

CHAPTER IX

HONESTY THE BEST MONETARY POLICY

THE Signs of a New Truth.—Our task would not be complete if this book failed to convey some hint at least to the mind of the reader of the signs, at first often slight but cumulative and interwoven, by which a scientific investigator or pioneer into novel regions of thought knows when he is on sure ground, even when everyone else may think him mad. This is a philosophic question of great interest, for, if we examine the history of progress, the direction it has taken appears so often a matter of intuition and conviction, rather than to depend on anything that at the time would have been accepted as convincing or logical proof. Yet this is perhaps an external or mass judgment of those who, consciously or not, accept as proof subsequent practical experience rather than fundamental theoretical principles.

One, certainly, of these signs is how what appears nothing so much as a jig-saw puzzle of disconnected events and conundrums suddenly seems to fit together into a picture, to be lost again in a haze of uncertainty, but always returning, each time a little more orderly and definite.

Something of this must have happened to many who, once having started on the road of reversing the conventional illusions, induced by the substitution of money for wealth, can never turn back until they have restored concrete reality and physical ideas everywhere to their rightful place, and can never again hold the conventional and impressionistic beliefs, still prevalent to-day as to the cause and cure of the world's unrest. There appears a satisfying correspondence between the whole nature of the unsolved problem and the dawning interpretation of it, such as that not one of the maladies afflicting the relations of men to-day are due to any real physical insufficiency, such as characterized the earlier epochs of history. They are due to the exact opposite, "over-production," "glut," competition for markets, and the like, which renders the continued existence of poverty and destitution a physical absurdity. Where Mr. Baldwin asked "What is the use of being able to make goods if you cannot sell them?" the new economist would say at once "Why cannot we sell them? What is money for?" and so cut at once the Gordian knot of the whole tangle.

Another sign is the projection of the new view back into the past, and how, there also, it throws light upon what before was mysterious and inexplicable. In this connection it is a gratifying sign that many modern students of history are beginning to realize the important part played

by monetary causes in the changes of fortune and direction that have overtaken nations. They are now comprehending that these monetary causes give a far truer interpretation of the real ferment at work than the personalities and motives of those who were apparently the principal actors in the drama. In the history of the past century we have had occasion to notice how the gold-standard has been operating, and how it has been completely unable to limit, as it was intended, the effect of a false monetary system to each individual country, but gradually extending and widening the area of disturbance until it now embroils the whole world.

Another sign of the power of a new and true idea is its extension from its immediate application to throw new light upon cognate problems. Thus we have seen that the identical mistake which explains the failure of the money system explains also the old confusions in the political and economic sphere concerning capital, and the chronic struggle, as much now as ever in doubt as to the issue, between what is termed capitalism or individualism and socialism.

These then are some of the channels through which a new idea makes its way into the general mind in spite of its being in opposition to inherited and stereotyped habits of thought, and it is the significant glory of our age that owing to the general quickening in the pace of life, to wider and more liberal education, not only of the

formal type, but in the very atmosphere a modern citizen breathes, this period of incubation is becoming incredibly shortened. So that, whereas it took three or four generations, a century ago, for anything new in thought to permeate the general mind, to-day we see the whole process going on before our eyes from year to year. Once the fundamental fact is grasped that we are living in an age distinguished only by its science and by its understanding and control of the physical realities of the external world, then, surely, we must accept the corollary that anything setting itself up against physical reality cannot be allowed to continue. Any attempt to order the world along a physically impassable road is contrary to the motive power behind progress and, if persisted in, can only bring disaster. In brief, we live in a scientific age, the purpose of which is frustrated by the survival of beliefs in money, as the practical mechanism of distribution, which are the exact opposite of those which have made that age possible. The symptoms and repercussions are of infinite obscurity and complexity, but the remedy is neither obscure nor complex. It is as devastatingly simple and effective as correcting an error of arithmetic.

Monetary Reform Begins at Home. The U.S.A. Plan.—Many people wish to make money reform an international question, and have the vague idea that money ought to be international. Some of the interests in favour of this, those who wish

to be able to earn on the highest and spend in the lowest market, have just been referred to. Others believe that until the international banker is under control it is idle to attempt to deal with the internal monetary system. Many think President Roosevelt's policy is really directed to a trial of strength with the international monetary interests before dealing with those nearer home. Whatever may be thought of it, it does not seem as yet to contain a single clear principle which, in the author's view, is essential to any true permanent reform. The national expenditure on economic reconstruction in America is on a scale that will saddle the United States with a permanent new debt, involving it in an increase of taxation to the extent of something like an additional £100 millions a year.

