Chapter VI

PHYSICAL REQUIREMENTS OF A MONEY SYSTEM

MONEY in the New Economics.—It has been necessary to go at some length into the evolution of the existing monetary system, and also to show how it is operating to keep the world in its present highly dangerous and explosive condition. During the course of this exposition certain suggestions have been made for its reform. These depend in part at least on the new and original interpretation of the physical realities of economics that was dealt with to some extent in the introduction. They are likely to be much more easily understood by those engaged in productive avocations than by those trained in outworn habits of thought, from whom, unfortunately for the world, most leaders and administrators have hitherto been selected.

It is not possible to mix these old and new philosophies any more than it is possible to mix science with witchcraft and magic, or for a modern man to think and act within the same horizon of ideas as a primitive people. Above all the new economics of abundance or the monetary system required to distribute it cannot be expounded in terms of the old economics of scarcity. In this new philosophy money itself appears for the first time in its true light, being, instead of wealth, merely a receipt for wealth voluntarily given up for it; used in short as a credit token. To-day, we allow the whole world to be held in the grip of people who have discovered how to get wealth given up to them without even printing receipts for it; in a scientifically controlled civilization the issuer of money would bear to the rest of the economic organism much the same function as the booking clerk at a railway station does to the rest of the railway service. *Just as the latter has to account for the money he receives in return for the services of the railway he distributes, the other would have to account for the goods and services he receives in return for the money he distributes.* Such a simple idea as this is the starting point of the rôle of money in the new era. It is true that money tickets are permanent and, once issued, go on circulating for ever without being destroyed or cancelled. But apart from this very much the same sort of considerations of ordinary common sense are involved as would apply to a railway.

There is now No Shortage of Wealth.—In the new economics there is now no difficulty in creating wealth. Unemployed labour and capital are only waiting to be given orders to proceed to do so. If it were understood once and for all that, when they had done so, the money would be issued by the nation to distribute the product at the same price-level as prevailed when the costs in connection with their production were incurred, nothing else would be necessary to ensure that all the unemployed labour and capital would permanently be put into full productive operation. From that moment the nation, as a matter of course, would be working all out for the creation of wealth for consumption and use as, during the War, it was working all out for the creation of wealth for destruction. It is, in the author's opinion, an exaggeration to suppose that the time has yet arrived when it is impossible usefully to employ any part of the labour and capital available. No doubt a considerable re-orientation of the productive system to meet changed conditions may be required, but for a long time to come we shall have full use for everybody and everything able to assist in the reconstruction of the world.

But those who wish to know further as to the principles to be observed in order to achieve this result must be prepared at this stage to cut the painter altogether and part company from the old metaphysical school of economists, who realized the underlying physical implications of the subject no more than the technically untrained man. To a scientific man, it is well-nigh incredible that a body of men, posing in this very subject as experts, should for nearly a century have failed to distinguish clearly between the consequences of genuine lending and of pretending to lend by creating new money as " bank-credit ".

Motive.—The difference between the economist and sociologist on the one hand, and the scientifically trained mind on the other, could not be better illustrated than in the treatment of human motive, with which it might have been expected that the former would have contributed more than the latter. The economist saw in it nothing deeper than desire for " profit " on the part of a competitive horde of acquisitive individuals. The sociologist fills volumes with the discussion of " -isms ", personifying in the time-honoured guise of gods and demons, and giving capital letters to imaginary protagonists conjured into existence to explain nothing more human than errors of counting and economic swindling, grosser (because more universal), than the falsification of weights and measures. The scientist takes it for granted that, in an individualistic society, unless men can obtain a livelihood somehow they must cease to exist by the ordinary process of starvation, and had better not have been born. He recognizes, however, that there is no power on earth, or for that matter in hell, which can permanently obstruct men from availing themselves of all that their knowledge and skill can derive from nature for their sustenance, thus arriving at a broad and satisfactory theory of war, revolution, sabotage, and social strife, which fits this age as a glove.

