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THE PEOPLE'S CHARTER

THE PEOPLE'S CHARTER

“THAT MEN MAY LIVE OUT THEIR LIVES
IN FREEDOM FROM FEAR AND WANT”

by
H. N. BARNES

THE UNSEEN FACTOR IN ECONOMICS

**The cause of Trade Cycles and Slumps,
together with the 2×2 means of their
prevention.**

**With an examination of Board of Trade
facts pointing to the utter incapacity of
International Trade to secure internal
prosperity and economic stability.**

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THE GREAT MAGNA CHARTA freed us from the despotism of Kings. The People's Charter of 1838 freed us from the despotism of the Power of Privilege. If the adoption of the present Charter will free us from the greatest despotism of all, the despotism of the fear of insecurity, unemployment and poverty, it would be the greatest and most far-reaching measure ever passed through Parliament.

THE PEOPLE'S CHARTER

A DIAGNOSIS OF THE ORIGIN OF TRADE SLUMPS TOGETHER WITH A MEANS OF PREVENTION

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THE diagnosis forming the subject-matter of these pages is the outcome of an attempt on the part of an ordinary business man—a manufacturer—by working on rather unorthodox lines to solve the riddle of the Great Slump of 1930–1933, the cause of which baffled the best brains of the nation.

That particular spell of economic devastation is now past history, but in view of the reasonable assumption that all slumps, i.e. all Cycles of Trade, originate more or less from the same cause, it seemed a bit weak of us and an admission of defeat to have left the matter where it stood, which incidentally means that being ignorant of the particular shape and colour of the microbe that starts the trouble, we do not recognise it when we see it, and so leave ourselves wide open to its attack at any and every time it chooses to get busy.

The balance sheet of an ordinary business is a tale of commercial 'cause and effect' and must square; it must have no loose ends. The balance sheet of a Nation is but much the same thing multiplied umpteen times and subject to the same laws. This balance sheet is contained in the figures given in the Board of Trade Blue books.

National figures must perforce run into hundreds or thousands of millions. Unfortunately figures of these magnitudes appear to have such a mesmeric effect on the minds of most of us that when considering them we appear to lose our logical faculties, and fail to grasp their logical meaning or sequence. They are too

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much for us. They swamp our sense of proportion. We seem to forget or ignore the fact that no matter to what dizzy heights they soar they are but multiplication of the simple and logical root that 2×2 makes 4—*always*—the root on which, incidentally, this diagnosis is based.

Working on the aforesaid unorthodox lines and dissecting the Nation's Balance Sheet with the same kind of 2×2 'eye' that we use in dissecting a private one, produced some rather astonishing results, as astonishing to the writer as no doubt they may be to the reader.

These results pointed in no unmistakable manner to the real factor that causes the trouble—the cause of slumps—the cause of *any* slump—at *any* time. It showed the true shape and nature of the microbe in all its devilishness. It also showed—a matter much more to the point—the *irrefutable means of circumventing it*, of drawing its sting, of making it powerless, so that our ship of Trade and Employment always rides on an even keel, and in smooth waters, except for the occasional and unavoidable ripples due to seasonal changes or changes in fashion.

The employment of these 'means' does not imply a mental rebirth, that our passing through the crucible of war will change us from economic sinners to saints, and that henceforth we shall do no economic wrong; neither does it imply restrictions on our individual manner or mode of life. It makes no demand on the liberties to which as free people we are *entitled*. Note the emphasis on this word entitled, for as the facts of the diagnosis will in due course disclose, there is one liberty we enjoy—rightfully enjoy—but unwittingly *abuse*—an abuse which is the basic root of the trouble.

Though the adoption of these 'means' would open up a new era—an era of continuous prosperity and security for both the rich and poor alike—whether we shall have the sense or guts to employ them is an entirely different matter.

The boon of Daylight Saving is a classic example of this attitude, for so fierce and long-drawn-out was the opposition, that Willett—its originator—had to give up practically the whole of his life to advocating its adoption and unfortunately did not live to see it put into practice.

The reaction of the reader to the statement that all these marvellous things are possible and practical, with or without complete reorganisation of our daily lives, can be summarised in the single word CRANK, which is exactly the reaction the writer would have had in similar circumstances. How, it will be asked, is it possible that a cure for an economic sore that has troubled the world for centuries can suddenly evolve, like a jack-in-a-box, out of nothing?

The statement, however, is not based upon theories but upon solid Board of Trade *facts*. Facts plain for us all to see. Facts of such a 2×2 nature that whatever our individual prejudices or life-long beliefs may be, they cannot be ignored or impatiently brushed aside—as we are wont to do when we come up against obstacles which do not square with those beliefs.

The writer makes no claim to be any more brainy than the rest of us, but unfortunately for his peace of mind, he has a constitutional hatred of loose ends, especially the economic loose ends which directly affect our daily lives. Hence the diagnosis. If there is anything extraordinary about the matter, it is not that the Unseen Factor that causes periodic trade slumps is at last seen but why it has remained for so long 'unseen,' for once we get on its track it becomes mountain plain—it sticks out a mile.

The tentative bones of the diagnosis were gathered at about the time we began to recover from the Great Slump. Their gathering was due to a glimmering conviction rising in the mind—as evidenced by the diametrically conflicting reasons and cures put forward by the Nation's leaders (professional economists not excluded)—that it was possible the 'man in the street' (or the

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pub, as the more modern phrase has it) may know as much about the matter as they. It was quite evident they couldn't very well know much less, for our experts at that time reminded us of the clever feat of Stephen Leacock's Knight who 'donned his armour, mounted his steed and at once galloped in every direction.'

The results—purposely so—were not got down on paper until about 1937, which gave us the Overseas Trade figures of the three slump years and the three years of normal trade which followed them. The reason for this was that although the proof of the findings was contained within the diagnosis itself, so deep-seated are our prejudices in respect to certain economic factors, it required the experience of passing from bad trade to good and the examination of the causes which *did* or *did not* bring it about, to put the proof beyond question or argument.

Even then, owing to war and rumours of war, the results were not published. Moreover, as the writer had, anyway to his own satisfaction, 'squared the circle' and tied up the loose ends the matter was filed away for some future date.

While it is agreed that our immediate task is to win the war, its publication at this date is due to the tentative pronouncements appearing from time to time in the press and elsewhere, on Post-War Reconstruction. The replanning and rebuilding of our bombed towns and cities is a physical matter presenting no economic subtleties, being mainly a question of labour and right planning. The reconstruction of our trade and social lives is, however, an entirely different question, and if these tentative pronouncements are any guide, the lesson of the Great Slump taught us nothing and moreover we have learnt nothing since.

The immediate post-war years will without question be a time of frenzied trade activity, for there will be much to do both in restocking ourselves with our normal peace-time needs, rebuilding our wrecked areas, and making up the time lag in normal building.

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It is after this frenzied period is over and the clamour and the shouting have died down, that the real testing time will come. The time when, unless we take the obvious means to prevent it, our creeping and deadly microbe will again commence his devilish work, and by slow but sure degrees drive us once again into a pit of trade depression, which in this case will be a pit of such a depth that, in retrospect, that of the Great Slump will seem like a plateau.

Trade being the uncontrolled factor it has always been, there will be nothing to prevent this, and like economic lunatics we shall again, as always, be running around in circles wringing our hands, while as ever, the rich become less rich and the unemployed worker will well-nigh starve.

We are told by our leaders—mainly in addressing labour (and no doubt they honestly believe what they say)—that ‘never again shall this or that happen. Never again shall able workers—skilled or unskilled—be allowed to rot in idleness or be damned to a life of semi-starvation, their children dying or being injured for life by malnutrition.’ All brave and comforting words, the only thing being wrong with them—as witness our absolute helplessness in the time of the Great Slump—is that they carry no guarantee and moreover, under our present uncontrolled trade system, cannot possibly carry a guarantee.

No Government under this or any other system can ‘provide employment’ for every worker (manual, clerical or technical) who may be out of a job, for except for the personnel of its fighting and civil services, it is not an employer of labour, nor is it an employment-arranging agency. Such is not the Government’s function and moreover, under any democratic system, it cannot become its function, and the quicker we get this 2×2 fact well into our consciousness the better for our clear thinking.

All the Government can do is to provide, via taxation, a full week’s pay for every unemployed person—which is a poor ‘get-

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out,' for there is nothing so deadening and wearisome for any of us, whatever our job in life, as continuous and enforced idleness. It is a soul-destroying and degrading feeling that no matter to what degree of skill or knowledge we may have attained in our particular job, we are thrown on the shelf like an unwanted tool—that there is no corner or place for us in the world's activities. Further—and it is a point of which to take special note for post-war consideration—there is no quicker means than this condition, of breeding a feeling of revolution in the mind of any self-respecting person, as the writer knows only too well from spells of actual experience in early life—spells which had they persisted would have quickly driven him into being one of the reddest of the 'Reds.'

To resume. According to the aforesaid tentative pronouncements, the better economic world we are promised in relation to trade and employment is to be brought about chiefly by some sort of federation of friendly States between whom there will be close co-operation, resulting in an intensified measure of International Trade. This favoured and intensified trade redounding to the mutual benefit of the parties concerned is, therefore, to ensure prosperity.

In short, the amplification of our overseas trade is to be the spearhead of our activity.

In blunt language this means that we shall once again start chasing the same Will o' the Wisp we have chased for a century or more, and with the same barren result.

Note: The writer is quite aware that in even questioning the paramount importance of our Overseas Trade he is committing a crime against our most cherished beliefs that is little short of sacrilege. Facts, however, were 'aye stubborn chieils' and his defence is that, being much as the rest of us and holding the same beliefs, he hung on to them until they were utterly routed by the hard 2×2 Board of Trade figures.

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Nevertheless, despite these figures (as the writer knows only too well from many talks with well-known names in both the business and economic worlds), no matter how obvious and clear the proof, it will take a mental earthquake to make the majority of us see it. Further, not only to see it but to realise its tremendous significance. So deep-rooted is the wrong conception that the right conception just doesn't percolate; it slides off the mind like water off a duck's back. However!

As a preliminary proof of the infinitesimal influence of our overseas trade on the volume or degree of National prosperity, and its power or otherwise to drive us into, or lift us out of a trade slump, let us, as a concrete example (an example fresh in the minds of all of us), compare the export figures of the three bad years of the Great Slump with those of the three years of normal trade which followed it—omitting re-exports in both cases.

The average for the first three totalled	..	£374,675,016
The average for the last three totalled	..	£417,846,114
Increase		£43,171,098

This difference equals an increase of the microscopic sum of **three-quarters of one per cent of our total Home output.**

Looked at from the employment-providing aspect, these additional overseas sales of £43 million odd equal 18s. 6d. per head—or if we omit 50 % for children and non-workers, 37s. per head. This 37s. provides each worker with about an additional three days' work—not three days per week or per month, but, be it noted, three days *per annum*. To attribute our change of fortune to an additional three days' work per annum is frankly absurd.

In the face of this comparison—these Board of Trade figures—can we still seriously believe that our fortunes, for good or ill are in any *countable degree* dominated by a few per cents rise or fall in the volume of this section of the Nation's business? If we are to be honest with ourselves, or are blessed with any sense

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of proportion whatever, we must agree it cannot. If it cannot, then without question we are up against a significant 2×2 fact, for if it is not the fluctuation of our overseas business that lifts us up or casts us down, what then is it? What is the Unseen Factor that is the arbiter of our fortunes, the unseen Trade God that decrees feasts or famines, full bellies or empty ones?

There is a deep-rooted superstition with us (a superstition which in seeking 'causes and cures' during the Great Slump occupied pride of place) that world conditions dominate Home conditions—that the measure of International Trade was the measure of the prosperity of any and every country, that we all rose and fell in unison; that it was impossible for any country to be prosperous if the rest of the world were at sixes and sevens.

In view of the facts—facts that can be checked in a few minutes by a perusal of the Blue books, it is extraordinary how this conception has come about, for they most definitely prove it wrong. Moreover, not just wrong, but wholly wrong. Great Britain in relation to its population is the greatest exporting country in the world, yet at an average export total of £400,000,000 per annum, this business only works out at about £8 10s. per head, while that of other large countries, Germany, France, America, average considerably less; in fact, not more than between £2 and £4 per head.

(Before reading further it will do us no harm if we sit back for a moment and let these figures and their vital import seep well into our minds.)

That the exchange of commodities between one country and another is both necessary and desirable goes without saying, but to accept as a fact that these (by comparison) infinitesimal exchanges have any real influence on a country's internal fortunes is just utter economic nonsense, and the quicker we take the trouble to look up the figures and so prove it to ourselves, the quicker we shall get on the road of clear and logical thinking.

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Human nature is such that it always takes a peculiar pleasure in proving the 'other fellow' wrong, but in this instance the writer has not this pleasure, for the delving into these figures has also proved his own previous conception to have been wrong. So we are all very much in the same boat in this respect, but as the true facts are published for anyone's inspection, however much it hurts our vanity we have no alternative but to begin again, and with this new light on these age-old conceptions, revise our outlook.

The outstanding fact which this new light lays bare is that, having only two customers for our output, the Home and Oversea buyers, if the blame for our periodic trade slumps cannot be put on to the shoulders of the latter, there is then only one other pair on which it can be put—*our own*—which brings us to the diagnosis proper, from which it is hoped we shall see how, why, or where we go wrong, and if it is economically and humanly possible to avoid our evil ways.

To get a true and easy picture of cause and effect it is essential that we begin the diagnosis, not in the middle of things but with fundamentals, and if by so doing we are obliged at the outset to touch together upon school-boy economics it just cannot be helped. Further, as the problem affects every wage earner in addition to the "higher-ups" it is just as well to attempt to make these fundamentals as clear as possible to every section as we go along—the learned and the unlearned in these vital matters.

For our comfort it can at once be said that the diagnosis does not deal with the multitudinous activities and problems within Industry itself: they are outside its scope, and further, as will be seen, they are not really germane to the real question. It deals with the nation's activities as a whole. It deals with it not from within but from above, enabling us to obtain an all-embracing view of the main component parts of these activities, the large and the small, the important and the unimportant, and so see how they dovetail, and their effect one upon another.

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This bird's-eye view will enable us to get a broad and proper perspective, as though we were studying a concise summary of the components of an ordinary balance sheet.

Being the National Balance Sheet it necessarily entails a few more noughts, but the principle remains the same.

These components comprising the Nation's activities fall under the following heads or sections:

Money	..	..	..	..	Its constitution
Consumption and Production	..			..	The dividing line
The National Income	..			..	Of what it consists
Imports and Exports	..			..	Their real function
Industrial Development	..			..	Its proportion
Savings and Investments	..			..	Their relation to each other
Cycles of Trade	..	..	..	..	The cause thereof

We will therefore dissect these components in this order, note their effect on each other and on our daily lives, and see if the final result lays bare the Unseen Factor in our economic edifice which from time to time lays us low. If then we have eyes to see and also minds wide enough to grasp its far-reaching effect, the road to economic security should be clear and well marked, so in faith and hope let us—*Go to it*.

NOTE.—The figures used throughout are pre-Munich figures.

SECTION NO. 1

MONEY AND ITS MEANING

MONEY being the means of communication between Production and Consumption—buying and selling—let us, as an important preliminary, examine its constitution.

That it is true that there is no such thing as money—except metal money—and that money is just a comprehensive term meaning Goods, is elementary economics—a fact with which even the less learned agree. (For brevity, throughout, the term Goods in this respect embraces all things tangible and intangible, such as a loaf of bread, or a song in a theatre, a something that can be bought or a service that can be rendered for ‘money.’)

If this fact be true, it is equally true that in most of our talks and discussions, in our economic diagnosis on Trade and matters in general, we completely ignore it, and talk of money as though it were an entity in itself—that Goods are one item of wealth and money another—a slipshod error of thought that is constantly landing us into erroneous conclusions, and which has undoubtedly been one of the causes, if not indeed the basic cause of our being led astray; and further, an error that, persisted in, will always lead us astray.

As an instance of the prevalence of this error: should we loan, say, Russia £50 millions, the popular conception is that, once we have sent her a chit to the effect that she can draw on us to this amount the business is finished, and then we think that if she spends this £50 millions in purchasing Goods from other countries, we are left out in the cold and get nothing out of it.

Actually, in sending her the chit, what we do in effect is to notify her that there are Goods to the value of £50 millions lying

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at her disposal in our country. If, instead of collecting them, she decides to split her purchases over a number of other countries she lifts Goods out of those countries to the amount of her purchases, thereby causing a vacuum in their stocks.

If she makes a purchase in, say, America, the vacuum thus made in America's stocks may then be filled, not by us but by Goods from France. The vacuum thereby made in the latter's stocks may be filled, in turn, by Goods from the Argentine and so on, but finally the last vacuum *must be filled by our Goods*, for otherwise, money being Goods, we have sent her nothing but a 'piece of paper.'

It may be said that we could send her gold to the value of £50 millions—which of course is true. Gold being Goods—an article of value in itself—the transaction would be an Export and would then be completed, but not being a gold-producing country, Britain would first have to buy the gold from abroad—and as we don't buy gold with gold we must buy it with Goods—which really means that we have at some previous date exported commodities in exchange for the gold we now send her. The result, nevertheless, whichever way we do it, is the same, Goods of £50 millions value must leave our shores.

Thus it is with every transaction into which money enters. If we could get into the habit of transposing in our minds the term money into Goods, it would simplify matters enormously, and keep us in a straighter path in economic thinking.