Now it is quite a mistake to imagine that there is likely to be anything at all antagonistic to the monetary interests in a policy designed to increase national debt, for that, in the end, is the chief object and purpose nowadays of war itself. However it may be superficially criticized as extravagant, it is right in the main line of least resistance of the old system. The object of that system is the increase of all the forms of national debt. The acid test of reform is their redemption or amortization out of the revenue. It all would have been totally unnecessary, if the American nation had taken the only sure step to ultimate success from the first, instead of postponing

it and perhaps never reaching it. The first step is to deal with the issue of money itself. For the power of both international and internal banking alike depend on the ability to keep the internal price-level always on the move. Put that under statistical national control, by making all money national and regulating the aggregate amount issued, and free the foreign exchanges, and a nation with an honest monetary system has nothing to fear from the manipulation of the price-level in other countries. But leave the money at home dishonest and allow its price-level to be varied by creating and destroying it as required for speculators, and, sooner or later, it will be made the certain victim of external attack designed to reduce its standard of living to the lowest prevailing elsewhere.

In this respect the United States is certainly stronger and better able to protect itself than the older and more debt-ridden nations of Europe. It may be, as all sensible men must hope, that the courageous positive steps taken by the President of the United States to defeat the artificial paralysis of its economic system by the banking system will leave him strong and respected enough politically to do something likely to be more permanently effective than anything he has yet attempted, that he will be able, in fact, to give the world a money system based on physical reality. But this still appears to be very

much in doubt. If it is argued that speed was the essence of the problem and that quick returns were essential owing to the widespread acute distress, it is just as quick to issue new money correctly as incorrectly, when the principles involved are understood. In any case, the nation had had to assume provisional control over the whole banking system, and under these circumstances, pending complete abolition of the private issue of money, the amount in existence could have been stabilized, and increased by national issues. If this had been done by raising genuine loans and putting them back into circulation by issuing new money with corresponding remission of taxes, the price-level would not have been disturbed. On the other hand, if the object were deliberately to raise prices, no one can pretend there is any difficulty in doing that—the genuine loans would not to that extent have been necessary. The situation from the first moment would then have been absolutely under national control.

Synopsis of the Principles of Reform.—However it is done there can be no question what has to be done. Money is a debt which cannot be repaid because there exists nothing with which to repay it, and capital is a debt that cannot be repaid because against it there exists things of social use only, that can never again be converted into what individuals require and consume. With regard to the first, let it

be issued by and for the whole nation, as and when goods appear on the market for use and consumption without money and which cannot be sold without forcing down prices. With regard to the second, make all debts redeemable by earmarking part of the revenue they yield for amortization, and, for non-productive permanent debts, calculating the yield to allow for the discounting of the future value of the principal to its value in the present as well as for the increment of that value in the future. Let us have, in the first, physical counters instead of magical zeros below zero, and in the second, if increments looking forwards also decrements looking backwards.

As regards transition stages, fix a price index on the cost of the more important expenses of an average middle-class household, require the banks always to keep pound for pound of national money against their current accounts drawable by cheque, set up a national advisory statistical bureau on an independent scientific basis, and reconstitute the mint for the issue of all money. Avoid as the plague schemes for nationalizing banks. The object is to stop private minting and nationalize money itself, not to control legitimate account-keeping or other financial institutions. In future earmark, on the one hand, the proceeds of the issue of money for the relief of the taxpayer, and on the other the proceeds of taxation on "unearned incomes" for the purchase for

the nation of the capital from which they are derived. These at least cover all that appears fundamental and essential as regards the internal reform of the system in the most straightforward and open manner possible, and with the minimum of interference with the nation's economic organization.

Free the Exchanges.—As regards its external economic transactions, both with other nations and with the members of its own family, free the exchanges and put them also under national supervision. Let them find their own level and not drag down nations to the level of the lowest. Let us forget how many dollars in America, francs in France, or marks in Germany used to go to the pound under the gold-standard, and make sure that just as many do go to the pound as will buy the same in the country in question as the pound does here. Reduce gold to the rank of a commodity merely for convenient international settlement and let it be bought and sold like any other goods. Then there is no advantage or disadvantage in the exchange of one country's money for another that does not at once correct itself by making it easier to settle by goods rather than by exchanging money. Then countries can only lend their own goods and services and be repaid with those of their debtors. Instead of being rivals and enemies in each others' markets and setting up tariff barriers to protect their own, and all alike the dupes of complicated

financial operations in which A lends what B borrows and C supplies, nations will be protected by their exchanges, and at long last find peace.