The Existing Wealth.—It may be useful to start this brief survey of the obvious physical principles that must be observed if money is to play its correct rôle in an individualistic community, with a trite but physically important proposition. If we contemplate everything of economic value that distinguishes the present civilization from any former one we may be sure that it must have been produced and is not yet consumed. In our advanced civilization it is seldom that people either find or actually make the things that they want. In practice men usually confine themselves to some specialized form of labour, relying for the rest on the activities of others. This is known as the division of labour and, though in the sociological sense this has more and more come to mean a social scale with an over-worked middle and voluntary or involuntary leisure at either end, it is the purely economic sense of the phrase that is intended. The things produced directly by their owners for use and consumption, as being exceptional, may be accounted as produced by people employing themselves, who however require sustenance while doing so no less than those employed to produce for others. It is natural therefore to distinguish two main *purposes* of wealth, according to whether it is consumed in just living, in " Consumption Absolute ", as Ruskin put it, or in producing new wealth for future use and consumption.

Consumption for Production and for Leisure.— The distinction is loosely expressed in the ordinary monetary connotation of the terms spending and earning. But, from a physical point of view, both these actions equally entail consumption of consumable wealth and the use of non-consumable or permanent wealth, however much the things consumed or used, either in just living or in producing for the future, may differ in detail. But it is not only this which accounts for a certain confusion of thought in this subject. In an Age of Want most people asked no more than, and were glad if they got as much as, would maintain them in a reasonable state and comfort for the purpose of production. Wages, or, for that matter, salaries, at least in the lower grades exposed to competition, have never been anything else but fixed by the average remuneration required to enable the worker to carry on his avocation efficiently, in the manner customary, and with the standard of living and the social status usual to that type of avocation, and to suffice to rear a family or provide training for a new generation to carry on the same occupations. Admittedly there has always been a considerable elasticity in determining the remuneration, as well as in the degree of comfort and satisfaction different people derive from the same remuneration, according to an immense range of individual circumstances and aptitudes.

But in an Age of Potential Abundance, with the increasing opportunity for leisure afforded by the increasing efficiency of the production process the distinction is becoming of much greater importance, and it seems desirable to separate this use in "just living", the real leisure use, from the other more sharply. Leisure is becoming no longer a luxury or old-age reward, but a universal economic necessity, outside of the production process, and quite apart from what the term has usually been taken to mean—sufficient recreation to maintain the worker in mental and bodily fitness. Death alone may be expected to rid the world of those who, often doing little enough themselves, yet regard a wage above the subsistence level as an unhealthy symptom and in need of financial correction by deflation. There can be no doubt whatever that, psychologically, this was at the bottom of the disastrous financial policies the country has pursued since the War.

Consumable and Capital Wealth.—But on the physical side there is a very real division of wealth into two categories also, quite outside the one just stressed, which though also purposive or functional in character, does depend on entirely different physical characteristics. It is the distinction between wealth that is consumable and that which is not. It is this that the new economics has stressed. The fundamental importance of it was completely outside the comprehension of the old. The existing confusions especially in regard to the nature of what is meant by the chameleon-like term Capital, including all its derivations and ramifications in the sociological controversies concerning "Capitalism", seem to have their origin mainly in the neglect of this essential difference. Thus to Marx (1859) "The wealth of those societies in which a capitalist mode of production prevails, presents itself as an immense accumulation of commodities". Whereas to a new economist guided by the energy theory of wealth, as already hinted, an immense accumulation of commodities would simply rot. It is quite impossible and moreover very unprofitable to try to accumulate enough wealth even to last the individual through old-age. He is in daily need of fresh wealth, and the accumulation is of debt not wealth. Moreover these capital debts have the identical peculiarity of money itself as a debt. They can never be repaid!

To the individual, it is hardly of importance whether the claim he possesses on the communal revenue of wealth is a pure debt, like the national debt, providing him with an income provided by taxation of the incomes of himself and others, or whether it derives from the output of a revenue-producing enterprise to which he has lent or entrusted money and so helped to start. But even if it is the latter, the productive capital of the enterprise itself is usually almost entirely worth-less, except as a scrap valuation, if not used for the particular purpose for which it was provided, or if better means of supplying the need are invented.

Capital Debts not Repayable.—Productive capital in this sense is only wealth to the individual because (1) it may be *ex*changed for wealth with another individual or (2) because he can charge hire or rent for the use of the plant he has helped to provide. Unless nationally owned, from the community's standpoint it is, like the national debt, merely a source of revenue to the owner of the debt at the expense of the rest of the community. Both equally are physically irrepayable.

The essential consideration underlying the foregoing is that though the two categories of wealth may exchange among individuals, the one cannot be changed into the other at will. The change can only go one way, from consumable wealth into permanent wealth, by feeding and maintaining the producers of wealth. It is a matter of choice whether the producers shall raise pigs and grow corn or build factories, and the maintenance required by the one type of producer is not essentially different from that required by the other. But the choice once made is irrevocable. From the standpoint of the nation, the exchange of one sort of wealth for the other, whether it is A or B who own the one or the other, is not of importance. The one owns the wealth and the other the debt exactly as in the exchange between wealth and money.