If we always visualise paper money—whether Government currencies, cheques, Bankers' drafts, Bills of Exchange, or any other like financial instrument as being attached by invisible cords to a parcel of goods equalling the value of the note, we shall get what is in effect a true picture—a picture that simplifies many economic problems.

We get the fact that if we take a hundred £1 notes to a foreign

country to 'blew' on a holiday, we have, in effect, taken with us Goods to this value which we exchange for the Goods she provides us with during our stay. Or, if we take a £1 note into a hatter's to buy a hat we really take £1 worth of Goods with us—which we *exchange* for a hat. Or, again, if we give a Contractor £100 to paint our house, what we really say to him, in effect, is 'Here's £100. Go and collect from Industry Goods to this value belonging to me—paint, food, clothing, etc.—distribute them amongst your workpeople and yourself, and paint my house in exchange.'

Again, if we invest £1,000 in an American railway, it is an export, for Goods must leave our shores to back the chit, and we are given part ownership of the railway in exchange.

If we have £1,000 on deposit in a Bank, money being Goods, we have no actual wealth there; all we have is an acknowledgment that Industry owes us and is holding for us Goods to this value.

Again, if we float a Company to finance a new venture, and collect money from the public, it means that we collect their Goods—not Goods to be produced but Goods that have already been produced—Goods that exist. If the particular Goods required do not exist, then we order them to be produced, and by handing the producer our money for them, we in reality hand him in exchange the Goods that *do* exist.

All these transactions are, of course, effected via the medium of Money, and it is by our constant use of the term that we have apparently come to look upon money not merely as the medium but as the actual 'thing of value' in itself.

The error of this is that we have in our minds transposed their functions, and regard money as a something that produces Goods, whereas it is the exact opposite—for it is the production of Goods that produces money. The money is in fact *nothing more or less than a receipt for Goods produced*.

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That this error is not merely confined to the 'man in the street' but is common throughout, is abundantly evidenced by the attitude of Germany, for prior to the war, whilst endeavouring to increase her export business by every possible means in her power—grants, bonuses, reduced rail and shipping rates, and the like, to her Exporters—she had at the same time practically banned the export of money—not merely gold, but paper instruments of money, it being, at that time, almost impossible to get money out of the country. Money being Goods, an outward flow of money *must* be followed by a like outward flow of Goods, and therefore, unless for this prime error—the error of visualising money as a thing of value in itself—her aims and actions were flatly contradictory.

As a further example of this error we can take the Social Credit Scheme now more or less in operation in Alberta, a scheme whereby every worker is to have from the State a free gift of £5 per month, the underlying idea being that this additional purchasing power would have the effect of removing Goods from Industry, and so provide constant employment.

Money being Goods, this means that each recipient is to be given, every month, £5 worth of Goods he had neither earned nor produced, and for which he would give nothing in exchange.

What the actual producers of these Goods would receive for *their* services the scheme omits to say, which is unfortunate, for, economically, the explanation would be interesting.

It would be safe to say that if the author of this project had the faintest glimmering of the relationship of money to Goods his scheme would never have been born; it would have been an economic miscarriage.

And so we go! Instances of this mental twist are common. Important articles in the daily Press, on trade and financial matters are written from the same standpoint, the standpoint of money

as a separate entity, with the result that, transposing money into Goods as we read, many of these articles have little or no sense.

A theory frequently advanced by Economists is that Industry is hindered by lack of currency, which again, is further evidence of the thought that money is a separate entity and has the power to *produce* Goods, whereas, the production of Goods *precedes* and does not follow the production of money. If we need an increase of currency, broadly speaking we produce Goods, sell them for gold, place the gold in vaults of the Bank of England, and print the currency to cover its value.

As a matter of fact, except for petty cash, and the payment of wages, Industry does not use Government money (currency) at all; it makes its own by writing cheques. Even in our private lives, when we reach the state where our signature is accepted, we use less and less currency, paying all our household accounts, etc., by cheque.

A further and glaring example—an example from which we all suffered—was the edict *Economise* issued by the 1931 National Government. At that time we were travelling nicely down the hill of Trade Depression, and this kick ‘well and truly placed’ landed us with one blow right at the bottom. Issued by the Government, it had such weight behind it that not only was it looked upon as against the national interest, but also as extremely bad form to spend money on anything we could possibly do without.

As a consequence, instead of buying the new car or the new carpet, or the new suit, and so providing the desperately needed employment, we proudly used and flaunted the old ones. We were ‘doing our job’. Although the country was glutted with money we were ordered *not to spend it*, which really meant that although the country was glutted with Goods we were ordered not to consume them—absurd.

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The result was inevitable and swift. Consumption dropped, Sales dropped, Production dropped, and the figures of Unemployment leapt to the sky.

It was a tragic lesson, though fortunately, it was not wasted—but does it not add further and overwhelming proof of how wrong is the position of money in the minds of even the nation's leaders? If it were in the right position, such an edict would not, nay, *could not* have been issued.

In the national interest the edict should have been the exact opposite: it should have been spend, Spend, SPEND, buy, Buy, BUY, and so get the people back to work, and Industry on its feet again.

To cite a further example of our wrongheadedness we have only to look back to the beginning of the present war to emphasise it. Wars are fought by manpower, both in field and factory. Out of Germany's and Austria's population of 80 millions, 60 millions are over the age of 15; therefore, to keep the countries in being, to produce war equipment, and to man the fighting front they have a manpower pool of 60 millions to draw from.

They have also a fertile land, capable (with minor exceptions) of producing all they need for these purposes. Yet we were told by speech and press at the outbreak of war that Germany couldn't last because she 'had no money'.

Nations don't fight wars with money: they don't sling bank-notes or gold discs at each other. They use the product of human labour, from buckets to battleships, and for money (for something which its people can exchange for its eats, etc.) a nation can, for its internal use, print receipts of any kind and in any quantity.

This isn't merely an academic matter—a matter though perhaps interesting but of no real consequence—for at the outbreak of

MONEY AND ITS MEANING

war, the general effect of this misconception, this damned silly misconception—of even our leaders and intellectuals was that we more or less sat back with folded hands and waited for Germany to financially crash. It therefore had a most adverse effect on our early war effort, for which incidentally, we are now paying.

To summarise—Money either *IS* or is *NOT* a separate entity. If it is not, then the foregoing is true in essence and in fact.

If on the other hand, money *is* a separate entity then all we require to do to be rich and prosperous is to print enough of it—as Russia did with roubles after her Revolution, and Germany did with marks after the Great War.

Sufficient has now been said on this subject of Money and Goods, but the need for labouring it is not just a matter of playing with words, for unless we get the basic economic truth of money into our minds and *keep it there*, applying it as we go along, this dissection will have neither point nor sense.

SECTION No. 2

CONSUMPTION AND PRODUCTION

THE DIVIDING LINE

THE broad division of our activities is Production and Consumption, but the commercial and industrial ramifications of a nation such as ours are so multi-headed, and we so apparently live one upon the other, that to define exactly where the one ends and the other begins appears impossible. Despite the apparent confusion, however, the dividing line is quite clear and well marked, and simplifies itself—and incidentally our vision—when we get down to the fundamental fact that—

All human endeavour is directed toward and culminates in providing humanity with its five needs, Food, Clothing, Housing and mental and physical Recreation. Every ship that is built, every dock and harbour constructed, every railway and road that is formed, every church, theatre, house, factory and machine that is built, are all produced solely for these ends—to provide humanity with its five needs.

All these things—these means of production and transport, being evolved for humanity, are—however long their ‘life’—consumed by humanity. Industry itself, not being a human, has no physical or spiritual needs, and is, therefore, *not a Consumer*. It evolves its Means of Production to produce an article to satisfy a human need; it sells these articles, adding to the price of each a percentage to cover depreciation and wear and tear, which means that with each loaf of bread consumed, there is also being consumed a proportion of the Means of Production that has produced and delivered it to the table. Therefore, everything produced—movable or fixed—is eventually consumed by humanity.

CONSUMPTION AND PRODUCTION—THE DIVIDING LINE

Now the fact that Industry itself is *not a consumer* is not generally realized. Its realization gives us a new factor to consider, and throws a new light on many things, for, not being a consumer, neither is it a buyer in the sense that the Consumer of a loaf of bread is a buyer. It does not buy to *keep*, but buys to pass on to the real Consumer.

This fact is one of our fundamentals, of which a mental note should be made. It will make for clarity as we progress.

To 'live' we must first earn a living and if we include in the single word Industry all our commercial, industrial and professional activities—in fact, all our working and earning a living acts—it will make for brevity.

If, therefore, we produce our 'needs' and earn our living in our working hours within the walls of Industry—and consume them in our 'living' hours outside those walls, it follows that the clear dividing line between Production and Consumption is the *Retail Counter*—the point where our finished goods pass out of the world of Production into the world of Consumption, and so are off the market.

There are, of course, Counters within Industry itself—between, say, one Factory or supplier and another—but these we may term Production Counters, and therefore they do not concern us, inasmuch as no buyer across these Counters buys for keeps but buys to add his quota to the article, or to incorporate into his particular commodity, which he then passes across *his* Counter, and so on, until finally it reaches the last or Retail Counter, and so passes out of Industry altogether. None of these cogs in the wheel of Production therefore, is a Consumer in the true sense.

The picture we need to impress upon our minds at this point is that the worlds of Production and Consumption are two separate and distinct states whose only point of contact is the Retail Counter.

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In a grocer's shop, this Counter is of course, a literal one, but as the point of contact between Producer and Consumer, it equally exists between a doctor and his patient, a singer and his audience, a golfer and his caddie, and so on. The Producer is selling his output and the Consumer is buying it.

As this dividing Counter plays an important part in the diagnosis it may help our mental picture if we visualise it as, say stretching from sea to sea through the middle of England, and that we Work on the North side, and Live on the South side.

The fact that in their dual capacity of Producer and Consumer, both these worlds are peopled by the same individuals, and that we Produce and Consume as we go, the Counter winding its devious way between our dual personalities, does not affect matters. It even existed between Robinson Crusoe the Producer and Robinson Crusoe the Consumer.

Our next fundamental is the value of the output we produce within the world of Industry, and which constitutes our National Income.

SECTION NO. 3

THE NATIONAL INCOME

IN its passage through Industry to the retail Counter, to the actual labour and material costs of a commodity are added all rents, overheads and profits of all the Industrial cogs involved in its chain of production from Nature to the Consumer. Therefore, the *total retail selling value* of our year's output is the equal, in terms of money, of the National Income. It does, in fact (plus the Income we receive from abroad by way of interest and other services) constitute the National Income.

For our individual share in producing this output in our working hours, or by lending our money, i.e. our Goods, to Industry (Investments) we have received—by way of wages, salary, dividends, rents, and profits—payment for our services. Therefore, as the retail value of our Output includes all these payments, it follows that the aggregate of our individual incomes *must* equal the total value of our Output—for, in fact, they are one and the same.

If, from the errand boy upwards, we all made returns of Income, to arrive at the grand total would be a simple matter, but as we do not all make such returns, we must arrive at this total from such official figures as are available, and deduce the remainder.

The population of Great Britain and Northern Ireland totalled at the end of 1937 the official estimated figure of 47,090,000. Deducting children, non-earning wives, unemployed, unemployables, the sick, aged and others, totalling say, 20,090,000 leaves us a round figure of 27,000,000.

This remaining 27 million are therefore engaged in Industry, either by virtue of their Investments or by active participation therein.

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Of this number, 8,100,000 make Returns of Income, 3,350,000 of which—according to Table 40 of the 79th Report of the Inland Revenue—pay Income Tax, returning a gross income of £3,400 millions, equalling over £1,000 per head.

The remaining 4,750,000 of this group, although above the exemption limit, by reasons of family and other allowances are exempt from Tax, although their incomes may range up to £500 per head or over.

Deducting the 3,350,000 actual taxpayers from our total of 27 million earners, leaves 23,650,000 non-taxpayers. This number, it should be noted, represents practically *7/8ths* of the total earning population of 27,000,000. To approximate their earnings is difficult, but taking a line through the 'earnings' given in the 22nd Abstract and Labour Statistics of the Board of Trade, if we assess their incomes at an average of £125 per head (48s. per week) we shall be well on the lean side (too lean, in the writer's opinion).

This £125 estimated income of the non-taxpayer	
multiplied by 23,650,000 equals	£2,956,250,000
The known income of the 3,350,000 taxpayers equals	£3,400,000,000
	£6,356,250,000

If for possible discrepancies we credit the odd (£356,250,000 (a very large sum equalling 2,850,000 workers at £125 per annum) it leaves us the round sum of £6,000,000,000 which averages for both the taxpayer and the non-taxpayer an income of £222 per annum—a most conservative estimate!

This sum then represents the over-the-retail-counter value of our National Output—which also means that this is the sum of money we—as earners—have collectively received in exchange for our services and *is therefore the sum total, as Consumers, we have in our pockets to spend.*

THE NATIONAL INCOME—OF WHAT IT CONSISTS

NOTE.—Although these figures have been checked and re-checked from the sources available, their actual accuracy to a hundred million or so is of no great moment, their variations merely serving to alter slightly the percentages of the figures given in the later sections.

SECTION No. 4

IMPORTS AND EXPORTS

OMITTING re-exports from both the incoming and outgoing figures as being that section of our Overseas business concerning which, although we make a profit on the transaction, we act more or less as buying and selling Agents, the figures of our total Overseas business are as follows:

The actual average figures of our Overseas purchases and sales for the three years ended 1936 are:

Purchases	..	..	..	..	..	£723,509,295
Sales	..	..	..	..	..	£418,846,114
Excess of Imports over Exports	..	..				£304,663,181

This difference which, strangely enough, in our National Account we regard as an Adverse Balance—as a something that should not be, a something detrimental, and therefore needing rectification—is mainly accounted for by two items: the first is freight and insurance (a charge added to the invoice price of the outgoing shipment which, although paid by the customer, does not count as a visible export, i.e. a commodity that can be shipped). The second item is interest or dividends paid to us in respect of our Overseas Investments, amounting to round about £250 millions per annum.

Thinking in terms of Goods and not in terms of Money, the sums due and payable to us for these items must be paid in Goods, there being no other way to pay them. True, we first receive a chit to the effect that someone Overseas owes and pays us, say, £100, either as a dividend or as a payment for insurance and freight, or other invisible services, but, remembering that this chit

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is invisibly attached to Goods, until these Goods reach our shores we have received exactly—nothing.

It may be thought that, inasmuch as the recipient of the £100 chit can cash it at his bank, he can therefore go out and spend it, and get Goods from our own shops for it, which is, of course quite true, but, as with Overseas Loans, the vacuum he creates at the back of the Counter by his spending must eventually be filled not by our own, but by Overseas goods.

Therefore, although our Imports exceed our Exports we are given in advance by a debtor overseas a money chit to pay for them when they arrive, and so this surplus of Imports does not imply that we are getting into debt. It follows then that our real purchases and sales (that is, our real Imports and Exports) more or less square themselves. The business therefore resolves itself into an exchange of Goods, which in turn means an exchange of labour and, incidentally, of profits.

This being so, looked at from the National point of view and not, for the moment, from that of certain manufacturers who mainly look to the Overseas buyer for their Market, the business, however necessitous and desirable it may be, being an *exchange of Goods*, offers no greater material advantage from the employment-providing, or profit aspect, than if it were an exchange of goods between, say, Manchester and Leeds. Therefore, were the figures increased by 100 % the result on this parity basis would still be the same. We may, of course, be cleverer than 'the other fellow' and at times, get the better of the deal, but the law of average is never very far out in these matters.

To get a still clearer picture of the incidence of our Overseas business, let us split it into three sections—the Necessary, The Less Necessary, and The Un-necessary.

(1) THE NECESSARY: Not being a self-contained island, the imperative need of exporting sufficient of our Home Productions

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to purchase and pay for the food and materials we lack is essential. This is a vital matter into which the question of profit or loss, or which side gets the better of the deal, does not enter.

(2) THE LESS NECESSARY: i.e. the desire to 'enjoy' articles of foreign manufacture, as, for instance, a Persian carpet instead of a British one, and so on—a desire which has everything in its favour, and nothing against, for an interchange of Goods in this respect is an interchange of knowledge and interest, and makes for a full life.

(3) THE UN-NECESSARY: i.e. such as an exchange of a girder for a girder; a bucket for a bucket; a broom for a broom, etc.—things in which there is no personal 'enjoyment' as in the case of a Persian carpet.

Of course, if we find our pleasure in doing these latter things, by all means let us do them. It's a free country, and if there is no particular commercial gain in it, neither—looked at Nationally—is there any loss, but for the sake of economic sanity, let us get it out of our heads that they are vital, and that we *live and get rich* by these transactions, and that the greater their volume, the greater must be the measure of our prosperity. This belief, carried to its logical conclusion, would mean that, could we sell abroad *all* the tangible goods we produce, and buy from abroad *all* the tangible goods we need to 'live', we should enrich ourselves beyond the dreams of avarice.

It is readily agreed, however, that the far-spreading wings of our Overseas connections are not all centred in trade, and, therefore, their usefulness from a profit and loss aspect cannot always be judged by a pounds, shillings and pence standard. The adventurous spirit of our people sent them abroad, and their flair for colonising has founded our great Empire—an Empire which, in addition to giving us pride of place amongst the Nations, provides some of our Nationals with a home from home.

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Although sentiment plays its important part, it is, nevertheless, the strings of trade that form the links which bind us together, and keep us in constant and close touch not only with our own people, but with the rest of the world.