Tall claims? Aye! but the half is not yet said. Let but a single nation stand forth armed cap-à-pie in the garment of honesty, and it can face the world without fear of the chicaneries and conspiracies that still serve for the monetary systems of other countries. Roosevelt, it would seem, does not believe it politically, but nevertheless it would appear to be scientifically true. Reform begins at home. Let the League of Nations look to this. To try and reform the whole world without first dealing with the evil in our midst may be a crusade but it is not practical politics. But to gird on the sword and buckler of truth would be to make the whole world our ally, though all outside were still in the grip of the money-power. As Major Douglas has wisely said, in the same connection, you do not solve a problem by making it larger.

The Real Universal Dictatorship—No doubt many will ridicule the idea that such a nursery notion as honest counting is, in these days, the key to problems which have baffled for generations the collective wisdom of the world's statesmen and advisers. But what does the modern world owe to them? It is a world that has been created by just this type of honesty and by the abolition of all pretended miracles, in

the realm of physical realities, to the limbo of superstition and magic.

It is a curious thought that the earliest description of the steam-engine in antiquity describes its use for the magic opening of the temple doors, when the priests lit the fires on the altars, to deceive the populace into ascribing to a deity what was the work of the engineer. In much the same way to-day, the almost boundless fecundity of the creative scientific discoveries and inventions of the age are being appropriated for the purpose of the mysterious opening of doors into the holy of holies of the temples of mammon by a hierarchy of imposters and humbugs, whom it is the first task of a sane civilization to expose and clear out.

Let us have an end of the pretence that economics should not be concerned with morals, for the sort of morality that is in question is one that economics takes as a matter of course, or otherwise there could be no such thing as an economic system at all. The public, if not the economists, after the experience of the War and post-War epoch, are now fully aware of the insidious swindling to which the system of creating and destroying money has lent itself and it should insist on honest money as infinitely more important than honest weights and measures. The "credit-system", which was held up to reverence last century as a great advance in the facilitation of trade and speculation, now appears as a quite childish device for reckoning money

from an ever-varying datum-line below the zero, useful no doubt at one time but now coming back to roost.

Thousands of pounds worth of valuable property, which took months to make, pass into the possession of people, who have not contributed a hand's turn to the making by a scratch in a bank-ledger behind the doors of some bank-manager's sanctum. Millions of hours of work go into a shipment of goods, perhaps to the other side of the world, and, hi! presto, the exporter is paid for them and given a permit to recoup himself from the goods of his own nation before those he has sold even leave port. Worse, when the foreign goods do arrive to pay for them, the money created disappears. So that under the cabalistic abracadabra of "bills discounted", "acceptances", "money at call and short-notice", the co-existence of nations is becoming an impossibility, and they, too, must go, in order that nothing may hinder the achievement of the physically impossible, the counting below the level where there is anything to count.

Let there be no mistake as to what is wrong. It is not the bill of exchange in itself nor any of the legitimate devices which the commercial world have invented to facilitate international trade, but all banking tricks that could not be performed if the money were made of physical tokens or counters, which cannot be made negative in number. If this were so, then no one whatever,

can get money without someone else giving it up, except the State which issues the money in the first instance. The acid test, like the remedy, is really devastatingly simple, but that will not stop it being opposed to the last ditch by the bankers who, while making all sorts of ridiculous claims that they are not continually creating and destroying money by their methods, do not want such claims put to this simple physical test.

Is it so absurd to suggest that the whole complex of the world's madness could and would be cured by replacing the banker by an honest adding machine? That sort of dictatorship already exists universally in fact, whatever the pretence, and the nation that first recognizes the truth will not need to set up any other dictator within its realm nor fear aggression or interference from without.

Reculer Pour Mieux Sauter.—Thus we have traced the origin of the present-day social and international unrest, and the frustration of the beneficent scientific advances and inventions which have put at the service of man the primary forces of Nature, to one single cause, to debts that from their nature can never be repaid! Two classes have been distinguished. The first is the debt of goods and services given up when money comes into existence, to replace direct exchange by barter and bridge the time-interval between production and ultimate use or consumption. The second is the capital debt

of money given up by individuals, to provide the community with the goods and services required to build up the general productive organization, which are *consumed* in producing the plant and accessories requisite before the initiation of production. These products are of no use to the consumer and by their nature can never be distributed to repay the creditors.

