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

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

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

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

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

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

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

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

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

Service by Civil Conscription

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

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

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

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

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

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

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

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

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

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

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

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

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

* * *

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

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

PART II

THE OBSTACLE

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

BYRON

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

HEWLETT JOHNSON,
Dean of Canterbury

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

UPTON SINCLAIR

The better able we are to produce, the worse we shall be off.
Men are to tramp the streets by the thousands because machines can provide *more* than enough to go round.
This is the economy of a madhouse.

STUART CHASE

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

RUSKIN

CHAPTER V

THE PURPOSE OF INDUSTRY

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

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

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

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

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

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

The Prostitution of Industry to Employment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Prostitution of Industry to Power

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

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

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

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

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

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

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

* * *

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

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

It is *not* to "make work."

For the Reader's Examples and Notes

Prostitution of Industry to Employment

Pages 104 to 107

For the Reader's Examples and Notes

CHAPTER VI

THE FUNCTION OF FINANCE

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

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

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

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

DISTRIBUTION (the system by which Production reaches Consumption).

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

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

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

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

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

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

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

And so we come to Distribution.

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

THERE IS NOTHING WRONG WITH CONSUMPTION *per se*.

THERE IS NOTHING WRONG WITH PRODUCTION *per se*.

BY HYPOTHESIS THEREFORE THE INFECTED ORGAN IS DISTRIBUTION.

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

Parenthesis for Hecklers

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

Finance the Link

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

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

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

Strange Happenings on a Bridge

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

* * *

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

Let us get back to that penny. . . .

CHAPTER VII

MONEY

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

DEFINITIONS

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

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

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

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

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

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

What Money is Made of.

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

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

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

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

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

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

Paper Money

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

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

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

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

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

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

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

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

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

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

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

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

Financial Credit

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

Thus for 1933 the figures were:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

* * *

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

CHAPTER VIII

MONEY AND THE BANKING SYSTEM

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

The Creation of Money

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

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

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

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

The Expansion of Money

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

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

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

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

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

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

customer brought a million dollars to a member bank of the system, the system as a whole could expand this amount $28\frac{1}{2}$ times. Dr Henry Chandler, Economist of the National Bank of Commerce of New York, notes that during the period between March 1924 and March 1927, when gold increased in the United States by 230 millions, the total expansion of financial credit was about thirty-five times that amount. While Dr Chandler does not insist that all of this expansion was due to the new gold, he concludes that every dollar's worth of gold coming into the United States during that period had been "utilised" by the member banks for the primary expansion of credit to the limit permitted by law.

Foreign Investment

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

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

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

And Mr H. B. Brougham:

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

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

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

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

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

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

The Gold Standard

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

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

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

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

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

The Destruction of Money

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

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

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

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

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

The Mountain of Debt

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

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

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

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