All this is readily and fully admitted, but this diagnosis is primarily dealing with the cause of Trade fluctuations at *home*, and as trade is business, and therefore reducible to figures, let us examine them and see what they tell us. When we talk of Overseas Trade, let us see what its proportion is—that is, its proportion to our total output.

As we have already seen, the activities of our 27,000,000 earners culminate in the production of a £6,000 million output. Taking the average of the three years to the end of 1936 (these notes were written in 1937), of this output we exported Goods to the value of £418,846,114. In round figures, this Export total equals 7% of our Output, or if we add to it, say, 15% for Invisibles, equalling a further £60 millions, we get to the figure of 8%.

This result means that of our output we consumed 92% at home, and exported to all countries (foreign and Colonial) the remaining 8%. The outcome of this means that 92% of us have nothing whatever to do with Overseas Trade, but live by producing and consuming our own commodities and services.

Again, reduced to personnel, these figures mean that of our 27,000,000 earners, 24,840,000 produce for the Home Market, and the remaining 2,160,000 produce for the Overseas Market.

The population of Northern Ireland is round about the 2,000,000 mark, and it will help our mental picture to realise that were it climatically and physically possible, this small section of our people domiciled in North Ireland could both produce all our Imports and consume all our balancing Exports.

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Further, looked at from a net profit aspect (profit on turnover, not on capital) as it passes through more than one link in the chain of production which we can average at 10 %, the Home Market produces a profit to the employing class of £600 million, and the Overseas Markets, a profit of £40 million—a profit which we incidentally pay away again on our Imports.

The profound remark—a remark mostly accompanied by a loud laugh—is often heard (not only from the uninformed but from the supposedly intelligent) that nations cannot live and attain prosperity by ‘taking in each other’s washing’, a remark which, in the opinion of the speaker, leaves nothing more to be said. Assuming this gem of economic wisdom to be true, it would appear that in some miraculous manner—by the exchange of the washing of 8 % of our people, with the washing of a like number abroad, and the *exchange* of £40 millions profit, we achieve riches and greatness—a truly wonderful achievement! On the facts is not this conception just mere stupidity?

The normal way profits are made by the business community is that they take the output of the earners in their capacity as Producers, and sell it back to them in their capacity as Consumers, reserving a rake-off for themselves, and it is the accumulation of these rake-offs or profits that makes some of us rich. There is no other way to make profits.

Further, it matters not a jot to a manufacturer, the locality of his Consumer—whether in this world or the next, a sale is just a sale, whatever its destination.

Now, reverting to our export figure of 8 %. In view of our almost universal belief in the dominating importance of our Overseas Trade—a belief held equally in other important countries in respect to their Overseas trade—the figure is hard to believe. (The writer, when it first evolved, did not himself believe it, and thought, until it was checked and re-checked, that he had added or omitted a row of noughts somewhere but, as we said

before, facts are “stubborn chieftains” and this 8 % is the story they tell.)

The critic of this 8 % may say ‘Yes, on the £6,000 millions output figure, this 8 % is admittedly correct, but is the £6,000 millions right?’

The reply to this possible criticism is that the income of one-eighth of our earners is a known income, and that of the remaining seven-eighths, an unknown income which, for the purposes of this dissection has been averaged at £125 per head per annum. If, to meet this criticism, we make a cut of £500,000,000 off this unknown income, it reduces the figure of £125 to approximately £103 per head, which alters the proportion of Home to Overseas Trade by approximately one half of one per cent or $91\frac{1}{2}$ % to $8\frac{1}{2}$ %—a difference which has little or no bearing on the main question.

When it is realised that the $\frac{7}{8}$ ths of our total ‘earners’ comprise all that are *actively* engaged in Industry in the capacity of wage and salary earners, it will be seen how impossibly low is even the assessment of £125 income.

Further, as a matter of interest, the writer collected the Export figures of practically every country in the world, and finds that they total roughly £3,000 millions. Therefore, if we had the whole of this trade in our hands, the ‘mouths’ we should feed would be but the equal of 50 % of our home mouths.

How small a part its external business plays in the life of any nation is further evidenced by the Export figures of America, Germany and France, which, dissected on the same basis, strangely enough, each work out at approximately $2\frac{1}{2}$ % only of their Outputs.

The great insistence of each of us on the vast importance of World Trade, and the overwhelming weight given to the impor-

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tance of trade agreements, pacts, and so on, is indicative of how little this question is understood.

Take the case of America. Reckoning her Income per earner to be 15 % above that of ours (it is probably greater) her total income reaches the vast figure of approximately £19,000 millions, of which her average external business is less than £600 millions. Can this section of her business—this 3 %—have any countable effect on her internal economics? That she seriously thinks it can is clearly evidenced by her financial actions, both internal and external.

Reverting to our own Export figures of 8 %, our natural reaction to this will be to say 'Yes, taking the figures in the lump, this figure may be correct, but what about our big industries—Coal, Cotton, Iron and Steel for instance, the individual figures of which will tell a vastly different tale, for they are Industries which export a considerable part of their Output?'

Let us, in reply to this reaction, take the figure of the latter (Iron and Steel) as a fair example, and for comparison purposes we will take—not *lean* output years, but the two biggest since the Great War—1929 and 1935. (The output of 1936–37 is still bigger, but the Exports are artificially low owing to Home requirements in respect of Armaments, etc. Therefore, we omit these years, as the comparison would not be a fair one.)

The summary of Board of Trade figures for the years in question is:

	<i>1929</i> <i>Tons</i>	<i>1935</i> <i>Tons</i>
Home output of Iron and Steel	17,225,500	16,282,400
Imports	2,822,300	1,551,900
Total stocks	20,047,800	17,834,300
Exports	4,379,500	2,368,700
Home consumption	15,668,300 tons	15,465,600 tons

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The results of these figures are: Deducting the Home Consumption from the Home Output figures in each case, gives us 1,557,200 and 816,800 tons respectively, which means that in 1929 we ourselves consumed the equal of $91\frac{1}{2}\%$ and in 1935 over $94\frac{1}{2}\%$ of our total output, depending on the Overseas buyer to take the surplus $8\frac{1}{2}\%$ and $5\frac{1}{2}\%$ respectively.

By averaging these two figures and adding the 1 % for invisibles, we arrive at our general figure of 8 %, and so in like manner, whatever exporting industry we take, we find confirmatory proof right along the line.

There is, however, one exception—that of Coal—but even this is vastly less than is generally thought, reaching between 19 % and 20 %. But against this we can put many of our important industries which either have no exports at all, or the figure is so small as to be negligible—Sport, recreation and amusements, and the buildings and plant—theatres, cinemas, sports grounds, golf courses, etc., which house them; the building industry, agriculture, transport for pleasure or industry, and many others: all our professional services (medical, legal, etc.) and the buildings (hospitals, law courts, etc.) used by them.

Despite our cherished beliefs to the contrary, we have only to sit back and think a little to visualise to what a great degree our daily Consumings are personal or intangible services, and how few are tangible, to realise to what an enormous extent we are self-contained, and how little we are dependent on the Overseas buyer or seller.

Now, getting back to the straight line of our dissection, and having proved (or rather, the Board of Trade figures, read in conjunction with those of our annual output, having proved) that our external business is not exactly the spearhead of our activities we have hitherto thought it to be, let us see what is its real function and usefulness.

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This function is primarily that of 'dilution'. Picturing our annual output in the lump—songs or sermons, bricks or bread—as being assembled at the Counter at the year's end, it would be seen that this output is not exactly in line with our 'needs'—too much of one commodity and not enough of another. Therefore, to bring them into line, they must undergo an 8 % dilution by an exchange with the productions of other lands. We must rid ourselves of that proportion of commodities which we have—with intent—over-produced, exchanging them for those commodities which, by climatic or other reasons, we have either under-produced or cannot produce at all.

If, in addition to the Necessary and Less Necessary dilutions, we elect in our exuberance to dilute our own output of girders with those of the Overseas manufacture, and in turn, dilute his with ours, what matters? If, say, McPherson of Glasgow sells a girder overseas and *makes* a profit, and Jones of Cardiff buys an overseas girder and *pays* a profit, nationally we are all square, and in exactly the same position as we should have been had McPherson sold his girder direct to Jones.

Despite this fact, so deep-rooted is our belief in the all-embracing sanctity of Overseas Trade that we will find, or at least look for means of disbelieving or disproving it, for in our minds a commodity that has crossed the sea instead of merely crossing the street is different. It has somehow achieved a halo.

These commodities, it seems, even achieve a halo when they don't cross the sea but only an invisible line, as happens with an interchange of Goods between Dublin and Belfast, which now count as Imports and Exports, although prior to the separation of North and South Ireland, this exchange of Goods had no more significance in our Trade figures than the exchange of Goods between Manchester and Liverpool.

Despite the facts that prove the contrary, the deeply rooted conception that nations enrich themselves by selling to each other

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will be difficult to eradicate. If this conception were true, then if by some huge volcanic action the dividing seas dried up and the nations became a single unit governed as a single commonwealth, thereby cutting out all Imports and Exports, we should all spend our lives in a state of poverty.

Frankly, is not our attitude in respect to Overseas business distinctly absurd? So absurd that, as reasonable and intelligent beings we cannot do other than clear our minds of these prejudices, and by starting afresh get a four-square look at our economic problems.

Finally, it is well to get the fact firmly in our minds that Imports and Exports comprise commodities that must reach or leave our shores *on a ship*, the total of which is revealed in our Board of Trade figures. There is nothing spiritual or intangible about them—the figures are just plain arithmetical facts, and must be read as such. However Necessary or Less Necessary their composition, they mean nothing more or less than so many tons of this or so many yards of that, just everyday common or garden requirements, and therefore we must not imbue them with some spiritual significance which cannot be counted in £ s. d. and so upset or affect this dissection.

The fact that Imports and Exports are represented by *something on a ship* is a useful picture to keep in mind, for when we first come up against this 8 % jolt, in our disbelief we are apt to look around in a mental search for some other mystical or mysterious form of overseas business, in the assumption that the Board of Trade figures do not tell the whole story, *There is no other story*. Imports and Exports are ‘something on a ship’ and nothing else.

A REFLECTION

LOOKING back and considering—by comparison—the smallness of this section of our activities in relation to the whole, it’s a bit tragic when we think of the great Tariff and Free Trade con-

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troversy—a controversy of such bitterness as to split the nation in twain. It was almost Civil War. The fierce acrimony that prevailed: The life-long friendships that were wrecked: The ink that was spilt: The time, brains and thought that were wasted on a matter of comparatively little moment. Further, after the Repeal of the Corn Laws it was never a question of the taxation of Food—nor was it a question of the taxation of strictly raw material. Therefore, the figure of 8 % would have been reduced to perhaps 2 % or 3 %. May we be forgiven!

INDUSTRIAL DEVELOPMENT

As we have seen, Industry is not, in itself, *an actual Consumer*; it reserves each year at the back of the Counter only sufficient of its output for its own purposes and use. We have also seen that, as depreciation, wear and tear of its equipment are added to the cost of its output, these reserves eventually cross the Counter in the form of Over-heads.

In addition to Housing, Industrial Development comes under three main heads, i.e. (1) Entirely new enterprises, (2) the extension of existing, and (3) the scrapping of obsolete plant and the installation of new. These developments, of course, all come under the heading of Capital Expenditure, to finance which we either 'float', and so collect a proportion of the savings of the general public, or use our own accumulated savings or profits.

The fact that we in industry or the public possess unspent money means, of course, that the Goods which this money represents and which are required for these enterprises, are already in existence at the back of the Counter, for although they are one and the same, we obviously cannot have both (the Goods and their value in liquid money) in our possession at the same time.

Now let us examine the reason or necessity for new developments or extensions. An entirely new venture is, of course, inaugurated because its promoters see, or think they see a market for its output, and the inaugurations of such new ventures are, therefore, much more numerous in good times than in bad. It is national prosperity that brings them forth. It is not shortage of money in bad times that prevents their promotion, for in such times there is always plenty of money about—too much in fact.

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It is the shortage of probable customers, of Consumers, that forms the check on new enterprises.

The same remarks apply to No. 2—the extension of existing ventures. In bad times, with his factory and equipment but partly employed, no manufacturer in his senses will extend.

Practically the same remarks apply to No. 3. Unless his plant is so nearly obsolete that he is losing his share of whatever bit of business there is about, he is most unlikely to re-equip. His business instinct tells him to 'sit tight' for a while until there is a sign of the dawn of better times.

Should he, however, from the point of view of helping to provide employment re-equip too soon, and so land himself in Carey Street, his altruistic action would scarce count as an asset. He would receive more kicks than ha'pence.

It therefore comes to this: in bad times Industry does not want our money—it has no place for it, and therefore cannot use it.

In good times, there being room for new ventures, and reason for extensions, etc., it *can* use it: therefore, having an important bearing on our dissection, at this point it will be well to dissect as accurately as possible the quantity which, in normal business times, it can use.

To arrive at this, we take for our guide and authority the figures published every January in that illuminating journal, *The Midland Bank Review*.

This journal gives, for the four preceding years, the total of *new money* asked for and subscribed from the general public, for every form of Commercial and Industrial enterprise, including Overseas and Municipal Loans.

Taking the average of the twelve years ended 1937, the new

INDUSTRIAL DEVELOPMENT—ITS PROPORTION

money required and raised for the financing of new enterprises and the extension of existing, equals less than £150 millions per annum (a surprisingly low figure). This £150 millions equals $2\frac{1}{2}\%$ only of our total output of £6,000 millions, which means that Industry by way of Public Flotations, etc., borrows and retains at the back of the Counter for its *own use* $2\frac{1}{2}\%$ *only of the total of its Productions*.

As we don't go to the public for new money for every Addition—say a new desk or a new machine, or to carry out an extension—but finance such purchases out of reserve profits, we will double this $2\frac{1}{2}\%$ and make it 5% , equalling £300 millions; nay, we will be generous and, to cover wastage, go a little further, and make it 6% or £360 millions, equalling practically £1,000,000 per day—seven days a week.

The actual correctness of this estimate has no real bearing on the dissection except slightly to alter the percentages, but it will be interesting to see, as near as possible, what the figure of £360 implies. If we use the odd 60 of our £360 millions for entirely new ventures it would provide for 600 new Companies (two per day) with a capital of £100,000 each (obviously a quite impossible number).

To absorb the remaining £300 millions (equalling 5% of our Output or Income) would necessitate every existing business concern spending in extensions and new equipment each year (not in Depreciation, upkeep, wear and tear, these being running costs) a sum equalling 5% of its payroll, including management, salaries and profits—all being earnings or income.

Therefore, a concern with a £100,000 payroll would spend £5,000 without an increase of business, for if it increased its business and therefore its personnel, to employ the extra Capital then its Capital 'spendings' would increase pro rata.

As against the possibility of manufacturing concerns absorbing

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this 5 %, which is considerably more than doubtful we must set off the Banks, Insurance Offices and the countless concerns, large and small, that employ *clerical labour only*, who, when once equipped spend next to nothing on Additions.

Further, it will give us a mental picture of what £360 millions means when we realise that at a cost of £800 per house, it would build 450,000 houses *every year*—which at five persons a house, would house 2,250,000 people—equalling nearly one-third of London's population.

Again, it is nearly $3\frac{1}{2}$ times the total 1937 cost of the British Navy.

Or, it equals two-fifths of the total National Expenditure of approximately £900 millions.

It is within £40 millions of our total Exports.

Despite these examples it is still difficult to get a picture that the mind can grasp, so let us take a 'piece' of it, and, say, apply the figures to a single county and see what they tell us. For this purpose we will take Leicestershire as being a representative example embracing as it does—Manufactures, Mining and Agriculture.

Its population is round about 500,000 of which on our average, 285,000 are Earners, of all grades from the bosses downwards.

At £222 per head (Taxpayers and non-taxpayers)	
their incomes or output total	£63,270,000
At 6 % the Reserve for Industrial Development	
and Housing totals	£3,796,000

This means that the fixed wealth of Leicestershire is increased by over $3\frac{3}{4}$ million pounds every year, or, near enough, by £38 million every ten years.

When it is remembered that these increases are quite apart

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from Municipal Expenditure, Roads, etc., Public Works of all kinds which are paid for via rates and taxes; and also apart from Depreciation, Upkeep, Wear and Tear, it will be realised that even 6 % is an impossibly high sum. However, despite the possibility of it being too high, we will leave it at this figure.

The outcome of this means that Industry, as a semi-consumer, absorbs 6 % of its Output and that therefore, *we in our living hours and in our capacity as the real Consumer, must consume the remaining 94 %.*

The significance of this dissection will be seen when we realise the fact that—even in a time of trade prosperity—as an Employment providing (therefore, an Income-and-Profit providing) factor, our Personal Consumers' market has a 94 % value as against Industry's Semi-consumer's 6 % value, and that in a time of Trade Depression the latter has practically no value at all.

It is a strange thing that in connection with Industrial Development there has always been a more or less (in fact, more rather than less) vague idea in our minds that, producing for this section of our activities, plus that of Overseas Trade, provides us with the wherewithal to 'live', that these two factors form the Band or vanguard of the procession, and that we, the real Consumers, straggle along behind as best we can.

The actual facts, however, as the figures show, flatly contradict this belief. We may not agree exactly about the 6 %, but whatever we do we cannot vary the figure more than a per cent or so either way.

The figure is important inasmuch as expenditure on Industrial development is Savings and the reasonably correct figure will tell us how much we *can* save without upsetting matters, which incidentally tells us how much we *must* spend or consume to keep ourselves economically balanced.

