

CHAPTER VIII

THE PRACTICAL SITUATION

IS the New or the Old Economics upside Down?—
In this book the critical exposure has been attempted of the chief errors of the past. A civilization of truly unlimited promise has been side-tracked from the broad highway of progress and plunged into a morass of bottomless deceit and evasion, in which it is now aimlessly floundering and struggling, and from which it is doubtful whether it will ever again emerge. If it has been necessary so much to reinforce the cold impersonal language of science by the denunciation of fraudulent practices, it is because delays are dangerous and these practices ought by now to be well-known to all men of good-will anxious to avoid another holocaust.

We began our inquiries by asking the ordinary man to reverse his natural way of looking upon his own money and to consider how he got it (it being nothing for something), rather than its subsequent use to him, in which he merely gets back what was given up for it. Once men will think in that way then money itself begins to appear as the opposite of what it is supposed to be, which is the going without of a vast collection of useful and valuable property

by the community fully entitled to own it, and which any individual is at liberty to own if desired, though in fact only by getting another to take his place in going without it.

At first, no doubt, all these ideas appear upside down, a merely pedantic and wilful inversion of the natural way of looking at the problem. But it is safe to say that anyone who has ever really started on this road and tried to follow it can never go back. Nothing in the whole world can ever look quite the same again. Is it the new view that is upside down or the old? Those queues of hopeless and miserably nourished unemployed which, if stretched out in single rank, shoulder to shoulder, would line the motor-road from Lands End to John o' Groats and be jammed together to get them all in—are they a sign of poverty or wealth? Those columns and columns of stock-exchange securities that daily sprawl over the pages of the morning newspapers—are they really evidence of national prosperity? The national debt alone, some £8,000 millions, or £160 per man, woman, or child, bringing in something like a million of interest every day to someone, is it debt or wealth? Everything depends on the point of view. If we would understand national economic problems we must drop our conventional ideas altogether and turn ourselves right round, just as we had to do with money itself in order to see it in its true light.

Abundance First, Apportionment Second.—Then again how utterly inverted appears the ordinary mentality derived from the past age of scarcity that there is only a limited amount of wealth in the world and what anyone gets is at the expense of someone else, and all the jealous bickering over the share of the conflicting interests in the output, rather than a common and loyal co-operation to make the output larger, and provide and distribute more with less work. As regards any one moment of time it is, of course, true that there is only so much available for distribution and no more, but in the sense intended it is about as true as if every shell fired in the War had been regarded as one less left to fire, and totally untrue. Wealth is a flow, not a store, and just as during the War the output of munitions rose steadily the longer the War lasted, so in peace the output of the things consumed and used in living could, but for the monetary stranglehold, be continuously increased to any extent desired in reason. As it is, on the average, probably not one person in five is doing anything whatever to produce or assist others to produce what is being consumed, and the whole productive work is carried on by a small minority. The rest of the gainfully-employed population is either engaged in bargaining as to the price and trying to sell the product to people with insufficient money to buy, or actually deriving a livelihood by obstructing and hindering production. So it is in the international sphere ; fiscal entanglements

of every kind are erected to prevent the smooth exchange of the abundance of one nation with that of another.

The Attitude of the Public Towards Cost.— If there is one sphere in which a change of heart is called for, it is in the attitude of the public towards costs, and their misguided passion for cheapness. This attitude is of course induced by the artificial scarcity of money, but what does it end in? Far more is being spent nowadays on selling things than in making them. Although everyone wants to be paid well for his work, and price is nothing else but the sum total of the payments made from the moment production starts until the sale is effected, as soon as people turn from earning money to spending it, they all with one accord want to beat down the price, and, like the bankers, want to get something for nothing. They finish up by paying on the average probably twice as much as they need do and reduce their own earnings to half as much as they might be, three-quarters of the cost representing unnecessary costs of commercial haggling and bargaining, competitive sales organization, and advertising, which do not contribute an iota to the value received. The cost of distributing the product ought, like the cost of producing it, to be exactly known and to be brought down to the minimum by efficient organization, not raised to the maximum by wasteful and unnecessary competition. Even more could be done to raise

the general standard of living, and give all a larger income and greater leisure, by deflecting into production an increasing proportion of those now engaged in distribution and selling, than by the full and efficient employment of all existing labour and capital. Hours of labour and rates of wages and salary are purely traditional. The eight-hour day which seemed so outrageous a demand to the Victorian taskmasters is already considered a maximum rather than a minimum. Free the workers from the competition of backward and less civilized workers by freeing the exchanges, and provide money automatically sufficient to distribute at the actual competitive price all the goods and services the production system is actually turning out, and the whole nation could live on a much ampler scale and with far less work than now. It is idle to give estimates which are but guesses, though a five-fold increase of income with much shorter working hours, as quoted by some of the technocrats in America, seems in Europe to be not unreasonably within sight even of people now alive. But it is far better to give people sufficient money resources to cultivate their own personal lives and tastes according to their own choice than to professionalize recreation, education, and culture and make them a source of commercial profit.

