesting and useful than the 'work' which now snatches us from them to sit in somebody's office. Above all, people will have time to think, and thus we shall revive a fundamental human function which our present civilisation has very nearly killed.

Educate for Leisure

But if the people are to get full benefit from their leisure and build up a real new civilisation, we shall have (287) to educate them with that end in view; which means that education must be conducted on principles very different from those that form its basis at present. The first thing a Social Credit Government would do when its economic scheme was in force would be to raise the school-leaving age to seventeen or eighteen, and then put in charge of education a body of experts to initiate a policy of training the children for a new social life. There will be no more difficulty about finance: no obstacles to giving every child the fullest individual attention. There will no longer be any necessity to economise in either the quality or the quantity of teachers. Small classes will be the rule, and good salaries will attract first-class brains into the teaching profession. All the resources of art, architecture, and building will be employed to make the schools places of beauty.

From such schools we may expect to emerge a generation of jolly young people, with good health, good sense, and good manners; with every faculty trained to get the best out of life; and with the will to give the best that is in them to the service of their fellows. In particular I picture to myself craftsmen taking the place of mere workmen; by which I mean, men who linger lovingly over their work with some of the joy in it now only felt by the artist. A passage from Mr. Chesterton's *The New Jerusalem* will indicate what I mean:

> 'Some people complain that the working man of our own day does not show an individual interest in his work. . . . The medieval workman took so individual an interest in his work that he would call up devils entirely on his own account, carving them in corners according to his own taste and fancy. He would even (288) reproduce the priests who were his patrons and make them as ugly as devils; carving anti-clerical caricatures on the very seats and stalls of the clerics. If a modern householder, on entering his own bathroom, found that the plumber had twisted the taps into the images of two horned and grinning fiends, he would be

> faintly surprised. If the householder, on returning at evening to his house, found the door-knocker distorted into a repulsive likeness of himself, his surprise might even be tinged with disapproval. It may be just as well that builders and bricklayers do not gratuitously attach gargoyles to our smaller residential villas. But well or ill, it is certainly true that this feature of a flexible popular fancy has never reappeared in any school of architecture, or any state of society, since the medieval decline.'

We shall get back to that sort of craftsmanship by means of the very machines that Mr. Chesterton dislikes. That joy in life of which a playful fancy is the fruit is only possible when the individual has leisure and a decent way of living. In the new era the most ordinary domestic objects—jugs, teapots, brooms, doormats—will all be as beautiful and distinguished as they are now ugly and commonplace.

A Leisure State that Was

I look to the Leisure State, then, to produce within a generation or so a race of healthy, handsome, happy, and debonair people, as sociable and cultured as we are self-centred and uncouth. If I have any people in mind as a type, it is the people of Athens in the days of Pericles. Consider that wonderful people, the things they did, and the men they were. Their sociability, their wit, their (289) joyousness, their mental agility. Consider the great men that sprung up among them, and the thing of beauty they made of their city. What modern town of the size of Athens would pay the taxes necessary to build the temples of the Acropolis and fill them with marble and chryselephantine statues? Or build a theatre large enough to contain the whole population? Or listen *en masse* to plays with the tremendous intellectual and poetic content of those of Aeschylus, Sophocles, and Euripides? Or follow with discerning enjoyment a comedy full of literary criticism, like the *Frogs* of Aristophanes? Or build a fleet of three hundred vessels, and fight an empire for the freedom of distant kinsmen? A modern town of the size of Athens is content with a handful of picture-theatres for its intellectual fare, and would plaster the sides of the Acropolis with advertisements.

Consider the men of Athens again, their courage and resourcefulness. Picture the ten thousand hoplites marching to Marathon—a poet and a future statesman carrying spears in the ranks—and then their charge at a run into the heart of the astonished hordes of Persia. Consider their toughness and endurance. It took the work-state Spartans twenty-seven years to beat them, with all Greece at their back, and the Persian Empire to boot. Consider the passion of every Athenian for the city he adorned with marble and gold:

> O richly renowned,
> And with violets crowned!
> O Athens, the envied of nations!'

as Aristophanes sings. What a city, and what a people. Professor Mahaffy noted that there was but *one* instance (290) in their life—the liability of slaves to be tortured in giving legal evidence—of that *stupidity* which is such a leading characteristic of ours. They had their faults, it is true; but they were refreshingly free from a vice distressingly prevalent to-day—that of cant. Aristophanes, who satirised them pretty freely, does not appear to have been aware of the existence of such a thing.

Periclean Athens marks the zenith of the human race. Since that age, despite all our science and all our printing presses, we have undergone a steady decline. This is too big a contention to prove in a brief essay on leisure, but an illustration will show what I mean. A short time ago a certain tennis champion, was invited by a newspaper to give his views on religion to the public, and, by another paper, to write on the disarmament conference. The ordinary reader was delighted, but there was a shriek of derision from the intellectuals. Both, I submit, were wrong. The champion's article on religion shows him to be intellectually a baby, knowing neither what he thinks nor what other people have thought before him. I have not read his article on disarmament, but I doubt if he understands politics either. He was therefore quite unqualified to write these articles, and the silly people who found them 'consoling' and 'enlightening' are past hoping for. On the other hand, why should the intellectuals have assumed that a tennis player must be incompetent to discuss serious subjects? Because, of course, in this age he generally is. But in ancient Athens that would not have been true. It would never have occurred to an Athenian to think that an athlete could not be a man of intellect, any more than it would have occurred to him that a man of intellect could not be an (291) athlete. The Athenian philosopher generally was an athlete, and the Athenian athlete was quite often something of a philosopher, while the average Athenian was a bit of both. This was because in Athens men were educated not to be priests, or politicians, or business men, but to be *kcM Kai ayaffol,* to be fine good men. Take Alcibiades for example, rascal as he was. For years he was the leading figure in Greek politics; he was a successful commander both on land and sea; he was an athlete and a sportsman; a man of culture and a wit; and he could carry on a conversation on philosophy with Socrates and Plato. Compare him with our generals and admirals, with our politicians who know nothing even about politics, with our business-blinded business men, with our athletes who cannot read, and our intellectuals who cannot run. He was, of course, an exceptionally brilliant man even for Athens, but he was the kind of man that Athens produced in abundance; and she produced them by educating her children, with music and gymnastics, for life, not for business.

We cannot do that. In a competitive civilisation we cannot afford to be men. We must all be business men, that is, specialists. We must throw general culture overboard, and train whatever special faculty we may have that will fit us to grab what spoil we can in the scrimmage.

The decline, then, is pretty obvious, and the reason more obvious still. Athens was a Leisure State. Even with Pericles to govern it, with Pheidias and Ictinus to beautify it, with Plato to teach its citizens, with Sophocles and Euripides to inspire them, and with Aristophanes to amuse them, the Athenians would not have been what (292) they were if they had had to hustle and toil like modern men. They were spared that necessity by the institution of slavery. We can deliver ourselves from it by the proper use of our machinery.

Freedom

An independent income is essential to freedom: for no man can be free if his livelihood depends on his pleasing someone else, whether the State or a private employer; and no woman can be free if her livelihood depends on her pleasing some man.

All men and women have the right to be free: therefore every man and woman has the right to an independent income.

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