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Concerning this 'can save' question there is a common saying—one that is fully believed—that money makes money. A belief that money *in itself* and of its own volition—like a seed in the ground—has an internal power to grow and enlarge itself. If we change the phrase to goods make goods—which is the correct way of putting it—we get a clearer view.

We get the view that goods being inanimate things, they of themselves make nothing, but goods comprising the Machinery of Production—plus human labour—do make something—they make other goods. In our case they make £6,000 millions worth. Therefore, if our present Plant plus the 6 % 'stoking' it receives annually is sufficient to produce this quantity, obviously it doesn't want any more—more would be superfluous.

It is therefore true to say this 6 % money does make money. If on the other hand we stoked it with 12 % the extra 6 % would not make money. The additional plant would be idle. Money therefore doesn't *always* make money, which means that we cannot save and invest more than Industry can profitably use. If we double our consumption *then* we can double our investments, but not otherwise.

The position is analogous to the case of the nigger painting a large fence with a narrow brush who when asked why he did not use a brush of twice the width as he could then do twice the work answered that he 'ain't got twice the work to do'.

SECTION NO. 6

SAVINGS AND INVESTMENTS

To Save is not altogether an acquired virtue; it is an instinct, like a conscience. For fear its roots may not be quite firm, in our childhood days we are impressed by our elders with the importance of 'Taking care of the pennies when the pounds will take care of themselves'—that 'A penny saved is a penny earned' and such like precepts. We are, in addition, given money boxes to help on the good work. There is nothing wrong in all this, for the young must be trained, and it is better that they should be trained to conserve rather than to destroy.

Its evil, however, is that it grows to be an obsession, an obsession that is raised to the dignity of a virtue. In pre-money days—the days of barter—we saved by acquiring and storing wealth in the form of Goods (horses, cattle, barns full of corn, etc.); that is, we 'took possession'.

In these days we save and acquire Money. Money being Goods, acquiring money is acquiring the right to Goods, but the core of the present-day trouble is that we don't exercise this right—that is, we don't take possession.

There are only two places where Goods can exist—the world of Consumption and the world of Industry—and unless by spending the money we have received for producing them we *Take Possession and thereby remove them from the latter world, there they remain.*

For example, a £5 a week earner receives his five Notes at the weekend: these notes are an acknowledgment that there are Goods at the back of the Counter to the value of £5 belonging to him. If to satisfy his weekly needs he spends the whole of his £5 he

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clears the whole of his Goods from Industry. If on the other hand he spends but four of them, he leaves £1 worth in Industry. This means that he consumes 80 % of his Goods and Saves 20 %.

If he continues on these lines for a year, he has accumulated £52. If he then Invests this £52 he gives up his right to collect his Goods, leaving them at the back of the Counter for Industry's use.

These operations are looked upon as good and laudable—good for himself: good for Industry: and good for the community in general. But are they? Suppose every earner from the errand boy upwards did the same thing: we should consume 80 % only of our Output, and leave 20 % in Industry, equalling in money £4,800 millions consumed and £1,200 millions not consumed.

We have seen in the Section dealing with Industrial development that the outside sum or proportion of its Output that Industry can absorb for its Additions is 6 % or £360 millions. If, therefore, by our over saving, or non-spending we leave her with £1,200 millions, we leave her with surplus Goods to the value of £840 millions—a further 14 % for which she has no possible use.

Industry not being a 'human', and therefore, not a Consumer, *to rid itself of its productions in the quickest possible time is the life-blood and very essence of its existence.* Its ideal state, from every aspect—steady Profits, steady Income, steady Employment for its Plant, steady Employment for its people—is that at the year's end, after setting aside for its own use the required small proportion of its output, it is swept clean of every finished article or service it has produced.

To get a simple mental picture, we can visualise Industry as a world in which there is *not room* at one and the same time for both the unsold finished Goods *and* the Earners who have produced them. *If the Goods pass out the Producers stay in: if the Goods stay in, the Producers stay out.*

SAVINGS AND INVESTMENTS

Saving, therefore, resolves itself into a question of degree. If we spend *all* we earn, we clear *all* our output from Industry: we leave her none for Additions. If we save and spend in the correct proportions, all is well, and Consumption and Employment are on an even keel. If we save too much, the reverse applies.

If there is one stone more than another in our economic edifice that has achieved almost a halo it is that of Saving. It is looked upon practically as a divine commandment—therefore, not to be questioned. It can truthfully be said that this instinct and habit of thrift has played a great part in the building up of the British nation. How then—it will be asked—could it have been right in the past and wrong in the present?

Let it at once be said (and the diagnosis proves) that it is *not wrong and harmful to save, but it is wrong and harmful to over-save.*

A little more than a century ago our activities were mainly Agricultural: our Industrial Machinery of Production was either non-existent or very crude. Almost in a generation we changed ourselves from an Agricultural to an Industrial people, and in consequence, from practically nothing, had to equip ourselves with the necessary Plant, Factories, Machinery, Roads, Railways and rolling stock—the latter not only in our own country but in others. We also had to enlarge our shipping facilities to transport our output.

All this involved a low Personal consumption and standard of living, and a high Industrial consumption, i.e. a high percentage of Saving: that is, we had to leave a high percentage of our output at the back of the Counter, for Industry's appetite, both at that time and for a long time after, was voracious and insatiable.

As time went on, however, Industry became more or less fitted up. Its demands for capital equipment automatically became less and less, so that now all we are required to do is to keep it in

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being and provide for its normal additions and replacements. Hence the reduced demand or need for our savings.

The conditions therefore are changed, and what was right and necessary in one epoch is wrong in another.

The same law applies to the individual. In early life we go through a period of intensive saving to marry and equip ourselves with a home, after which the need for such intensive effort becomes less. The same law applies to any other venture in which we are interested—starting a business or the like. These are plain and self-evident economic facts.

THE CYCLE OF TRADE

AND

THE CAUSE THEREOF

WERE we a self-contained country, and did ships not exist, there would be no need for this diagnosis at all, for our Consumption and Production economics would be a very simple matter. Having no external trade we should produce what we needed, and consume in our two worlds *the whole of what we produced*.

We are, however, *not quite* a self-contained country: we produce £6,000 millions, but by the annual Overseas exchange of 8 % of our products we are then *in exactly the same position as if we were fully self-contained*. In the one case we should have to consume the total of the *actual* goods we produced, and in the second case, the *equal* of the Goods we produced, no matter—on a parity basis—what the proportion we exchanged, be it 8 % or 80 %.

If therefore, the economic laws governing Production and Consumption in a completely self-contained State are obvious and simple, they are then equally obvious and simple in a not quite self-contained State, for each must consume the equal of what they produce. A high standard of Production *must* be followed by an equally high standard of Consumption—it is physically impossible for it to be otherwise.

Such is the manifest ABC of the matter—and the fact that we do exchange 8 % of our output abroad doesn't alter it. It does not so mix up the economic alphabet as to make it an unreadable jumble. Overseas business has its place in our activities, but it is just a normal place—just normal buying and selling. It is not, therefore, a section to which we should devote all our

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thoughts and energies, as though it were a kind of desperate measure, a matter of life and death. We have no difficulty in buying, for the world is always ready to sell, and if our selling to the world is a little more complicated than selling at home, well, it just is so, and if these complications make 'the furrows in the brow' a little deeper at times, it cannot be helped: it's one of life's crosses.

That it is important—as important as any other 8 % of our business and must be attended to in a like manner—goes without saying, but its 8 % quantity cannot be such a factor of our activities that it rules and dominates the remaining 92 %.

Let us, then, put it in its rightful place, and moreover, keep it there. Don't let us look upon it and its fluctuations as a sort of spanner that has the power to jump into our internal economics and wreck them. Overseas business being *an exchange* of trade is not, therefore, *an increase* of trade, nor therefore, an increase of Employment. Although these Producers and Consumers are situate in the four corners of the earth, they have no more real effect on our internal economics than if they were all concentrated in Northern Ireland.

The outcome of all this is that in dealing with our internal Production and Consumption activities as a whole, we can omit our Overseas business as being in any way a disturbing factor. As being a thing apart we can, in fact, economically ignore it, which brings us back to the physical fact that, Imports and Exports being equal—a *country must consume the equal of its own output*, which in turn brings us to the following:

Having a £6,000 millions output, and having been paid for our services, we have £6,000 millions in our pocket with which to purchase it, and if we spend 94 % of this sum we clear from Industry all the Goods she has produced for human needs and leave her with 6 % for her own needs—our Producing, Consuming and Savings then economically balance.

CYCLE OF TRADE—THE CAUSE THEREOF

This is then the ideal state, and in prosperous times, apart from the comparatively minor checks due to seasonal changes, changes of fashion, etc.—we more or less attain it. Production is doing its equal part in producing, and Consumption is doing its equal part in Consuming, and all is well.

This brings us to the vital question that if it is sometimes ‘well’, why is it not always well? for we have always about the same number of mouths to feed, bodies to clothe and house. They sit in the same number of chairs, lie in the same number of beds, eat about the same quantity of food, wear about the same quantity of clothes, and do, generally, the same things, day after day. Why then, humanity’s needs being more or less staple, is not Consumption and therefore Production and Employment equally staple?

This, as we all know, is the question we asked each other in the bad days of the Great Slump, and moreover, asked in vain. We more or less starved in a land of plenty. The unemployed bootmaker short of boots; the unemployed tailor short of clothes, the unemployed baker short of bread: It was all so tragic, but at the same time, so damned ridiculous.

Looking for an answer we turned to Industry, asking what was wrong with it; why, in a time when Nations were almost throwing Goods at each other, could it not compete and save the country by increasing its Overseas Trade? Its methods were wrong, it was out-of-date, wages were too high—or too low—it was blamed for every crime in the calendar.

Yet, despite all these presumed shortcomings the Production side of three years of better trade after the Slump was handled with all its presumed faults intact, by the same mob—a mob that did not suddenly change from an incompetent to a competent one. Where then is the answer?

The answer—the obvious answer—is that Industry, whatever

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its virtues or faults, is not to blame, for *she is not, never was, and never can be the arbiter of Trade*. Be they well done or ill done, its activities come to a stop—a dead stop—at the *back of the Counter*. It has done its part—it can do no more, and further (please note this carefully) *were it so efficient that it positively shone, and no one within its walls ever made a mistake, and were labour troubles non-existent, all working together in perfect love and amity, in short, were it organised down to the last bolt, the position would still be the same*.

A high state of efficiency would result in a high collective output, and a low state of efficiency would result in a low collective output—but whatever its state, as it is *not a Consumer*, it cannot in any sense be the arbiter of Trade.

Bearing in mind the *irrefutable fact* that we within our shores must consume the equal of what we produce, if we produce our £6,000 millions and then suddenly decide to save our money and live like Diogenes, Industry (except for the makers of tubs) shuts down and we are all unemployed. If we decide to go 50 % along this road, then 50 % of Industry shuts down and the half of us are unemployed—and so on. On the other hand, if we consume all the 'needs' we have produced for human Consumption we are again all employed producing another lot. These are merely physical facts, beyond discussion or argument.

Humanity, in its consuming hours, outside the world of industry, is then the *real and only arbiter of trade*. It is its actions and its alone that are the dominating factor of our well-being and prosperity. It is its purchasing, from the humble pennyworth upward, across the retail Counter, multiplied countless millions of times, that is the beginning of everything commercial and the key that unlocks and opens up the world of Industry.

We visualise the shiploads and the thousands of tons of this or that, the bulk producing and selling to one another at the *back* of the Counter as the reason and cause of the pennyworths crossing the Counter, whereas it is exactly the opposite. If there were no

CYCLE OF TRADE—THE CAUSE THEREOF

pennyworths, there would be no shiploads or thousands of tons of anything. Industry can propel its Productions from nature to the final Counter, but it cannot propel them *across it*. If we wish to shave it can, by propaganda, make us buy, say, a Valet razor instead of a Gillette, or vice versa, but it cannot *make us wish to shave*. That is our private affair—private to the world of Consumption.

(That he is committing the sin of reiteration the writer is fully aware, but knowing from many discussions with intelligent and not unimportant friends in the business and economic world, how difficult it is to displace a generally accepted belief—no matter how strong and irrefutable the facts against it—he makes no apology.)

That we give, and always have given Industry the premier place, and individual Consumption a very poor second (if a place at all) is only too obvious.

We look upon a maker of furniture as a Consumer of timber, and therefore, a consumer of consequence, but where we fail, is that we don't look a little further and realise that he is not a Consumer at all. He is merely a 'passer-on': He makes his furniture and passes it on—over the Retail Counter.

As further exemplifying our conception of the activities of Industry as being the cause of the fluctuations in the volume of trade, we talk of the fluctuations of commodity prices, etc., meaning thereby, world prices—as though they were dominating factors; as though their ups and downs *within* the walls of Industry had an enormous and vital effect on Consumption. A serious jump in the price of steel may have the effect of deferring for a while the erection of a factory, and thereby have a fractional effect on our 6 % Industrial Development figure; or, it might cause a fractional increase in the price of a bucket—but its total effect is negligible.

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But the *curse* of it is we think the exact opposite; we think these fluctuations have a very great effect, and therefore in our dual capacity of Producing and Consuming we 'get the wind up', and slow down in both our worlds.

The main question, however, is not yet answered—the question why, given a staple population, with staple wants, is not trade also staple? Which is also asking the reason for the Cycles of Trade—Cycles which occur with such regularity that we have come to look upon them as inevitable, as a sort of Act of God, or due to some Unseen Factor which we cannot define, and therefore, beyond human control.

Trade, as we know is not an Act of God but of Man, and by applying 2×2 formula, this Unseen Factor—and incidentally, the cause of the Trade Cycles—is discoverable.

In dissecting this vital matter, let us clear the ground by at once agreeing that until we are all beautifully clothed, housed, and furnished—a wireless in every room (which God forbid!), a car for every occasion, and everyone of us satiated with Needs, *there can be no peak in Trade.*

Despite the fact that we have never as yet got within sight of this condition, we have come to visualise a peak as a state in which Trade and Employment are normal, or perhaps a little above—when there is a feeling of confidence abroad, and our earnings are freely spent across the Counter.

Having climbed to this condition, this supposed peak—being fearful of such good fortune, the instinct of every business man is to pause a little—to sit back and take stock, and to wonder whether the time has not arrived—if not definitely to turn down new projects and extensions, at least to exercise care and perhaps defer his decision, for if the peak has really been reached, he knows—alas, only too well—that there is but one road from it—downwards.

CYCLE OF TRADE—THE CAUSE THEREOF

By some peculiar process of thought-transference or mental telepathy, this slight feeling of hesitation or doubt appears to attack simultaneously the whole of the business world very much as though broadcast by the B.B.C.

This doubt, influencing firstly the minds and actions of the employing class, quickly spreads to the salaried and wage-earning class, with the result that until it is known in which direction 'the cat will jump', and whether they will lose their job or not, there is a more or less slight diminution of Spending both in the world of Industry and in that of Consumption, and so we reach the first stage of the cycle.

Let us now see, in figures, the effect of even a 1 % diminution.

One % of our £6,000 millions output is £60 millions. In the National Income section, although the average income of the whole of our producers works out at £222 per head, the income of 7/8ths of these is assessed at £125 per annum. As Overheads and profits must be added to wages, to get at a workable figure we will assess the retail or Counter value of the output of the lower grade worker (the first to be affected by Unemployment) at £150.

£150 goes into £60 millions 400,000 times—which means that producing Goods to the value of £60 millions has employed 400,000 wage earners. Therefore, the 1 % only diminution of personal consumption resulting in £60 millions worth of goods being left unsold on the shelves of Industry has and **must have the physical effect of putting out of a job 400,000 workers.**

Obviously, matters do not of course, work out to this mathematical exactitude, but the general principle is correct, i.e. that the less we consume the fewer of us are employed.

Having reached this first stage of the cycle, what then is the general effect? We say, 'Yes, just what we thought—the rise in

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Unemployment figures indicates that our instincts were right, and that not only have we reached the Peak but we have already started on the downward path'.

The result of this condition is that our more or less unconscious diminution of Consumption is definitely changed to a conscious one, and—self-preservation being Nature's first law—we sit tight, button up our pockets and await the deluge which, our concerted action having induced, *we unfailingly get*.

A 5 % saving, or rather additional saving over and above the 6 % Industry can absorb, results in leaving at the back of the Counter no less than £300 millions worth of Goods, and on the same basis, *affects the future employment of no less than 2,000,000 workers*.

And so we go, until we reach the bottom of the pit: Savings swept away, Factories under-employed, Dividends diminished or non-existent, failures everywhere, till at last, desperate—and in an endeavour to get some good out of whatever money we still have left, we go out and buy something.

This feeling becoming more or less a mass feeling—as with the start of the trouble—*we all go out and 'buy something'*. The physical result of this is an immediate improvement in the employment figures.

This effect gives us a ray of hope, which engendering a little confidence, we go out and buy something else, and so we once more gradually climb up the slope till we again reach another supposed peak.

Every Industrial activity being for human consumption, *Individual* Consumption in the mass must without question, be the King of the Castle and the sole dictator of trade, and therefore, it is our own acts as Consumers that are the only arbiter of whether

we decide to live in comfort on or around the peak, or in discomfort in the pit.