Government Interference in Economics not Helpful.—There are many who may disagree with the author's view that, if money were freed

from its stranglehold on the creative functions of society and restored to its proper place as a distributory mechanism, and if, by amortization or otherwise, the unlimited accumulation of communal debt was prevented, and that already accumulated reduced, there is not much wrong with the productive economic system as such. All sorts of fears will no doubt be entertained as to the consequences, but in the author's opinion none of the problems likely to arise will *then* be difficult to deal with, as and if they occur. An economic system is necessarily an equilibrium condition integrating the actions of the individuals comprising it, and the result cannot help being an average of all the efforts exerted by the individuals in providing most efficiently and least wastefully for their own personal livelihood. With a better physical understanding of the national aspects, and of the conventions underlying the economics of individuals, less and less interference from Government and more and more intelligent direction from those within the system itself, actively engaged in the work of supplying and satisfying the economic needs of the community, seem called for. If too many people try to "save" the rate of interest will fall and make it less advantageous to do so, and if saving is insufficient to maintain and increase the productive capital, the rate of interest will rise to counteract the tendency. In an Age of Plenty these matters can safely be left to adjust

themselves, once the monetary and debt system has been put into accord with physical reality. It is the creation of money for speculative gambling that distorts this truth.

A Progressive Evolution of Industry.—This is not to deny the need or importance of a progressive evolution of industry from its present bondage to ownership, and from the last vestige of economic subservience or slavery. To this end the plans of the Guild-Socialists are directed. The bitter struggles of the past century will not have been in vain if thereby they have developed among the personnel and rank-and-file of labour a loyalty and sense of responsibility to themselves which they should be proud to devote to the work of the whole community. But these further advances all depend on a gradual and orderly growth, which, in the first instance, can only come about through a rising standard of living. This is being held back and frustrated by the perpetual strife and sabotage that have marked the struggles of the past, and which are primarily due to our utterly fraudulent monetary system. The same could be said of all the ameliorative social legislation of the past century, which merely tried to deal with and diminish the suffering occasioned by the money system without in one single instance intelligently striking at the cause. But all these social and political problems lie without the proper scope of this book, the primary object of which has been to

expound the legitimate rôle of money, to deal faithfully with the existing system as it has grown up, and to show how it is frustrating every effort towards bringing about a saner and happier state of things. Whatever further social changes experience may dictate, no unbiassed inquirer into the subject of money to-day can long escape the conclusion that, until the system is drastically transformed and its mistakes eliminated, there can be no hope of peace, honesty, or stability again in this world.

Monetary Reform First.—However desirable and necessary it may be to overhaul the political, social, and economic machinery of the modern State to allow scope and freedom for the new possibilities of life introduced by modern scientific progress to develop, the peculiar difficulties that have attended this progress are not due in any direct way to its obstruction by old habits of thought but by the new and totally false ideas concerning money. It is necessary in this respect to return to the fundamental basis of money as something no private person should be allowed to create for himself. All, equally, should have to give up for money the equivalent value in goods and services before they can obtain it. What we have now is not properly speaking a monetary system at all, and money to-day, as something always being created and destroyed by borrowing and repayment, is a phenomenon new in history. So also are all the familiar evils of the day new

in history. They are all consequences of a false money system. The continual growth of unemployment is an example. The power of employment is not given ultimately by possession of money but by possession of the physical necessities used and consumed by the worker in the course of his employment. Instead of these being only obtainable by people who have themselves given up equivalent goods or services, the nation's stock of its means of employment is continually being depleted by defalcations only different from the petty peculations of the counterfeiter and forger of notes on account of their universality and colossal extent. Modern unemployment, like modern money, is a new phenomenon. No person who really understands the physical significance of what is going on in the economic world to-day, through the arbitrary private creation and destruction of money, can feel any surprise whatever that the world has been brought so nearly to disaster.

Even a schoolboy can understand the distinction between lending to another, that is going without oneself, and lending what belongs to someone else, so avoiding having to go without oneself. Economists still write as though the nation existed for the sake of banks, the public being adequately compensated by the banks not charging their ordinary clients and customers for their services in keeping their accounts. But surely the banks are hardly the people to be trusted

to advise as to the economic affairs of a great commercial and industrial nation. The ordinary man at least will appreciate the importance of honesty in the monetary system, though he is likely greatly to overestimate the difficulties in the way of the nation getting it.

The Existing System on the Horns of a Dilemma.—By those fundamentally opposed to any reform, which would stabilize the internal price-level and prevent the incessant fluctuation in the value of money out of which they derive their livelihood by some form of speculation, the issue has so far been represented as an alternative between fixing the internal price-level or fixing the foreign exchanges. The real truth is, rather, that these interests want the banks to continue to be able to create money, for their own and similar uses, without having to bother about finding genuine lenders. They want a certain predictable initial rise of prices, with the exchanges fixed or pegged to bring back the value again to par *after* prices have been raised. They want the banks, who provide them with money for nothing, to destroy it after they have profited by the use of it. But if the first were prevented, the question of the exchanges would assume very much less importance.