Energy Considerations.—This physical distinction between consumable and unconsumable wealth is at bottom an energy distinction. In the class of consumables proper, such as food, fuel, explosives, and similar commodities, we deal with things which are useful because they are consumable or destroyable. In the category of permanent wealth we deal with things that are useful because they are durable and resist destruction. In this class it is usual to distinguish the permanent wealth that people make use of and require in their personal and domestic lives from that which appertains to their avocations in the capacity of producers, and to which the term "productive capital" may be without ambiguity applied. For the former "personal possessions" suffices. Before leaving the point let us go a little farther into why this distinction is so fundamental. The physical qualities contrasted are, superficially, ability to change and ability to endure, or changeability and durability, but this only conceals a deeper meaning. The first class by their change provide the flow of energy which actuates animate beings and inanimate mechanisms alike, but, for the second, just because they are required to endure, it is the other way. They are not used as internal reservoirs or sources of energy at all, but must be capable of withstanding change or alteration when subject to external force or stress. For spontaneous change in the material sphere only occurs accompanied by a change of energy analogous to that of water running downhill. Our distinction at bottom is between the things that can change, yielding such a flow of the energy that actuates life, and those that can resist change when subjected to energy attempting so to flow (force or stress).

In practice we distinguish, in border line cases, by the function; that is to say by which of the two contrasted qualities is the useful one. Clothes, and the like, which are required to last as long as possible, are considered permanent, though for these fashion operates to shift them more over into the consumable class than necessary, the motives of the producer and the consumer being (in our mad world) antagonistic. Whereas however tough a beef-steak may be it is only useful in so far as it is consumable, and in so far as it resists digestion it is undesirable.

Productive Capital not Distributable.—In this sense of Capital, as the unconsumable product of the consumption of consumable wealth, there is no distinction, for example, between a house used as a private dwelling and one used as a factory. Both are the products of the expenditure of work or energy, and in so far as they may be sources of energy themselves (by falling down or catching fire) are undesirable. But from the standpoint of the rôle of money there is this important distinction, that a private house comes into the consumers' mart as one of the commodities required for the use of consumers, whereas the factory does not. Its purpose is intermediate, as Ruskin remarked of Capital, and it never leaves the production system at all. It may change hands within the production system, but that is of no particular national significance so far as the accountancy reflecting its existence is concerned. Yet both are essentially identical so long as we consider only their mode of production. This no doubt was in the mind of J. S. Mill in his statement " The distinction between Capital and Not-Capital does not lie in the kind of commodities, but in the mind of the capitalist, in his will to employ them for one purpose rather than the other ". Nevertheless when he has made up his mind and acted upon his decision a very important distinction does enter. It has been common since the day of Adam Smith to refer to a stock of commodities and plant, mentally ear-marked for use in production, as Capital, and from this to extend the use of the word to money intended for this purpose.

It is impossible in economics to make water-tight logical definitions or distinctions universally applicable in all cases. Even in mechanics the laws become different when we deal with velocities comparable with that of light, though within the range of practical engineering these complications are, as yet at least, completely without significance. But there must be a definite consistent use of the terms within the range, often quite narrow, to which the argument applies. It is far more important that they should have a narrow known and definite meaning than that their meaning should be made so wide and vague as to cover every conceivable contingency. For then, as in political and sociological controversies, they may mean half-a-dozen different things at different times in the course of a single argument. So with Capital, it would probably now be much better never to use the word at all.

Capital under Communism and Individualism.—From the standpoint of the present book the use of the term is confined to the unconsumable product of consumable wealth used for the production of wealth, and it is considered as the sub-category of permanent wealth, distinguished from private possessions by its function in production. We are not concerned with intentions but the physical consequences of actions. It is only in this sense that the controversies concerning nationalization of the means of production, distribution, and exchange, and the differences between Communism and individualism have any real meaning. Forms of government have far less significance than people are apt to suppose. Thus the necessity of capital in the above sense, in general just in proportion as civilization advances, no one now questions. Every new advance in production is due to something analogous to the evolution of the plough into the tractor, demanding more and more people being set aside and maintained while producing and keeping in order the plant required for production, but not actually producing anything whatever that the ultimate consumer requires.