This fact, this physical fact, *just is so*, and we must to the exclusion of all else—register it in our minds as the most basic and fundamental fact of our economic edifice. Consumption is the mainspring and source of every economic *Good*. It is the source of all Trade, of all Employment, and of Profits, for Industry, not being a Consumer, neither, *ipso facto*, is it a profit-maker. Potential profits are made, and accumulate as Goods pass from hand to hand through Industry, but they are not really confirmed until the Goods reach and cross the final Counter, when they are paid in a lump sum by the real Consumer, as part of the retail cost of his purchase. If on the other hand—by the negative action of the Consumer—they never cross the Counter at all, then the poor retailer is left ‘holding the baby’. Further, it is not only he who is in trouble, for the effect of this negative action quickly and surely makes itself felt at every Counter in the chain of production, right back to nature.

SUMMARY OF THE FINDINGS OF THE FOREGOING SECTIONS

At this stage let us take stock and see where we are and if the points are clear.

Section 1 MONEY

THAT money is not a separity entity, but merely a receipt for Goods produced and services rendered.

Section 2 PRODUCTION AND CONSUMPTION

THAT these are two separate worlds. We produce and earn our living in the one and 'Live' by consuming our products in the other.

THAT the clear division between these two worlds and the only point of contact is the Retail Counter.

THAT Industry is not a Consumer.

Section 3 THE NATIONAL INCOME

THAT the retail value of our combined output plus our income from abroad totals £6,000 millions, and that, therefore, we have £6,000 millions in our pockets as Consumers with which to purchase it.

SUMMARY

Section 4 IMPORTS AND EXPORTS

THAT apart from the free Goods (free in the sense that no balancing exports are required to pay for them) we receive from abroad in exchange for our Invisible Exports, and in payment of interest on overseas investments, our real Imports and Exports—our Sales and Purchases—average £400 millions per annum.

THAT of our £6,000 millions output this £400 millions plus 'Invisibles' represents 8 %.

THAT this means 92 % of us live by producing and consuming our own commodities, and the output of the remaining 8 % is exchanged abroad.

THAT on an average net profit of 10 % on sales the business community make a profit of £600 millions odd out of the Home market, against a £40 millions profit out of the Overseas market, which profit incidentally is paid away again on our Overseas purchases.

THAT as the exchange of Goods overseas is but an exchange of employment and profits—the financial gain from a National aspect is of therefore negligible. Its real usefulness and purpose being that of Dilution—to exchange the goods of which we have a plus for those of which we have a minus, and so diluting our own output to bring it in line with our Needs.

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Section 5 INDUSTRIAL DEVELOPMENT

THAT of our diluted output 6 % must remain at the back of the Counter for Industry's own use for new developments and additions.

THAT on the completion of our annual Dilution we are then self-contained, with but two customers only. Industry in the world of Production as a 6 % semi-consumer, and ourselves in the world of consumption as a 94 % final consumer.

Section 6 SAVINGS AND INVESTMENTS

THAT money being goods, our Savings are goods. That as we cannot have both in our possession at the same time, our Savings—our unspent money—are represented by goods at the 'back of the Counter'. These Savings exist, therefore, either in our pockets in currency, or at our banks as deposits, or in Industry as Investments.

THAT Industry being nothing more or less than a workman multiplied millions of times, he only requires sufficient kit to do the job he is called upon to do. To serve him out with double the kit—that is to double our Savings—not only serves no useful purpose but would clutter him up with a lot of unwanted impedimenta which would not only earn no dividends but rust and decay to nothing.

THAT therefore to keep ourselves on an even keel there is a *right* amount to save and a right amount to spend, or in other words, there is a right amount Industry can, with profit, consume and a right amount that we as individuals therefore *must* consume.

SUMMARY

Section 7 THE CYCLE OF TRADE

THAT having by dilution changed ourselves from a nearly self-contained to a fully self-contained country, our subsequent activities in relation to this diluted output are entirely in our own hands and quite independent of Overseas influence.

THAT having £6,000 millions in our pockets with which to purchase it, it is our own acts, not as Producers but as *Consumers*, from this point onwards that determine the volume of the immediate future employment.

THAT if from an attack of Trade nerves or any other cause—real or fancied—we tighten our pockets, thereby leaving an undue proportion of our output on Industry's shelves for *which it has no use*, the sure result is lessened employment, and the degree of this tightening governs the degree of employment. It must, for they are one and the same—the two factors are interlocked.

THAT—as this is merely a 2×2 cause and effect fact—the outcome is that *Personal* Consumption Controls Production.

THE OUTCOME OF THE FINDINGS

THAT Personal Consumption controls Production is the exact opposite of the general belief which is that Production is the leader in our daily activities and that Consumption occupies second place. It is granted that we cannot Consume unless we Produce, but the vital fact to get clear is that Production waits on Consumption's word. In commercial language, it waits for orders—and the volume of these orders controls the volume of Production; therefore, Consumption controls Production and employment, together with every economic good that arises therefrom.

Thus by a process of very simple logic—the putting of the chief factors in their proper place and giving each their proper function and weight, we get to the real crux of the matter—which is that everything we do in Industry, from the Principals downwards in our earning a living hours is controlled by one factor or another, but the basic factor, the motive power that sets in motion all these activities—Consumption—is entirely *uncontrolled*.

It is as free as the air to live just as its fancy pleases. It can live in fatness and dress in gorgeous raiment, or it can dress in the nude (or nearly so) and feed on nuts. It can raise production to a frenzied pitch or it can starve it to death.

This uncontrolled freedom is then our Unseen Factor, the factor that has the power to raise us to the peak or to plunge us to the depths, and for just so long as it is allowed to persist in its freedom and sway the activities in the world of Industry at its own sweet will, for just so long will there be no stability in trade: therefore—

There can be no security for the Financial and Commercial section

THE OUTCOME OF THE FINDINGS

and no security of employment for the salary and wage-earning class.

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NOW Unless the writer has one of those inverted minds that sees a fancy as a fact or vice versa, the conclusion that *Personal Consumption* is the dominating factor of our economic life must stand.

Further, as this conclusion has been arrived at by a process, not of higher mathematics but of simple arithmetic, it must, together with all its implications, be accepted. There is no getting away from it.

This being obviously so, is it not rather extraordinary that such a glaring fact—a fact so vital to our economic well-being—has lain so long in obscurity? For it is far from being a subtle and hidden fact—so hidden that we may be forgiven for overlooking it.

That it has been overlooked is abundantly clear, for as far as the writer knows, in every published work on Industry, Trade and Employment it has been completely ignored. Without exception these works deal with our Producing activities within the walls of Industry itself as though it were a world of its own—a world that was self-contained and lived and died by its own exertions—a conception which most definitely points to there being something lacking, not only in our sense of perspective, but in our economic intelligence.

To get a useful and workable picture of this world we should visualise it as being enclosed by four walls with openings in the rear to allow the passage of Imports and Exports, and an opening in the front wherein is fitted the Retail Counter, over which the products of this world of Industry, diluted with a proportion of Overseas products, pass.

Within it take place all the fights between capital and labour

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for the division of the spoils. It also contains all the anomalies and injustices of every kind contingent upon the earning-a-living and profit-making activities of 27 million people. The greater the volume of these hindrances the less the collective output and vice versa. However, these troubles—in a greater or less degree—will be with us always or until in some far distant age when absolute justice rules we reach the state of perfection wherein we do no wrong.

THE OBLIGATION OF INCREASED OUTPUT

Now let us take another picture. If at the beginning of a decade the output of our 27 million Producers totals £6,000 millions, this output (or its equal) must be consumed by us. Then if at the end of the decade, by inventions and quickened means of production this collective output has increased by 10 % our consumption must also be increased by 10 %. This again is but simple arithmetic.

Exchanging a greater quantity of Goods overseas will not alter the position. Therefore, if we continue to consume at the same rate as before, our only alternatives are: (1) to reduce our working personnel by 10 % (that is, to put 10 % of us out of a job: (2) to reduce our working hours by 10 % or (3) by greater spending, to increase our standard of living by 10 %. It is one of these three things—there is no other option.

As we cannot save this increased output by leaving it in Industry we must save it and use it by taking possession of it, by increasing the comforts of our homes, by more and better clothes and a greater modicum of all the things we 'enjoy' in life. Thus—to keep us economically balanced, all roads lead back to the basic factor—Control of Consumption.

WASTEFUL THRIFT

We are credited with being a thrifty people, whereas on the facts—the palpable facts—we are one of the most thriftless races

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on earth. In our exercise of thrift we will patch and darn to the extreme limit. We will 'make do' with this or that when they are long past their normal life. We will hang on to a garment until it is shiny and threadbare. Although by doing the opposite of these things we could alter it, we allow 3,000,000 out-of-works and are collectively the poorer by the Goods they could produce.

Further, we are not only poorer by these unproduced Goods, but to keep the workers alive we hand to them—via Rates and Taxes—the wherewithal to live. That is, we hand to them a portion of the Goods we ourselves have produced for our own consumption. Although we naturally grumble, by some strange mental twist we don't seem to mind too much being taxed to pay for these outgoings, but if we sat down to a favourite and succulent dinner and a Tax man and a Rates man came and lopped off a couple of chunks, or they went to our wardrobe and lifted our favourite suit, or they took out of our hand the last 'quick one' we were just about to enjoy (for that's what it really comes to) it would bring it home to us. On the whole, it's rather a pity that these acts don't take place literally for then we should sit up and take notice. It would sharpen our wits considerably.

We strangely lack vision and a sense of proportion in these matters. With one hand we save by bits and pieces, and with the other throw away large chunks of possible wealth. It may be difficult to get a quart into a pint pot, but (speaking as a manufacturer) it's not at all difficult, if we are put to it, to get a 'quart' out of a 'pint' factory.

The potential and possible wealth waiting to be tapped in the brains and brawn of our 27,000,000 Producers under controlled conditions is well-nigh illimitable—wealth which under existing conditions cannot be realised.

THE PROBLEM OF INSECURITY

The greatest curse of our work-a-day life is insecurity and uncertainty—uncertainty of employment for the wage and salary

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earner and uncertainty of business and proper returns for the commercial section—and it requires but little vision to realise what a changed world it would be if the curse were lifted.

To say that this change is humanly possible or even nearly possible will, no doubt be dubbed a rash statement, but if the present diagnosis be proved and accepted it does at least lay bare the definite source from which our uncertainty springs, and therefore the equally definite factor upon which we should concentrate to remedy this state. As against the present economic jumble, this is at least a good many steps along the right road.

Trade, however, is not a phenomenon of nature, it is Man-made and if in the past he has at times made a muddle of it, it should not be beyond his compass, *providing he knows where his error lies*, to avoid making a similar muddle of it in the future.

To achieve this end entails the apparently impossible feat of controlling the Spending and Investing activities of 27,000,000 people, but as these activities are not Acts of God, in the writer's opinion nothing is impossible when we really get down to it, so let us examine what the problem really means in actual figures, which will give us its actual proportion.

In the Cycle of Trade Section we have seen that a reduction of consumption—that is an *over-saving* of 5 % affects and deprives of employment no less than 2,000,000 people and incidentally deprives the country of £300,000,000 worth of Goods which it could have produced—a sum which by the way equals three-quarters of our total Exports.

The problem, therefore, is not a 50 % but a 5 % *one only*. Reduced to money—of our £222 average income 5 % equals £11 2s. 0d.; consequently, under our 2×2 rule it is the spending or non-spending of this sum which economically makes or breaks us.

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Further, if we do not spend it, it does not follow that we are individually the richer at the year's end by this amount, for in a time of serious unemployment the greater part of it is *spent for us* via increased Rates and Taxes, increased unemployment contributions, doles, lessened dividends and profits, and many other out-goings contingent upon lack of trade. By over-saving, therefore, from whichever angle we look at it, we are not the richer but the poorer.

This conclusion upsets another long-established belief, i.e. that a nation becomes rich by saving money and that the more it saves the richer it becomes. It just doesn't. It's a physical impossibility. It becomes rich by producing Goods and by its Nationals individually or communally *taking possession* of them, taking them out of Industry and so off the market.

THE ROAD TO SECURITY

Now let us get to the real crux of our difficulty—Control of Spending which incidentally, is also Control of Saving.

There are two forms of money. The form used by Industry and the form used by Consumption. Industry mainly makes and uses its own money—Cheques, Bills of Exchange, Promissory Notes, and the like. With this form we have little or no concern, but more of this anon.

Consumption, broadly speaking, uses Government money (currency). With this we are much concerned; therefore, let us follow its journeyings.

At the week-end in exchange for its cheque, Industry collects from its bank sufficient currency to pay its wages and salaries. This currency passing into the hands of the consumer finds its way—via the retailer—back into the banks again during the following week, and so on—*ad infinitum*. In addition to the 'weeklies' there are the monthly or quarterly emoluments of the principals

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or the higher-salaried servants which are generally paid by cheque and which also pass into Consumption. Again, all profits by way of dividends and other forms of disbursements eventually pass into the same world. This means that as Consumers we have received in terms of money the full value of our collective Output, which we deal with as follows:

One portion we pay away in Taxes, and another as Rates in the purchase of our Imperial and communal needs. Concerning these we are not free agents—we have no choice. A third portion—Savings—we return to Industry over the Counter as Investments, and the fourth we hand to the retailer in exchange for the commodities and personal needs by which we live. It is with this portion we are principally concerned and which, to get a right picture, we can visualise as our Spending money.

At present we live in an age of coupons and rationing. By the exigencies of War our personal Spendings are restricted to the minimum so that our Savings for war requirements shall be raised to the maximum. Although these restrictions are irksome at times, we get along. If in peace-time, however, the position were reversed and instead of our Spendings, our Savings were rationed, then we should economically get where we want to be—free of anxiety as to a market for our output (the truth of this will be apparent later).

The payments we receive as Consumers in exchange for our services in Industry—whether in currency notes or by cheque—are really but glorified coupons, the only difference being that instead of their exchange being restricted to certain commodities (butter, bacon, meat and what not), they are universal. They can be exchanged where we like, for what we like, and when we like.

This at long last brings us to the core of the matter. If we are to keep ourselves economically balanced and thereby eliminate Trade Cycles, these wages coupons—as we may call them—must no longer be universal. They must be of two kinds: Saving or

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Investments coupons, and Spending coupons. If on final examination it is decided that 6 % is the utmost Industry can annually absorb for development and is therefore, the correct amount to save, then 6 % of our emoluments, whether Profits, Dividends, Salaries or Wages must be paid to us in Saving Notes and the remaining 94 % in Spending Notes.

The 'life' of the Investment Notes will be *unlimited*. They will, to all intents and purposes, be no different from our present currency. They can be saved, invested or spent as and when we wish.

The Spending Notes will have a *limited* life of, say, three months, the point of this being that unless these Spending Notes complete their circle and within the stated period clear Industry of the Goods they represent, **they are no longer valid. They are waste paper. They are dead.** As dead as a cheque six months old.

THE QUESTION OF FREEDOM AND JUSTICE

Our first and quite natural reaction to this apparently drastic method of Cure by Prevention will be—too severe, unjust, robbery and other like adjectives. Also, it will be argued that by its element of compulsion it strikes at the very root of the little thing we are at present fighting for—Freedom—Freedom of the individual to order his life as he chooses, and to do what he likes with his own.

As a preliminary to the examination of these points it may be useful to define exactly what is meant by freedom and justice, and in this respect we cannot do better than quote the famous edict of the Convention of Paris which laid it down that:

The liberty of each citizen ends where the liberty of another begins.

A grand axiom that in two lines comprises all human social

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law—moreover, as the transgression of the liberties of another is an injustice, we can take both terms as being synonymous.

With this axiom in our minds and as our guide let us examine the points at issue and see how far we are justified in our objections. With regard to the 'justice' element let us take the following everyday transaction between our two worlds of Production and Consumption:

A cabinet maker by a week's labour produces say a chest-of-drawers, and in exchange receives a week's wages, say £4. These four £1 notes, although we call them money, are nothing more or less than a receipt or an acknowledgement by Industry that it owes to the workman an article value £4.

Now the point to note is, the chest has been produced not for Production, but for Consumption to, say, keep its underwear in. Production not being a human doesn't use underwear. The workman as representing Consumption, has therefore, in effect made the chest for himself, but for the time being he has left it in Industry's charge until he is ready to collect it.

Under the present uncontrolled system, however, he may *never collect it*. There is no compulsion about it. He may, if he chooses, decide to keep his underwear wrapped up in a piece of newspaper and pack his receipt away in a drawer for ever.

Industry, in the natural course of business, and from a sense of duty inherent in its position, arranged and financed the production of the chest to supply a human need. Therefore, if the human fails in his equal *duty* to consume the chest for which he has been paid wages to produce, then there is injustice. The boot is, however, on the other foot. *It is Industry that suffers the injustice, not the Consumer*. Further it is not only Industry in the person of the employer, but also another workman by being deprived of the employment of replacing the chest by a second one.

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This is but a typical example of the ordinary everyday comings and goings between the two worlds, and visualising the picture thus drawn it must be agreed that these transactions positively shriek for control.

Although to the intelligent it may be needless, let us in an endeavour to drive the point still deeper (so deep that it cannot be eradicated)—draw another picture and note the direct effect on employment by the exercise of the supposed right of the Consumer to hold fast to his receipt—or in other words—‘to do what he likes with his own’.

As we cannot compactly visualise 27,000,000 joint Producers and Consumers together with their £6,000 million output, let us take 20 only of them. (The same inexorable economic laws apply, whatever the number.) Suppose these 20 lived in a little world of their own and made nothing else but chests, one each per week, and that they lived on chests, ate them, wore them, and slept in them, and each received on the Saturday a receipt for his chest, which together with the other 19 are then stacked in a pile for the week-end. On Monday morning each Producer, or rather his wife, hands in his receipt and collects a chest while the old man proceeds to produce another one. Under these balanced economic comings and goings all is well.