To allay the world's maladies every form of trickery, evasion, and postponement has been tried in vain and many others are proposed, but one remedy remains overlooked, distinguished by directness, simplicity, and effectiveness from all the palliatives, the ameliorations, and the compromises, the blind internecine and international antagonisms and conflicts and the weary round of social and economic strife. It is the truth. Honesty is the best policy, and in no connection could the old adage possibly be more obvious than in regard to money itself. Let us in this respect, as the French say, *reculer pour mieux sauter*. Let us not take a single step forward until we have taken first one back.

Which is it Lawful to Create—Wealth or Money?
—Our political, social, and juridical machinery may be outworn and in need of changes of thought and practice to give scope to the new conditions and modes by which men derive their livelihood. Our forms of human association may be moribund, our belief in them shaken, and the spirit of men in eclipse. But these are not causes

but consequences. Who dare pretend that it is outside the law and constitution of this or any country to succeed in lightening the labour of living and to enable men to live less like beasts? Or who dare say it is within the law to utter and destroy money?

The monetary system is not outworn or senile. It is novel, upstart, and imperious, defeating technological progress by turning it into the channels of destruction, and challenging the autonomy not of one nation but of all alike, so that now the original authorities constituted for the preservation of that autonomy needs must fawn upon it to rule at all. Hampered by national frontiers, nothing can satisfy it till the whole world is made safe for banking, that its fundamental insolvency may defy exposure. Under the specious guise of a unification of humanity, it aims at absolute dictatorship under which none shall be allowed to live save by its favour and for the advancement of its transcendent whims.

The British Way.—Let us not, as other countries have done in the grip of these anti-social innovations, discard a peculiarly native growth, the freedom of the individual and personal life, or be goaded into paroxysms of futile despair under this new absolutism. Let us see it for what it is, deriving its power from the loan of licences to live, its revenues from the tribute that all without exception must pay it, and its irresistible sway from the consequence, only now dawning on

a duped world that, its loans being fictitious, its pawn-tickets can never afterwards be redeemed. Let us go back where others have not dared to move, and press forward where they have had to go back. Let us not enslave men that pretenders may rule, but take back our sovereign powers over money in order that men may be free. It is a road Britons have trod before.

The costly system of juridical machinery we maintain to prevent such things happening did not come into existence or grow in public esteem as the hirelings of government, but because of yore it was the bulwark of peoples against the treachery of governments. Though lying for hire be the primrose path to promotion, testing the truth is still the end of law. Even as the heralds of a new Armageddon are taking wing let the truth be tested—within or without the law. To pretend to hear nothing, to know nothing, the organs of public education drugged, the strong in a trap and the wise in a fog—is that too one of the evils of science or the negation of it?

Is the issue to be tested in the Courts or on the hustings? Is it necessary to have a majority to restore a law that has not been revoked, to stop counterfeiting because it has taken everybody in? Is it necessary to break the law to vindicate the law, or trust to democratic organizations, always officered in advance by the very interests they ostensibly oppose? Is it possible to compromise with a lie by inventing new ones

to cover up the first? Let us lift back our monetary system on to the narrow gauge of honesty as the first step to a leap forward on the broad gauge of progress. It poisons the very air men breathe, rots them for life or fattens them for death, and imputes its curse to science.

The Real Antagonist.—The monetary system is actually based on the very error to the point blank denial of which Western civilization owes its greatness. It serves only the convenience of a parasitic and upstart plutocracy practising a worldly wisdom the exact opposite of that which is the foundation of the age. It prefers the dark in times when all men seek the light, and is sowing the seeds of hatred and war in a world weary to death of strife. It is poisoning the wells of Western civilization, and science must turn from the conquest of Nature to deal with a more sinister antagonist, or lose all it has won.

ENVOI

Clear as crystal waters spring the founts of Truth.
As clear once sprang the science that unloosed
The stream of wealth now dammed and mounting up
To sweep away the age that shuns rebirth.

Virgin springs the fount again, a moment born
Unfouled by intercourse, a moment God
To forge the heart-beat of humanity
And bring belief to being whole and sound.