In a Communist state this is no less true than in others. There, the Government, as the owners of everything, take as much as they require not only for their own services but also for the provision of new capital, and the actual producers then get anything of the consumable and privately usable wealth that may be left over. In an individualistic society, for which we are exploring the rôle that money has to serve, the capital is provided by "investment", which means that people instead of consuming all they earn in their private or personal capacity empower others to expend it in revenue-producing enterprise, upon the output of which they acquire a lien or claim. But, after that, they can only get their principal back in any form at all useful to them by exchanging for new wealth their claim with someone else.

The consequence of this is that, in any modern individualistic State, there is always a very great deal of production going on which adds nothing directly to the products people purchase in their capacity of consumers, and which has to be accounted for by "investment" or some form of "saving", in which titles to consume are surrendered by their owners and transferred to others. Moreover this part of the expenditure is, nationally, quite irretrievable and irrepayable.

All Costs of Production are Distributed to Consumers.—It does not in the least affect the accountancy that this "capital" consumption is intended to lighten the labour and cheapen the costs of future production, and, if successful, does actually do so. In physics there is neither interest nor discount, neither lending nor borrowing. All these only refers to mutual arrangements as to ownership which people may choose to make among themselves. Neither do the various elements that make up cost or price enter into the physical accountancy, nor such distinctions as between the relative proportion of raw material, labour, overhead charges, profit, interest, and rent, or between wholesale price, retail price, cost price, sale price, and the like. We are not concerned with how the cost or price is divided among the various individuals participating, but merely with the total, being very sure that whoever receives it, and in whatever capacity, will enter into full individual enjoyment of it, whether it is earned or unearned, just or unjust, for positive or for merely negative and permissive services. Though many such things, of course, may make a great difference to the social well-being of a community, and, in particular, to the relative proportion that an individualistic society may elect to use its wealth on personal consumption and use or in productive expenditure, these things are all *subsequent to* the question of the rôle of money as an accounting mechanism.

Production for Consumers.—Let us separate the two essential functions which are always going on together, so as to see each by itself, and suppose we are dealing with a system neither increasing nor decreasing its output, and with money at a constant price index of purchasing power. As regards the production and consumption of wealth for private and personal use we may divide the circulation proper of money into two halves, the production and consumption halves of the cycle. The two halves of the circle join (1) where money is paid out from the production half as wages and services, for putting wealth into the production side, and so it finds its way into the consumers' pockets (2) where the money is paid back by the consumers into the production system to buy the product they have produced in an earlier equivalent period of production. The circulation of the money is endless, with only the consumable, and privately-usable wealth, produced flowing out at (2) for consumption. The total aggregate paid out in respect of the production of any definite quantity of things produced is the price, and it is only because this money is paid out that the product can be bought and the same money used again to produce a fresh quantity. The same money goes round over and over again distributing an endless succession of goods and services to the consumer.

As already indicated, it is a beginners' mistake to imagine that all the costs incurred by industry are not distributed to buy the product. It is utterly incorrect to suppose that there is any difference between them. Overhead charges, interest, rent, and profits no less than wages, salaries, and costs of materials, all are payments to individuals who do not hoard them in their stockings, but spend or invest them, in their private capacity as consumers, just exactly the same as other people. As regards this one purpose, production for and distribution to the ultimate consumers, the costs incurred balance the costs distributed.

Production for Producers.—But when we consider the second purpose, production of capital, the product is never distributed to consumers at all, but remains its whole useful life in the production system. When a factory is built it is paid for by people, instead of going to the consumers' mart to buy things for their personal use and consumption, returning it direct to the production system, and authorizing the producers to expend it again as wages, etc., to build the factory, but the factory never is distributed to consumers and never can be. This may be expressed by saying that investment or saving by-passes the consumers' mart. The money circulating, instead of taking out the same amount of wealth as it puts in at every revolution, now circulates through the production system twice creating fresh goods, but only takes them out once, resulting in an increase of wealth in the production system. But this increase is "productive capital", useless for the consumers' requirements and, as a matter of fact, it is never distributed at all.

The Accumulation of Debts.—The productive capital is built up by the creation of a permanent and irrepayable debt owned by the investor and owed to him in perpetuity. The same we shall soon come to see applies to every increase in the quantity of consumers' goods in course of production, as well as to the fixed capital, and this is the most important error of accountancy hitherto made by money economists, for until this is understood it is quite impossible to maintain a fixed value for the money or a constant price-level. Both on account of increases of fixed capital and replacements and renewals of obsolete or outworn plant, as well as on account of the increase in goods *in course of* production in an expanding era, if the expansion is not to be ephemeral, the production system distributes *far more* money than the money it receives for the products it distributes, and the difference is the accumulating capital debt, under which all nations alike are now groaning.