If, however, one of the 20—equalling our 5 %—which in turn equals our 2,000,000 out of works—decides he doesn’t want any more chests, he *puts himself* out of a job—there is no alternative, and so the biblical law is proved and justified, ‘*that if any would not work neither should he eat*’. A wise law that has its economic obverse in, *That if any would not eat neither shall he work*.

Applying this fantasy to ourselves, if by the exercise of our uncontrolled freedom we collectively consume 5 % less than we produce we put one in every twenty of us on the shelf—the unemployment shelf.

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Reverting to the example of the cabinet maker and the chest; it will be argued—and with justice—that circumstances may have arisen which prevent the consumer putting aside within the allotted time the exact sum of money required to purchase the particular article for which he is saving, and therefore, to avoid allowing his notes to become invalid by lapse of time, he is compelled to spend them in the purchase of other goods which he does not at the time particularly require.

It is an important and vital point—one which had it been impossible to overcome would have damned the Scheme altogether. However, it *has* been overcome and in a very simple form, as the details will make clear.

The control of what we shall do with our earnings is—be it noted—not a rationing of Spending but of Saving. If we are of the mentality that our highest aim is to devote our lives to wine, woman and song or alternatively to live cloistered with books, no one should have the right to say us nay. It is our own concern and in the exercise of these rights we are not transgressing the liberty of another.

We are strong in this country on the Sacred rights of Property which is as it should be, but this unwritten law does not give us a right to leave this property dumped on the roads of Industry to the common detriment, and therefore to the transgression of the freedom of others.

It is to this extent then and this extent only, that the scheme restricts our freedom, a restriction to which no one can or will object. In all other respects we are as free to order our lives as we have always been. In fact, except in the matter of resultant benefits, the majority of us would scarcely know any change had been made.

The Scheme, therefore, by virtue of control provides a just

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freedom for the individual, continuity of employment for the wage and salary earner, and continuity of trade for the business section.

WHAT IT DOES NOT DO

It does not, however, of necessity provide profits or a continuity of profits for the latter. It is not the millennium by any means. The fool will not escape the consequences of his folly nor the inefficient the result of his inefficiency, nor the business chief the result of his faulty plans and judgment. The financial knuckle-raps contingent on our mistakes will still have to be suffered and endured, and rightly so.

The ordinary law of supply and demand will still operate. If we all concentrated upon, and madly produced Footwear, obviously there would not be enough feet to fill them. Industry will, as ever, still have to use judgment and foresight in anticipating our likely needs, but under existing conditions, though it may anticipate these to a nicety, it is still on the knees of the Gods or rather on the knees of the Consumer, whether or not he has money enough to buy them or even if he has the money, whether he ought not in his judgment to *save* it instead of to spend it. Under the new regime this risk would be eliminated for he would *have* to spend it or eventually go without employment. As everything reduces itself to labour—not labour and materials, but just labour—making a £12 overcoat do another winter in the aggregate deprives labour of three weeks' employment.

Despite the manifold and manifest advantages of Control we must not, however, delude ourselves with the idea that we have merely to put our Goods in the shop windows for them to be sold. Humanity—for no accountable reason—will wear woollen jumpers one day and leather jerkins the next, or suddenly go right off one make of car in favour of another, and so on.

Short of being regimented like an army and served out with our due dollop of boots, clothing, food, housing, etc., there are

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no means of preventing these human vagaries, nor as a matter of fact should there be. It is irksome enough to have to keep our noses glued to the industrial grindstone during all our working hours, without having to keep them glued to another of uniform pattern during our living hours.

All that the control Scheme aims at is the regulation of the *volume* of Trade—not the items that make up the volume. If, due to these changes of fashion or the exercise of our sudden likes and dislikes we have a small residue of Goods left over on our Counters at the year's end, 'well, it's just one of those things' and cannot be helped.

Neither does it aim to control our ordinary actions, but it does aim to control our extraordinary ones—our 5 % over-saving actions which result in leaving a volume of £300 million of Goods, useless to Industry, on its shelves. Five % does not sound much in itself, but it acts on Consumption like the blast of an air-raid siren, sending it scuttling for cover and dragging Production along with it. It upsets the even flow of Trade as completely as a drop of paraffin will upset the value of a barrel of drinking water.

Assured and settled trade conditions and the consequent avoidance of unemployment opens up an entirely new world—an undreamed of world—a world in which we could go to bed in peace and in the blessed security that these conditions would not change overnight.

THE SCHEME'S FLEXIBILITY

The great factor of the scheme and one of peculiar advantage is its flexibility, inasmuch as the rationing of Saving can at any moment be altered by a stroke of the pen. If 6 % Saving fails to keep trade and consumption level we can make it 5 % or 4 % or even ease it down to practically nothing at all for a time.

It offers, as nothing else can, an absolute and definite safety

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valve, by which any tendency of a slump in trade can be throttled at birth.

INDUSTRIAL versus CONSUMPTION MONEY

Now, before we get to the working details of the Scheme let us touch upon what we may call Industrial money as apart from Income or Consumption money.

The main interchange of commodities within the four walls of Industry is effected by the form of money Industry makes itself, cheques and the like. These cheques are drawn to cover business transactions and when the transactions are completed they become waste paper. It is just barter as in pre-money days, but it is now three-point instead of two. Instead of buyer and seller only—or two exchanges to be more correct—it is now buyer and seller plus banker. Nothing is really changed.

Industrial cheques *not* being Income cheques they do not pass *out* of Industry as do the latter. This money being peculiar to Production itself it does not concern Consumption. It is not its business and therefore Industrial money is outside the compass of the Scheme.

This explanation is perhaps a little too difficult to grasp at once. Let us put it this way. We have seen that Industry is not a consumer; therefore, within its own walls it sells nothing to itself 'for keeps'. The tally value of the evolution of an article from cog to cog within these walls can be arranged by any system it pleases down to cowrie shells or notches on a stick. Only when we as individuals change our role from Producer to Consumer and step out of the producing world is it necessary to take with us—as a receipt for and an acknowledgment of debt—a different form of tally—money—which is provided by the Government via the Banks for this special purpose, a tally which gives us the right to go to any section of the Counter we please and collect what we require. It is this form of money we dub Consumption money

and which passes for a time out of Industry—as against Industrial money which never passes out.

In addition to transactions by cheque in Industry there is, of course, a proportion of business transacted by Cash (currency) not the cash which crosses the Retail Counter between Consumption and Production, but between small dealers within Industry itself. These being for relatively small amounts, Spending Notes can be used, as sooner or later within the period of the life of these notes they will reach a trader with a banking account who will pay them in, in the same manner as a retailer pays in the notes he receives across the Counter from a Consumer. The point of this is that, although say a coster with a fruit barrow is in Industry, it is not essential for the efficient working of the scheme, for him to have a banking account.

To get the true meaning and outcome of all this we must keep the picture of the two worlds always in our minds and look upon them as two entirely separate entities—as separate as though they were two adjacent islands—one on which we worked and produced and the other on which we lived and consumed.

International finance is again a concern of Industry and not of consumption. It covers business transactions between our world of production in this country and like worlds overseas. It has nothing to do with retailing—the final meeting place between Production and Consumption. Governmental international finance falls under the same head. The government in respect to the Post Office is a retailer in this country, but it is not a retailer in any other.

With regard to high finance, the writer has not the slightest idea of the meaning of this oft-quoted phrase unless it embraces Napoleonic financial transactions similar to that of the £3 a week worker who raffled his pay envelope every Saturday at a 1s. per head among his 200 mates and was able to run a small car on the proceeds.

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However, no matter how 'high' or how internationally wide-spread these transactions, we shall keep a clear vision if we hold fast to the basic truth that they are an *effect* and not a *cause*—the effect of our pennyworths across the retail Counter—and further, that all the Factories and Plant of Industry the world over have their origin in a simple pick and shovel, and that the user of these implements is driven to wield them by his simple need of food and drink. First things first is always a good rule and saves a lot of mental confusion.

Having waded through these necessary explanations and reflections we now get to the broad details of the proposed method of Control. Controlling the Saving and Spending proclivities of us all is controlling the mighty machinery of Trade with all the multitudinous acts involved in the production and consumption of an output of £6,000 millions. Although on the surface this would seem an utter impossibility, when we get down to bedrock it is surprisingly simple.

We have seen that Consumption controls Production; therefore this control emanates from and is centred in the retail buying acts of a *single individual* multiplied 27,000,000 times, which means that when we are weighing up the pros and cons of the Scheme we don't have to think of the acts of the 27,000,000, but of the acts of a single one of this number.

If we do this, seeing exactly what it means to each of us in relation to our own Savings and Spendings, it will be seen not only how surprisingly simple it is, but how little it interferes with our normal freedom.

The Scheme is but briefly outlined and at a first reading it may present many holes for evasion, but as we let the details seep in, many of these appear to close. The writer is confident that in any case they are not large holes—not large enough to sink the ship. Moreover, if the 'powers that be' are efficient enough to control how many ounces of this or that we shall eat in a week

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(an infinitely more difficult matter) it should be clever enough to devise an equally close and efficient control for this.

There are holes in the Income Tax Laws which the ultra-clever get through—for a time—but no one can say the *laws don't work*.

Finally, as its efficient working would be of enormous gain to everyone, just as the present absence of any form of control is of enormous loss to everyone, it is up to each of us to see that it *does work*.

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IN BROAD OUTLINE

MONEY used by Industry for financing output and for Development is obtained from three main sources—Public subscriptions—Private Lendings (both chiefly from Income) and money (undistributed profits) held as reserves by business concerns. The latter never having left the world of Production there is no means of ascertaining their volume or extent.

If, however, we assess them at £60 millions it will reduce the 6 % figure given in the section on Industrial Development to 5 %, equalling £300 million, which means that on the basis of a £6,000 million output we leave £300 million of it in Industry as Investments.

(The accuracy or otherwise of the £60 million figure is of no real moment as the flexibility of the scheme makes it adjustable to meet the ascertained conditions.)

The basis of the Scheme therefore, is that annually the Government will issue through the Banks £300 million of Investment or Savings Notes and sufficient Spending Notes to cover requirements, as it now does with Bank currency notes, etc. The Investment Notes will be undated but will *not be used as currency*—the reason for this will be apparent later.

(NOTE.—As the terms Investment Notes and Spending Notes will of necessity occur frequently in the explanation of the details, for brevity the initials I. and S. will be substituted.)

The back of the Spending or S. notes will be divided into twelve date squares—one for each month. They will be dated by the Bank

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when issued and re-dated when re-issued. Assuming we give them a three months' life, those issued during January will be valid until the end of March; those issued in February will be valid until the end of April, and so on. The average life of each will therefore be two and a half months. In respect to metal money which cannot so be dated, to lessen the quantity in circulation it will be advisable to introduce 5s. notes—a useful addition, even in present circumstances.

The issue of not more than £300 million I. notes will *prevent our saving*, whether for reserves or Investments, more than this sum annually, and the issue of dated S. notes will *make us spend* them within the prescribed period, on the commodities and services by which we live.

Being all equal in sight of the law, in payment for services rendered in Industry (wages, salaries, dividends, profits, etc.), we will each receive 95 % in S. notes and 5 % in I. notes.

At the weekend, in exchange for a wages and salaries cheque the Banks will pay out to the Employers 95 % in S. notes and 5 % in I. notes. The S. notes would bear their expiry date and the I. notes be left blank. Before the Employer pays out the latter, the name of the recipient will be written on the back, and it will *not be directly* transferable to any other person.

If a recipient (who is now a Consumer) wishes to make a present or a loan of I. notes to another Consumer to perhaps swell his I. note fund, the transaction must be done through a Bank or Post Office who will endorse the notes with the second owner's name and stamp them with an impress stamp, as is done with Post Office Savings books.

This provision is firstly to prevent I. notes being used as currency and secondly, to prevent Black Market operations.

In the case of payment of salaries or dividends, etc., by cheque,

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the total sum, say, Twenty Pounds will be written in as now and the numerals filled in in two sets of figures, £19 and £1 respectively. The date on which the cheque is drawn will be the date of the commencement of the three months' life of the Spending portion—the £19. These details will be recorded in the bank's books.

This would necessitate a split banking account equivalent to the present current and deposit account, the only difference being that whilst I. note money may be transferred to Spendings, S. note money cannot be transferred to I. note balances.

The great majority of wage and salary earners are not savers in the sense that they save to invest, except in a minor degree through post office issues. They may save for a few weeks or months to 'buy something' which is merely deferred spending. With this we are not concerned.

I. notes being of little or no use to them, they can exchange them at a bank or post office for S. notes, but *only* at those places. By exchanging them in this manner the I. notes automatically pass again into the hands of the Government.

As against the non-savers there is an important section to which Industry looks for new capital and to whom a 5 % saving is of little use.

The I. notes returned to the Government by the non-saver would be available for this section by the exchange through their banks of their surplus S. notes.

In the case of a non-investor requiring what is in effect the equivalent of an extension of the life of his S. notes for a special purchase beyond their time limit, he is also at liberty to exchange them at a bank or post office for I. notes and to change them back again when he is ready to make his purchase. This proviso obviates any question of hardship.

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Regarding the longer dated outgoings, such as annual insurance premiums, half-yearly rates, quarterly gas and electricity charges and the like: by virtue of the two clear months' life after month of issue of his S. notes (a margin equalling one-sixth of a year), it follows that before their expiry date an earner will have at his command one-sixth of his income—£66 odd in the case of a £400 a year man, and £333 odd for a £2,000 income—sums which should be more than ample to meet these longer-dated charges.

In addition to I. notes not being currency across the retail Counter neither must they (that is the notes themselves) be used in the purchase of an Industrial share, for otherwise they would then be used as 'travelling' notes to buy in rotation umpteen shares in umpteen businesses.

As most Investors have a banking account the intending purchaser would draw an ordinary cheque on his bank payable to, say, J. Blank & Co. or the Investor's brokers who would pay it into their bank in the usual way. This cheque, however, will be marked *Investment*, and on reaching the investor's own bank will be debited to his I. note balance.

(NOTE.—Industry not being a 'consumer' as are individuals on the Consumption side of the Counter, will, therefore, not have an Investments and Spendings account, but just the ordinary account as at present—it is not interested in the former.)

The purpose for which these I. notes have been accumulated having now been accomplished they are then cancelled by the bank just as, in fact a cheque is cancelled.

If, however, there is not sufficient balance in the intending purchaser's Investment account to cover the purchase, he instructs his bank to procure for him the additional I. notes required, which the non-investors have given up, and to debit his surplus spending account accordingly.

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In the case of the non-banking account Investor taking up a Government issue handled by the Post Office, he would pay in his I. notes, just as under present conditions he would pay in currency notes.

In the case of his investing in a Stock not dealt with by the P.O. he would exchange his I. notes for a P.O. Warrant made payable to J. Blank & Co. which he would post to the seller of the Stock. In this case the Investor would, by filling up a form, notify the P.O. that the exchange is for Investment purposes, when the I. notes would then be cancelled and their equivalent in S. notes put on tap instead, the point of this being that inasmuch as these I. notes have been used to purchase one lot of Stock, they must not be used again to finance the purchase of a second lot.

Thus it will be seen that neither the small nor the big saver suffers loss or inconvenience under this arrangement, nor is their method or mode of life altered in the slightest degree. They are as free as under the present uncontrolled regime, but with one vital exception—that collectively, the nation cannot, due to the £300 million restriction, save and leave in Industry more of its output than Industry requires and can profitably use.

There is one snag, however, which the reader will already have seen—the regulation of the distribution or allotment of the surplus I. notes.

With our usual instinct of grab (the more polite name being the instinct of self-preservation) there will, unless it is checked, be a rush on the part of those with financial resources to collar all the I. notes available, leaving little or none for those lacking such resources.

By Government instructions to the banks, these piratical depredations can be effectively checked. As against their accumulation for *unspecified* purposes by the grabbers, merely to augment their investment balances, their purpose must be *specified*.

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It will neither be necessary nor—for market reasons—advisable to inform one's bank of a decision to purchase a block of such and such a stock. All that will be necessary is to notify them that a certain sum over and above one's I. note balance will be required and to instruct them to secure further I. notes and debit one's S. balance accordingly.

Further, if the deal for which they are obtained should fall through and moreover, negotiations were unlikely to be reopened, then within a stated period the I. notes should be again exchanged by the bank for S. notes and the former returned to the Government, who would form an I. note Pool. This would have the effect of keeping the latter fluid and would be *just* to everyone. It is vital that these I. notes should not lie frozen in the banks.

In addition to keeping a check on the grabbers, this arrangement would also enable the Government to keep a check or tally on demands for new Capital, enabling it to see the exact amount Industry annually does absorb from the general public, and to regulate the future I. note issues accordingly.

Further, the conditions would in themselves impose a check, for inasmuch as the banks could not use Investment balances as a Lending stock, ~~these balances~~ would neither earn nor therefore pay interest. They would lie idle. They would only begin to earn dividends when they had effected the purpose for which they were created—to transfer to Industry the right permanently to take possession of the goods Consumption had left within her confines, and which these I. notes represent, and to use them for the general benefit.

Further, the fact that Investment balances would lie idle and earn no interest discloses a further gain. Dated S. notes will force us to spend, but nothing in the scheme at the moment forces us to invest. The fact, however, that deposits of these I. notes in the banks would earn no interest would alter this position, and if we

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want to make our £300 millions of money show us any return we have *got* to invest it: therefore, we are not only forced by this 'gentle persuasion' to spend, but we are also forced to invest—and so we reach the desired position of economic equation.