True, if banks are to continue to be at liberty to raise the internal price-level by fictitious loans and, if this is not periodically brought down again by devious methods adopted to fix

the exchanges, all our imports will cost us proportionately more, just as the value of the home money is debased, and our investments abroad will thereby be proportionately reduced in value both as regards principal and interest. The opposite of course applies to the present time. The monetary policies adopted to benefit the rentier at home operate as much against foreign as against home-debtors and are proving a powerful disintegrating influence within the Empire. This nation has only itself to blame if its foreign debtors go bankrupt or find other means of evading their artificially inflated burdens altogether.

The common argument in favour of pegging the exchanges is that the nation's food, which it buys so largely from abroad with the interest payment of past investments, will otherwise be jeopardized. But as an argument against the nation issuing its own money it is ludicrous. It is the existing system which is perpetually on the horns of a dilemma, and at its wits' end how to monkey with the internal price-level without jeopardizing foreign investments. Prevent the first and the second will not occur.

The Economic Necessity of Frontiers.—Nevertheless there will still remain very powerful interests in favour of fixing the exchanges rather than the internal price-level. They will have thought it out this way. When the exchanges are free, they go of course against the country

in which goods are the dearer to produce and in favour of those in which they are cheaper, so preventing the markets of the former from being subjected to the competition of the latter. The money as it crosses the frontier then adjusts itself automatically to the costs of living in the new country. If they are lower there the money loses in buying power and, if higher, it gains, so that it is always able to buy much the same wealth, whichever side of the frontier it is. But on the ordinary financial and pecuniary principles of the rentier and banker this appears wrong, and it ought, they think, to be corrected by some way of fixing the exchanges. It seems absurd that a person in possession of a fixed monetary income, crossing a frontier from where goods are dear and the standard of living and wages high, should be no better off than he was before he emigrated to a country where goods are cheap and the standard of living and wage-level are low.

The argument really amounts to this. That a person who has saved in one country and has a definite income should be able to transfer himself to another country and spend his income where he can get most for it—that he should be able to earn it in the highest and spend it in the lowest market. Frontiers, which are a protection to those who have to earn their living, are a hindrance to those who do not. All the propaganda towards the unification of the whole world in one brotherhood, when they are all still at different stages

of evolution and standards of living, though no doubt arising from falsely idealistic religious sentiment, is sedulously fostered by those who do not have to earn their living, or, if they do, wish to spend what they earn in another country. The difference between leaving the exchanges free and attempting to stabilize them is that, while no impediment is offered to those who wish to reside in a foreign country, there is no economic advantage to be gained by it. Whereas if the exchanges are fixed, then clearly it is quite unnecessary to emigrate to get the advantage in spending of a lower standard of living elsewhere. It does not matter whether they are fixed "automatically" by a gold-standard or, as appears to have been also the case in the 1929 U.S.A. slump, by arbitrary deflation, the standard of wages and living in the more advanced countries is thereby depressed to that of the standard prevailing in the less advanced countries.

Free Exchanges Mean Free Trade.—With free foreign exchanges there would be no need of tariff barriers or complicated fiscal agreements, the nations would be free to trade for their mutual benefit, and there would be no such thing as the general standards of living in the more developed being endangered by external competition with the rest of the world. Genuine lending and borrowing between nations would cease to be a danger and become unobjectionable if internal price-levels were fixed and the exchanges

freed. In brief, the whole complicated fiscal paraphernalia that now hinders goods from crossing frontiers could disappear if the monies of different countries were only able to exchange at their respective purchasing powers each in its own country, and if the arbitrary parity ratios established when they were all convertible into gold were abandoned once for all. The price-level in any one country being fixed as described, variations in the foreign exchanges would then be almost entirely due to variations in the price-levels abroad, and this, surely, is as it should be.

Compromise Hardly Feasible.—Many influential people, if only because they object to sudden changes, will wish to compromise by continuing the banking system with such modifications and safeguards as the modern philosophy of money can suggest. But it is not in the nature of science to believe false accountancy to be a matter for compromise. Some people must gain to others' hurt, and the whole argument in favour of compromise is really directed towards ascertaining exactly how the injuries can best be concealed from the knowledge of the unsuspecting victims.

Clearly the vital point on which no compromise is possible is the aggregate quantity of money, which ought always to be publicly known, as was recognized for the ancient token money that circulated in Athens and Sparta many centuries before Christ. The power of increasing or decreasing this aggregate quantity of money must

be wrested from the banking system and vested in the central control of the nation. Moreover, the last people to trust in deciding whether the issue should be increased or decreased are those born and brought up in the jargon of the money-market. All their cant phrases—"speculative boom", "fictitious prosperity", "over confidence", and the like, so glibly swallowed by supposed impartial students of money in the past, should be now universally recognized as the polite way of informing the initiated that the standard of living of the working class is rising dangerously above subsistence level, and the appropriate monkeying with the quantity of money is being engineered to bring it down.