Solution of the Unemployment Problem.—The immediate problem that has to be solved is to bring back at once into useful production the whole of the available unemployed labour and capital. The most conservative estimate is that in this country a twenty-five per cent increase would at once result. This means that in a few months everyone would on the average be twenty-five per cent better off than before. But the real increase that would result, if production were no longer throttled by money manipulation, cannot possibly be estimated from the present figures, as so much of the output is now distributed by piling up redundant and superfluous distribution costs, and this would no longer be necessary. It is perfectly correct to issue new money after the increase in the rate of production has been proceeding long enough for the increased quantity of goods to appear on the market. The retailers then have new goods equal in value to the new money issued to distribute them. But it is quite wrong to issue it as a debt to industry in order to enable the new production to be *begun*. That is precisely analogous to setting up a booking office before the railway is built and financing the building of the railway by the forward sale of tickets.

Cost of Increasing Production not Repayable.—A simple illustrative example may serve to make this vital point clearer. Suppose a weekly additional distribution of a million pounds' worth of goods is desired, and that it takes thirty weeks from start to finish of production before the first new million pounds' worth appears for sale, after which there will be a similar amount appearing every week. If the costs of production are uniform over the period of production, then the appearance of the first new million pounds' worth of wealth corresponds with the expenditure not of a million pounds but of fifteen million pounds—in general, of half the product of the time in weeks and the quantity produced per week. Besides the finished product, there will be thirty weeks' production of unfinished products ranging from zero value at the beginning to full value at the end, and, on the average, of half the value of the finished product. All of this is taken from the value of the existing money by extending credit to the producer without anyone giving up anything at all. The money loses in value in proportion to the increase because the new issue takes out of the market the equivalent of finished goods without putting any back into the market. While, as regards the fifteen million pounds' worth of intermediates it puts in, *that quantity must remain there for ever after*, as much being put in as comes out, unless the new increased scale of production is to be reduced again to what it was at first.

The case is entirely analogous to starting to distribute oil by means of a new pipeline, and omitting to account for the quantity necessary to fill the pipes. Always that amount more of oil must be put in than comes out, so that this part of the fluid saleable wealth has to be accounted in the monetary system exactly as fixed capital and paid for by permanent investment, in which the consumers' mart is by-passed and the money paid out of the production system is put back directly into it without taking out anything from it.

Exchange of Owners Contrasted with Creation *of Wealth.*—Before leaving the complexities appertaining to the exchanges between wealth and money, slurred over rather than elucidated by the vague term " circulation ", which have led economists into all sorts of impressions anent its " velocity " and the changes consequent upon the increases and decreases thereof in increasing and decreasing the rate of production of wealth, we may, for completeness, consider a few of the less essential operations. The division of the cycle into two parts, a producers' side and a consumers', side, is a device to eliminate the unessential exchanges, and it remains to consider these. They are of the nature of changes of identity of individual owners of property. On the consumers' side, all sorts of exchanges are going on mainly in regard to permanent possessions, sales of houses, estates, furniture, and the same is true, on the production side, with regard to plant, factories, and investments representing ownership in, or debt-claims upon, the production system. Nor does it seem to be important that individuals owning private property may exchange it for capital investments and vice versa, for in such cases the owners exchange sides leaving the wealth where it was. The circulation of money proper is distinct from all such mere exchange of ownership in this, that it is essentially an exchange of services for the creation of new finished wealth, and it is only in *this* exchange that *new* wealth arises.

The Quantity of Money cannot be Calculated.— But the complexities show that it is not possible to calculate beforehand exactly how much money must be issued to distribute any given increase in the rate of production. One cannot simply say there must be always as much money as there are goods for sale. A similar point, called attention to by recent writers, is the greater quantity of money "absorbed" in the production system through the growing complexity of methods of production and the number of different organizations handling in series the wealth in course of manufacture, which is one of the consequences of the division of labour. We have to avoid endless calculations of this character.