With respect to the degree of facility of our being able to exchange S. notes for I. notes; this will of course always depend upon sufficient I. notes being available. As their additions to our I. note balance will be for Investment purposes only—allowing us if we wish, to keep all or a proportion of those we receive in the normal way for eventualities (as with our present deposit account) it is believed matters will automatically find their own level without difficulty.

At the first reading of the foregoing details, it will be difficult to separate our minds and thoughts into the necessary compartments, and we shall in our criticism confuse the two worlds and with them the two forms of money, and their separate influences. We shall say 'What about this transaction' and 'What will happen in this or that case?' When those queries arise it will simplify matters if we at once ask ourselves to which world do the queries belong. If the answer is Production, then we can ignore the answer as being outside the compass of the scheme. If, on the other hand, the answer is Consumption, then they are germane, and must be answered.

As a result of many discussions, the writer is only too well aware how extraordinarily difficult it is to get the idea of these two worlds firmly fixed in our thoughts. If we don't see the clear division, then we don't clearly grasp the Scheme. Neither—a most important point—do we grasp its simplicity.

It may assist our vision if we picture the world of Consumption as being within the confines of our home, on the public side of the footlights of a place of entertainment, on the public side of a hotel bar, the use of a club smoking-room. In short, any and every place where we spend money in purchasing our personal,

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communal or Imperial needs. The world of Industry is the world where we earn this money, whether we are a dustman in the street, a bishop in a pulpit, a financial magnate in his office, or a minister of state. For a certain number of hours of the day we are in the one world, and for the remaining hours we are in the other. In the one world we are producing humanity's needs and in the other we are consuming them (sorry to thrash this matter so, but it is important that the separation is quite clear and fully understood).

THE EXTENT OF THE 'TROUBLE' INVOLVED

Now, although it has taken many words to draw even a brief but workable outline of the Scheme, let us see—shorn of its necessary explanations—how it affects each section of us—not in respect to benefits but in respect of possible trouble.

Industry as represented by 'the City?' With the exception of the Stock it buys and sells for the private individual in the world of Consumption, all its financial activities are concerned with the monetary ebb and flow of matters within the world of Industry. As these matters do not directly concern Consumption, no change in these activities is involved.

Industry as represented by the practical end would suffer the trouble of two kinds of Wages to deal with on pay-day, S. notes and I. notes. Otherwise, no change.

Concerning the non-saver, comprising mainly the junior or lower-paid staff, works and clerical. It would be fairly safe to say that no one receiving less than a wage of 50s. per week is either a saver or investor, and therefore would not want to be bothered with I. notes, and the trouble of exchanging them. A census could quickly be taken in each business house or Works to ascertain the employees' individual wishes. A very small percentage, perhaps 5 %, may decide for I. notes, and being entitled to their proportion there is no reason why they shouldn't have them, but

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taking the remaining 95 %, their lives—in respect to earnings and spendings—would not be altered one jot. They get their pay and are given $2\frac{1}{2}$ months in which to spend it.

With regard to the next grade, also non-investors; their I. notes would perhaps be useful to keep aside for the purpose of ‘buying something’ at some future date. When the date arrives, say, perhaps three or four times a year, they go to the Post Office, change their I. notes for S. notes and make their purchase. That is the only trouble they would be put to. In all other respects they also would carry on as now.

With regard to the bigger-to-big investors—the banking account Investors. If they wish to purchase Stock and have a surplus S. balance but are ‘short’ on their I. balance, they give their bank instructions to rectify the position by the exchanging process. That’s the only ‘trouble’ they would incur.

In view of the enormous issues involved, the ‘way out’ of our chief economic trouble, therefore, is so simple as to verge on the ludicrous, and taken altogether, it must be agreed that it would be difficult to devise a scheme with less trouble hanging to it at one end and greater benefits hanging to it at the other.

Of course, for the better breeched of us it may mean a little less patching and darning and a little more spending, but it would also mean greater profits and a larger income. On the other hand, it would also mean a cutting out of the periodical losses contingent upon slumps.

This little more spending does not necessarily mean spending to destroy in the sense that we destroy a loaf of bread by eating it. These spendings may take the form of buying property or other forms of realisable wealth. Their purchase, however, takes them out of the world of Production and so the object of the Control Scheme is attained.

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THE CHANGE OVER

This presents the minimum of difficulty. Through the B.B.C. the public would be notified that on and after a certain date the issue of the present notes would be discontinued and the new type substituted, and that the existing notes in circulation must be spent or exchanged for I. notes at a bank or post office within a stated period.

THE ACCUMULATION OF BANK DEPOSIT SAVINGS

It is little realised how colossal is the total of our over-savings in this form. To the end of 1936, Banking deposits in the Big Five alone reached a figure of *well over £2,000 millions*, and these are but five out of probably hundreds. Taking them all it would be a conservative estimate to say that the grand total of this 'unattached' money cannot be less than £5,000 millions.

Broadly speaking, Industry itself doesn't have deposits to any large extent. It doesn't let money lie idle in the banks at $\frac{1}{2}\%$ interest, except in times of serious trade depression when it has no use for it. Therefore, the great bulk of these deposit balances belongs to the private individual—the Consumers—to you and to me, reader.

Being unattached means they are not attached to any particular Industrial undertaking, but represent commodities lying around in stacks of this or that. Having received this money for producing these stacks we then leave them to ornament the countryside. Why—Heaven alone knows. Investors have, by the loan of their money, provided the wages and salaries necessary for their production, and then they are left static, to earn—exactly nothing. A case was mentioned recently in the House of Commons where a huge stack of coal representing many thousands of tons had lain idle for twelve years. The writer himself has known of immense stacks of valuable timber lying in the same position for umpteen years—long past the necessary time required for seasoning.

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All this is immensely wasteful and costly to the whole community—rich and poor alike. The life blood of Industry is movement, movement as on a travelling belt from Nature to the Consumer.

By blood and sweat, Output is produced for the common good and for the common use. Why then leave it idle? Does not the whole system (or lack of it) cry to high heaven for Control?

It is not to be wondered at that we receive but a miserable 3 % or 4 % on our investments—which, incidentally, at a 10s. Income Tax represents an average redemption period of approximately sixty years.

PENSIONS

Although the question of Pensions is quite apart from the subject matter of this book it is a question ever present in the minds of the salary and wage earner—not pensions for the otherwise destitute, but pensions for all—commensurate up to a certain income with their average earnings during their working lives.

Under the present conditions, the root of the normal urge to save to the utmost is traceable to an endeavour to provide in some degree, however small, for the time when we hear the dread sentence 'too old'—an urge that would no longer exist were we assured of adequate provision: therefore, the question is more or less wrapped up with the Control Scheme.

Whatever ideas may, however, evolve on this matter, it is well to keep in mind the hard fact that paying, say, a couple of pounds a week pension is, in effect, handing the recipient a couple of pounds worth of Goods, which again brings us back to the central factor—full Employment and Output.

The Control Scheme ensuring this, it will ensure abundance,

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and from this abundance we shall have enough and to spare for any reasonable scale of pensions—contributory or otherwise.

On the other hand, if there is a scarcity of Employment there is also a corresponding scarcity of the wherewithal to provide pensions at all, except in the case of the extremely necessitous—one cannot get something out of nothing—the fuller the pot, the bigger the dinner.

In respect to this or any other like social service, the question invariably asked is, where is the money coming from? If, however, the question were couched in the correct wording—Where are the Goods coming from?—it would answer itself.

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BEFORE sitting back and weighing up the evidence for or against the Scheme, to help our perspective let us draw another broad picture. For clarity in this we will omit altogether the actual figures of our national income, industrial development totals and the incidence and effect of Overseas business, except that in respect to the latter we agree that on the completion of our exchanges we are in the position of a completely self-contained island. These omissions leave us with the one chief factor—Output.

Whether this output in money equals £4,000 million or twice this sum is immaterial. What is material is the fact that the money in our pockets, as Consumers, is the equal of this output, whatever the figure.

Assume for the moment, for the sake of simplicity, that under the new scheme no I. notes were issued but Spending notes only, with the proposed limited life of three months.

The result of the issue of Spending notes only would therefore ensure that the whole of Industry's output would be cleared within three months of its production.

This surety would be tantamount to its having received a definite order for a three months' output, together with a surety of payment, which would mean that instead of doubts and hesitations—as at present—whether to put this or that in hand, and in what quantities, it would be certain of its market, and equally certain that its output would be cleared, always providing of course, that from its experience, Industry produces the goods Consumption needs.

With this knowledge at its back—which is also the knowledge that at any given moment it has always three months' orders in hand, the effect would be limitless. It would fill its factories with

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all available labour, in the surety that *every week's wages it paid out would be returned within three months.*

Under these conditions, with everyone employed who is normally employed, from the wage-earner upwards, the emoluments received and spent would act like a suction plant drawing Industry's output over the Counter as fast as it was produced, which in turn would have the certain and automatic action of drawing every worker into Industry. By the removal of the curse of uncertainty, the national output would be increased enormously.

The surety of regular and constant emoloyment would remove the fear—by doing too much—of working oneself out of a job—a prevalent and persistent cancer of which every manufacturer is fully aware, but under existing conditions is powerless to combat. By the removal of this fear and by the full employment of practically every worker, a collective increase of output of 25 % is, in the writer's opinion, a conservative estimate.

Unemployment is a waste of potential wealth, and the direct cause of poverty. We all know, or ought to know, that we do not live by money but by the things money represents, by the commodities we collectively produce by the expenditure of our brains and brawn; therefore, there is no economic reason for poverty—neither the poverty of the destitute nor the semi-poverty of the many grades above it, and that anyone (our fellow citizens, remember!) able and willing to work should lack the common amenities of life is nothing but a crying disgrace to our intelligence and our humanity. It is nothing but sheer ignorance and hypocrisy to take refuge in the unctuous platitude that the poor shall always be with us, as though this condition were an Act of God.

A highly skilled country such as ours, normally fully employed, can produce enough commodities from pins to palaces, to lift everyone of us far above the poverty line and moreover *to keep us there, and* it can do it without breaking its back. Never in its history, however, has it been within sight of reaching this goal,

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and moreover, never can get within sight of it under the present uncontrolled conditions.

The lifting up of the under-dog (or rather, by regular employment, giving him the opportunity to lift himself up) does not mean a proportionate pulling down of the upper-dog, as though there were but a fixed quantity of goods produced in the country, and therefore, a fixed quantity of money for distribution. It is extraordinary how prevalent is the idea that if one section gets a little more another section will get a little less, whereas by employment, a worker in effect gets back the equivalent of what he produces.

It has already been pointed out earlier in this book, but it will bear a repeat, that the controlling element of Industry gather their wealth by taking the output of the mass and selling it back to them, making a profit on the exchange. Therefore, the greater the output the greater the accumulation of these profits. It follows then, apart altogether from any question of humanity but taking it from its lowest aspect—the purely selfish aspect—the lifting up of the under-dog, so far from injuring the wealthy or near wealthy, lifts them still higher—a point that will doubtless have a bearing on our criticisms.

Facts being the rocks they are it is clear and beyond a peradventure that Consumption—personal consumption—is the power that creates and drives Industry. Just that and nothing else. Lessened Consumption is, therefore, lessened power, until by this lessening we eventually arrive at the position we reached at the period of the Great Slump. To get a picture of this we can visualise ourselves at that time as sitting, clutching our money bags (or power bags) in front of factories, watching their gradual slowing down for lack of this power, while at the same time we also watched the tragic and sure turning away of their workpeople. In spirit we also watched the misery and degradation of these that surely and inevitably followed, and the more desperate the position, the fiercer and tighter we stuck to our money.

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It must be admitted that at that period we did these things not from self-interest but because we thought it was the right and helpful thing to do. We were, in fact, ordered to act thus, by the Government decree *Economise*.

It was all so utterly stupid—for in addition to the misery thus caused, the size of the money bags we clutched slowly but surely decreased—or rather, their value decreased. It must: it's a 2×2 economic law. Therefore, apart from the question of humanity altogether, but solely from that of self-interest, if the proposed Scheme offers a solution, a means of the prevention of these stupidities we should thankfully jump at it.

As a further example of our wrongheadedness, apart from war-time economics (which are on an entirely different footing), in normal times we are harried by expensive press advertisements to buy Buy BUY Savings Certificates. Employers are harried to form Savings Groups in their works, which means that we are all, in fact, at every turn *harried not to buy and consume the goods we have produced*. *Verb. sap.*

Think what the Great Slump meant to us. Apart from the black-coated unregistered workers, we had over 3,000,000 registered unemployed, representing at least £450 millions direct loss of output. In addition to this the rest of Industry, from the chiefs downward, were under-employed, that is, although they kept their jobs and received their emoluments they had little to do—they marked time and spread the available work out. Taken altogether it would not be too much to say our loss of possible wealth reached a £1,000 million a year during that awful time.

This, however, was just the money side of it. To this must be added not only the misery, but the permanent injury to the bodily health of countless thousands of people, due to malnutrition, or to put it more bluntly—semi-starvation—just plain lack of food in a land of plenty.

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The wage-earners are but the 'hewers of wood and drawers of water' of Industry. They are not its controllers. They suffered the most, but they were not responsible for these conditions. It was the 'higher ups'—each in their degree—who were responsible, and if the general feelings of this section were anything like that of the writer's at the time, we must all have felt a deep sense of shame at our collective mismanagement. However!

The best that could be said for us in the way of excuse was that 'we didn't know', but with all due respect to the experts we *ought to have known*. The picture, when we get down to it and as the diagnosis shows, is quite a simple one. Economics in the professional sense is not the writer's job and it was only the more or less stumbling upon two important fundamentals—the true line of demarcation between Production and Consumption, and the real position and weight of Overseas business—that put him on the right track, when the rest followed as a natural sequence.

But the point is, that after centuries of economic thought and the countless tomes that have been written thereon, it is a bit untoward and rather a reflection on our economic intelligence (past and present) that accident should or could affect what has always been regarded as an exact science, much less open up an entirely new world, for if we have eyes to see, that is what it has done.

Take one only of these Fundamentals, that of Overseas business. We all know that our National Income is round about the £6,000 million mark. We also know that our Exports apart from 'invisibles' average about £400 million: yet we are astounded when we're told that this business equals only 7 % of our total.

As further confirmation of how general is this lack of knowledge of the true facts: the writer is a member of a well-known London club—a club stuffed with men who take economic tomes to bed with them as a form of light reading. Yet, when in discussion, this 7 % figure is shot at them, to say they are astonished

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is to put it mildly. They just don't believe it—despite the simple figures involved. So thick is the crust of established belief, one has to repeat the figures over and over again, as to a kindergarten class, and even then, when they can't help but accept it, they do so with but one-half of their mind, and reject it with the other. It's really extraordinary—there is no other word for it. When, however, the crust is at last pierced and the new light penetrates that by virtue of the plain facts we are almost self-supporting, the tremendous significance of the deduction is realised, proving as it does, that whatever the degree of prosperity or otherwise we enjoy, it is the result of our personal acts within our own shores.

In respect to the future. Assuming for the moment that we accept the facts (Board of Trade and other) given in this diagnosis as being to all intents and purposes correct (the writer would not like the job of disproving them) we must also accept the conclusions to which *they themselves* point, which means that should another slump occur, we shall not again be able to use the excuse that 'we didn't know'.

As these conclusions unhesitatingly point to the rationing of Savings as being the only sure means of keeping Production and Consumption level, thereby ensuring a steady flow of employment and the resultant prosperity, we must either accept the suggested Scheme of Control or *devise another one* with such control as its basis. There is no alternative, for Control there must be.

Further, however much we may dislike the position, the new facts brought to light most definitely *put us on the spot*, a fact that those with any responsibility in the matter must realize, and—what is more to the point—this position must be accepted together with all its implications.

The whole question of Post-war Reconstruction is so vital that were we to ignore the position and were once again plunged into the abyss, there would, speaking bluntly, be some awkward

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questions asked and some most unpleasant repercussions for those in high places.

With respect to its general outcome, the tendency, as ever, of the more conservative among us will be (to misquote) rather to 'conserve the ills we know than to fly to others we know not of.' This section, however, does not depend on its weekly pay envelope, nor on the regularity thereof. A period of trade depression for them may mean perhaps a reduction of a few luxuries for a time, but it doesn't (as with the wage-earners) mean a reduction of the common necessities of life. Otherwise it might perhaps lead to a little more constructive thinking.

If there is any virtue in simple arithmetic, it is plain that the origin of trade slumps is centred solely in the acts of the buyer at the Retail Counter. These acts contain *within themselves* both the cause and its prevention. Controlling these acts is, therefore, controlling trade. The proposed method of effecting this control has been carefully discussed, both with bankers and important industrialists, who not only find no serious flaw in the Scheme, but are wholly in its favour. Judged, then, by simple arithmetic, the simple rule of cause and effect, the outcome would appear to be beyond question or discussion.

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TO Clarify more fully the points of the Control Scheme the next section is written in dialogue form.

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“WELL, friend, I must agree you have laid bare the weak spot in our economic armour, which apparently refines itself into lack of the correct proportion of Spendings to Savings. And also, on the given facts I must admit that a case has been made out for the control of this factor. The proposed plan for affecting this control appears, broadly speaking, workable, but to my mind as briefly laid down it leaves a good many points in the air—or, say, unexplained—and possibly certain loopholes for evasion.”

“I agree, but to have attempted to explain fully in the body of the book all the points that would naturally arise would have been cumbersome and out of place. However, let us deal with the items as they occur to you.”