The habits and customs prevailing both among producers and consumers cannot be eliminated from the question as to the quantity of money that ought to exist to distribute, at a constant price-level, any given output, or how that must be increased as the output increases. Thus, in the given illustration, it would only require a million pounds of new money if, after the system had settled down at the increased output, it took a week on the average for the money after its presentation at the consumers' mart to arrive there again. It is hardly possible even to guess this, from such data as may exist concerning a monetary system in which the quantity is reckoned from an always varying minus number, and in which the amount in existence is unknown because of the slurring over of the distinction between current and time-deposits. For similar reasons, the amount of genuine investment necessary, as a preliminary building up of the system to a higher output, is completely incalculable. It depends entirely on innumerable average factors, none of them very definitely known, relative to the nature of the increased production which the public demand, again unknown in advance.

The Price Index Determines the Quantity of Money.—Fortunately it is entirely unnecessary to go further into these unknown factors, because the price index itself, under the system described, regulates the rate at which the new money would be issued. Postulating money only created, or if necessary destroyed, at the bidding of statisticians watching the price movements, and then issued to consumers as a relief from taxation, the price index would be controlled on the same principles as the speed of an engine is controlled by the engine driver. The latter could not possibly tell beforehand the integrated effect of the factors affecting the speed of the train, such as the gradient, the efficiency of the engine, the temperature and pressure of the steam, and so on. He simply opens the throttle if he wants to go faster and shuts it down if he wants to go slower, leaving the rest to his fireman. The production of new wealth under the most efficient and rapid processes can safely be left to the technologist.

All that is necessary is to have a system of creating new money if the price-level tends to fall and unsaleable goods to stack up, and to destroy it if they get scarcer and prices tend to rise. This is quite impossible under the existing banking system, but quite possible under a rational, scientific, and national system, designed in accordance with the physical realities to which the production and consumption of wealth must conform. To imagine otherwise is to attempt to preserve a system in which money is issued not to distribute wealth but as a source of revenue. If there is one lesson that the history of money enforces, it is that when its issue is used as a means of enriching the issuer, whether the issuer be the State, the bank, or the counterfeiter, it is the most disintegrating and dangerous power ever invented by man. If there is any such thing as corporate will or corporate sense of danger in a community, it is imperative this lesson should be learned before it is too late.

The Wasteful Costs of Distribution.—But before leaving this subject it may be stressed again how large a part of the present effort of humanity is directed to the piling up of all sorts of unnecessary distribution costs to distribute the product, and enable everyone to share in the limited output, that is entailed by our fundamentally false monetary system. If these were eliminated, as they naturally would gradually be eliminated, by having always sufficient money to distribute all that can be made, we may look not for a twenty-five per cent increase of prosperity but for a four- or five-fold increase. As Sydney Reeve stresses in his writings, over eighty per cent of the cost is piled up under " commercialism " by entirely unnecessary competition for the *sale* of goods, whereas the costs of their manufacture are fined down to a fraction of one per cent. This undoubtedly is the gravest consequence of the orthodox economists mistaking the exchange of goods for their creation and not bothering very much about the latter at all.

The Rôle of Money Summarized.—Summarizing this account of the rôle of money as the accounting mechanism, we find, taking the wide definition of costs explained (p. 149), that everything that exists of wealth of use to consumers is accounted or paid for by the true circulation of money, through the production and consumption systems, the money being paid out from the former for services in producing wealth and back again into it to take the wealth produced out. The existing wealth is the difference between what has been produced and what has been consumed, and this is continually changing owners by means of the hither and thither movements of money among individual consumers, apart from and without effect on the true circulation. With regard to what exists of wealth of use to producers, which is subject to the same perpetual exchange of owners by similar movements of money among producers without effect on the true circulation, and which also comes into existence in the same way as the consumers' wealth by this circulation, it is not, strictly speaking, accounted or paid for, but the costs of production accumulate as a permanent debt-charge on the production system. Exactly the same is the case for all the consumers' wealth in course or process of production, and the fact that this will ultimately be distributed to consumers makes no difference whatever to the accounting, as economic systems have to function continuously and for ever without being wound up. On the other hand, money itself is an asset in drawing up the balance of costs, on account of the fact that its possessors accept and regard it as payment in full, though in fact it is a promise to pay in the future. To this extent what is given up for it in the way of goods and services—the Virtual Wealth—is available to pay part of the costs incurred in the production system, but it can only be in general a small part even of the particular costs last considered, namely those sunk in the wealth in course of production. No scheme of monetary reform can be correct, or any money system sound, in which all the existing wealth cannot be accounted for in some such manner as the foregoing.