“Right. Now the first point. What effect will the Scheme have on the financial structure of the country which, rightly or wrongly, is supposed to be a fearfully delicate affair?”

“None whatever. This financial structure concerns transactions within the world of Industry, whether National or International. It has nothing to do with the world of Consumption which is concerned with retail purchases across the Counter. As a matter of fact, by virtue of quicker spending it will be a help rather than otherwise, for it will ensure a quicker clearance of Output.”

“Yes, I see, that’s quite a good point. With regard to the change-over, the method you propose seems quite simple, but what is to happen to the thousands of millions of deposits now lying in the banks?”

“Where they are the property of business concerns in the world of Production, nothing happens to them; they remain as now. Where they are the property of the private individual, they are

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transferred to his I. note account, either for investment or for transference to his S. account for spending. In point of fact, for the private person the term Deposit account will no longer exist. Its name will be changed to Investment account which will, in reality be a reserve account. We either invest the money or leave it idle."

"That seems quite satisfactory, and entails no hardship. If they had had to be transferred to our Spendings account, to be spent within three months it would have caused the devil of a stew!

"Another point. What about the buying or transferring of a block of shares between private individuals? I have noticed that the buying and selling of shares between business concerns would entail no alteration from the present, but I am not clear about transactions between private persons. Which money is used, S. or I. money?"

"That's quite simple. S. money is used. It is only when a New Issue is placed on the market that I. money is used in their purchase. After this first transaction, subsequent dealings merely become an exchange of property. A deal of this kind may be a new investment on the part of the buyer, but it is not new money going into Industry. By virtue of his S. notes, the buyer owned unspecified property at the back of the counter which he had the right to collect. By buying the shares he transfers this right to the seller."

"Yes. I see. Now what can the seller do with the new S. notes he receives?"

"Anything he wishes except—being S. money—invest it in Industry. He can buy other shares that are already on the market, or he can use it in the purchase of personal goods—say a new car, for instance—but he cannot buy a New Issue, for it is not I. money."

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“Good. That’s quite plain. Now, what about the purchase of a house? Which money is used for that?”

“If the house is bought from a Builder or a Building Estate Company, or through a Building Society for the purchaser’s own occupation it is a purchase and not an investment. It is not the latter inasmuch as it is not a profit-earning purchase, as a block of shares would be. Although it *saves* the payment of rent it doesn’t *earn* the sum saved. We pay, say, £1,000 for the house and £500 for the furniture to put into it. They both come into the same category—purchases. They are both something we have removed from Industry and so taken them off the market; therefore, they are paid for from our Spendings account.”

“Yes. I see the point. Now, suppose the owner sells it at some future time to a third person: which type of money does he receive?”

“Spending money, obviously. He had Spending money in the first place, which he exchanged for a house. In the second place he exchanges his house for Spending money: therefore, he is back where he started.”

“Yes, that’s true. Now; suppose he doesn’t want to buy another house just then, or to fritter his £1,000 away within the next three months on other purchases he doesn’t want. What does he do with it?”

“As in the first place he doubtless used his accumulation of I. notes (by exchanging them for S. notes) to purchase the house, he is at liberty to re-exchange the £1,000 of S. notes back again to I. notes.”

“That clears that point. I can’t think of anything else at the moment in relation to the Spendings and Savings of the private individual in his capacity of consumer. His outgoings in respect of taxes, rates and his personal shopping he pays just as he does

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now. Investments we have dealt with, and also his odd private transactions in connection with his private possessions. No doubt there are other items, but they cannot be of an insuperable character. Now, the next point. What about a Spending Note that is nearly out of date being tendered from one private person to another, say for card losses, or a casual payment or purchase of some kind?"

"Unless the recipient intends to spend it immediately 'across the Retail Counter' in the purchase of some other item, and so liquidate it, he of course has the option of refusing it, but in actual practice it is unlikely the position would arise. The holder of the note, being at the time a private individual, would have received it as wages or salary at least two months earlier, and it is up to him to see that he doesn't leave his earlier notes packed away in his wallet and spend his later ones first. Moreover, it's fairly safe to say that notes paid as wages and salaries find their way back again into the banks via the Retail Counter within a month of their issue—an assumption confirmed by the sum total of the present note in circulation."

"I see. Yes, perhaps you're right. Now, another point. How do you get over the coin question?"

"Being undatable, coin would have an unlimited life, but at no time would it be exchangeable for I. notes, nor usable as currency for the purchase of an Investment. Under the Scheme it would be used as now—merely as pocket or shopping money. It may be thought that, being undated, it would lead to hoarding, but as the hoarder would have to keep it in his possession, either sewn up in his mattress or buried in his garden or some other secret place (always a dangerous proceeding), hoarding to a degree that matters is extremely unlikely. Further, at the finish the hoarder has but two alternatives—either to spend it or to bank it. If he banks it, it is placed to the credit of his S. account, which means he is where he was, except that he has lengthened by a little the life of part of his income. We must, however,

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always remember that we are dealing with the spending of £6,000 millions and a possible little hoarding of this nature is therefore of no real consequence.”

“Yes, I should say you’re right. I wondered how you would get over this coin question. As you say, since it couldn’t be used for Investment purposes, really hoarding automatically restricts itself. Moreover, it would be a bit *infra dig.*, and palpable evidence of dirty work, for the private person suddenly to dump, say, £1,000 in coin on the counter of his bank:

“There is, however, one more question. What about the shop-keeper—and perhaps his assistants who handle money across the Counter? As they will constantly be handling new S. notes, by which I mean notes with perhaps a longer unexpired life than their own notes, what is to prevent their exchanging one for the other, and so prolonging indefinitely the life of their own?”

“Actually, there’s nothing at all to prevent this, except the fact that the average shop assistant is not a highly paid individual, and as he has an average of two and a half months in which to spend his earnings, plus his facility of exchanging a proportion of his S. notes for additional I. notes should he specially need them, it’s extremely unlikely he would need to resort to this practice.

“With respect to the small shopkeeper himself, there would be nothing to stop him doing it, but again, compared with the large issue, this is a small matter, just as under the Income Tax laws he can pocket some of his takings and so hide his taxable profits. With regard to the bigger class of retailer—the Store-keepers—broadly speaking, it can be said that this class never see the actual takings at all: all they see are the figures.

“That there will be odd evasions here and there is fully admitted, but they’ll be as the drippings of a tap compared with the £5,000 millions represented by the present bank deposits:”

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“Doubtless you’re right. One has rather a job to keep in mind the comparative figures. It’s also constantly on the tip of my tongue to ask you other questions, but have to pull myself up when I remember that they concern Industrial transactions and not those of Consumption. It is no doubt easy enough for you, but in considering the Scheme it’ll be the devil of a job for the average person to keep these worlds separate.

“Now what about the banks? Won’t the scheme make a lot more work for them?”

“Very little, I should say, when it is remembered that the Scheme deals with private accounts only and has nothing to do with business accounts. With respect to the former, we have only to ask ourselves how many—or rather, how few, money transactions in respect of share buying or selling or anything else apart from ‘living’ outgoings are annually indulged in by the private person, to realise how little extra work to the banks the Scheme will entail in this respect.”

“No, I suppose that is so. Another point: how will the individual know the state of his Spending Account in respect to what he *must* spend by the end of any particular month, and so prevent his Spending notes becoming invalid?”

“This should present no difficulty. Unless a person keeps his own tally he can always ring up his bank and ask how he stands. It will, of course, mean a little different ruling in the bank’s ledgers, but these are minor details as compared with the enormous benefit of the Scheme.

“As a matter of fact, if we give it a little thought we shall see there is really no difficulty at all for the average person. If we, are, say, a £1,000 a year earner we shall know near enough what our annual commitments are for taxes, rates, insurance, light, heat and general household expenses, and therefore we shall arrange our Spending Account in accordance therewith. It will

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all become more or less automatic, and as I say, if at any time we are in doubt, the figure can always be checked with our bank."

"Yes, I see. Really, when it's reduced to the individual it all seems quite simple. One is rather apt to visualise these banking transactions in the aggregate instead of those of a single bank, and moreover, the private accounts only of a bank. After all, if with a busy bank it may mean an extra clerk, it would be a small price to pay for the financial boon of economic security.

"I must say that as a result of our talk I am seeing the Scheme much more clearly than I did, for it's rather a mouthful to swallow all at once. Don't you think, however, that there is a risk of it being adversely criticised as being a bit too bird's-eye, a bit too general? for it doesn't touch on the usual problems at all, wage rates, etc."

"It wasn't meant to: they are quite outside its province. All it is concerned with is the motive power that drives everything. It's not concerned with the faults of the machine itself. Regularising Spendings and Savings can, in fact, be likened to the main power-switch of a factory that turns on the juice. No juice, no work. The machines are idle, whether perfect or otherwise.

"Further; experience teaches us that problems of this kind in the world of Industry are much more to the fore in times of scarcity than in times of abundance. In the latter, the fights between capital and labour are good-natured fights for a more equitable distribution of the collective output, but in lean times there is a bitterness about them, for they are literally fights by the wage-earner against semi-starvation."

"Yes, of course, that's true. I see it all quite clearly, but I was just wondering if everybody would see it as clearly. Another point: although you have explained the injustices to Industry by leaving it stacked up with Goods made for private consumption, there will be a lot of jibbing about being forced to spend."

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“I know, but it must always be remembered that it’s not a question of spending say *another 25 %*, but *a figure of somewhere between 5 % and 10 %* (which, by the way, we get back again in increased trade, wages, profits, etc.), and if we are to avoid slumps and poverty, this small additional spending cannot be helped: there is no other way, for in our capacity as consumers, and by virtue of the money in our pockets, these goods are *definitely our property and must be cleared*. As citizens we have a legal right to drive a car along the road, but we have no legal right to park it broadside across the middle of it. Neither, therefore, have we a right to leave our property parked across the middle of Industry. The sooner we get this fact crystal clear in our minds the better. If we don’t want the goods, why make them? If we wish to live in a state of ‘sackcloth and ashes’ then we must work just the necessary number of hours in the day to produce sackcloth and ashes, and no more. It’s really a very simple sum.”

“I know: the facts are unanswerable, but we shall jib just the same, though after all, as you say, it’s either this or slumps, and there is no comparison between the two. Anyway, it’s a surprising plan, and if it’s as simple as it appears to be, it’s an extraordinary solution to a problem that has so far beaten the world. Tell me, friend, how did you really get on to it, for I know economics is not your daily bread.”

“Well, that’s a rather difficult question to answer, but for a long time I had a hazy notion that in the generally accepted idea of economics there was something that didn’t quite ‘button up’; it was not, like a business balance sheet, a complete story, but as you have just remarked, the study of this science wasn’t my job, so I didn’t trouble to delve into the question.”

“I suppose the real start, however, was the glaring inconsistency of the great Slump, hordes of unemployed while they themselves stood around and starved for the commodities they were able and only too anxious to produce. It was not shortage of money, for the country was stuffed with it. It was a state of un-

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limited economic chaos to which literally no one in the land could supply the answer.”

“I agree; the whole situation was rotten.”

“To my mind, this inconsistency most definitely pointed to there being some central factor outside the ordinary or general conception of economics which was lying hidden, but what it was, and where it was, and how to dig it out seemed a hopeless quest. The search, however, promised to be at least interesting, even if it turned out to be barren, so I had a shot at it. I may say at the outset I knew that the beaten track would land me at the old familiar impasse, so I felt that as a preliminary I had to forget what little I knew of the accepted theory of economics and start on entirely new lines.”

“A somewhat difficult proposition, I should think.”

“It was, rather, but examining matters as an ordinary business man would examine a balance sheet of his business, and taking the sections in their order of importance, the first section to deal with was that of Overseas business, for one of my hazy notions was that this wasn't quite the big and dominating factor we had always thought.

“From this business viewpoint, an hour or so's delving into the Blue books dealing with the national income and overseas business, and their relation the one to the other, was enough to settle this question—or anyway, to bring it off its lofty pedestal, and put it in its proper place in the scheme of things.”

“I suppose, despite your ‘hazy notions’ on this matter, the relative figures surprised even you. I know they did me.”

“They most certainly did, and what's more to the point, they proved, solely by the disparity of the figures, that Overseas busi-

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ness was *not* the cause of the Slump. It couldn't be. This raised the question—if it wasn't this particular item, what then was it?

“As there are but two sections to our trade—Overseas and Home—this result brought me to the latter. What were we doing wrong? So wrong as nearly to send us all bankrupt. Delving into this brought me up against the root question of the ultimate destination of our output. Who consumed it? which brought the obvious answer—Humanity—humanity alone.

“From this evolved the Retail Counter as being the line of separation between Production and Consumption, which in turn brought me up against the fact that Production, not being a ‘human’ was not, therefore, a consumer.”

“That, I think, if I may say so, is one of the most helpful factors in the book, for hitherto we seemed so to live on each other that trade appeared to have neither beginning nor end: one didn't know where to start.”

“Exactly: hence my contention that our present brand of economics just doesn't button up, and therefore, leads us nowhere!

“All this, however (or rather, the outcome of it, friend), is in the book itself, and it seems somewhat redundant to go over it all again, so don't you think the time has arrived to call it a day?”

“No: go on. This sequence to me is instructive, for it puts it all in a nutshell.”

“All right: just as you like. Having got to the point of Industry not being a consumer and the cause of the Slump being lack of trade—or in other words, lack of consumers—the cause could not, therefore, be attributed to our acts within the world of Industry—our acts as Producers.

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“If the sinner was neither Overseas trade nor Industry, there was only one other sinner left—humanity in the person of the retail buyer. This raised the question not only of what was he doing wrong, but *why* was he doing it, for taking us in the lump we're not in the habit of consciously and deliberately cutting our own economic throats.”

“Hardly, I should say.”

“Delving into this *why*, it was only too evident that the relationship of money to goods wasn't generally understood, and that in the mistaken conception that we were doing right, we saved too much and spent too little. Under the 2×2 law this was quite clear, but how on earth to regulate the discrepancy was quite another matter. That some form of dated currency was necessary was only too obvious, but as this method at its first conception seemed to involve altering the whole monetary system of the country I turned it down as being too revolutionary. As there appeared to be no alternative to this method it looked like check-mate. The problem was really the very devil!”

“I can fully realise that, friend, for on the face of it, it was no light matter.”

“However, somewhere I felt sure there was a way out, and at long last it evolved—at very long last, for frankly, I may say I had more or less given it up.

“It evolved thus. I got to thinking of the acts of a single earner, say those of the cabinet maker and the chest-of-drawers cited earlier and what in effect was the sequence of those acts. By his week's labour the workman produces the chest and hands it to his employer, who in acknowledgment hands him a receipt (money). The cabinet maker then goes home, which means that he goes out of the world of Industry into the world of Consumption, and wanting a chest for his own use, or some other article

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of like value, he then goes to the Counter, hands over his receipt and collects it.

“From all this evolved the separation of money—the separation of Industrial money from Consumption money—for it became clear that these receipts had really nothing to do with Industry itself, but were only used in the vicinity of the Counter. They were handed to the worker on the Production side as earnings, and handed back by him from the Consumption side as Spendings. In essence, these receipts were nothing more or less than the equivalent of a cloak-room ticket and had about as much effect on the financial activities involved in the running of Industry proper as a cloak-room has on the running of a railway. This separation supplying the missing link, the way to the regulation of Spendings and Savings began to take practical shape.”

“If you don’t mind my saying so, I think this separation is one of the cleverest ideas in the book.”

“Not at all, friend: there was nothing clever about it. I didn’t invent it. The *fact* was there all the time, but we’d missed seeing it, just as in like manner we had missed seeing the line of demarcation between the two separate worlds of Production and Consumption. In fact, when we really get down to it, the discovery of the latter gave a clear lead to the discovery of the former. It followed on as a natural sequence.”

“Well, that’s as maybe, but I have my own ideas about it. If it was all that obvious, why all the centuries of economic muddle? . . . Now tell me, friend, what do you think of the chances of the Scheme being adopted?”

“God alone knows. I should say that the 23 million odd out of the 27 million total earners, being wage and salary earners, would vote for it to a man, for it would ensure constant employment and therefore eliminate poverty, except of course for the inherently lazy (for the law will still apply that ‘if any would not

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work neither should he eat'). But with respect to the remainder, which we can regard as the more conservative element, such a scheme would be looked upon as being as mentally revolutionary as Daylight Saving and therefore, of the nature of a fearsome thing. As a whole, this section doesn't like mental revolutions: in fact, I think, from choice, it would rather have a bloody one than a mental one, for such entails no change of opinion."

"You sound despondent, friend."

"Not at all, for I'm as sure as that night follows day, that sooner or later the Scheme will be put into force. It may, of course, be twisted about a bit here and there, but the central factor—the control of our spending and saving activities—will be adopted. It must, for it's one of those basic truths that once brought to light, cannot again be buried.

"Before its adoption, however, we shall probably endure several more devastating slumps, and when at last we think we've just about had enough of it, somebody will say didn't someone in the early nineteen-forties write something about a cure for this sort of thing that sounded at the time as though there might be something in it?"

"Now you're getting cynical!"

"No, I don't think so, but taken in the lump, we're a strange crowd, and have a most complex mentality. When we're dealing with our individual businesses we are as alive and quick on the uptake as most people, but when it comes to dealing with the Nation's activities, which at one and the same time is everybody's and yet nobody's business, we exhibit a strange inertia. We may individually be quite convinced that such and such a reform is unquestionably for the better, but until circumstances really force us to act we'll do nothing about it."

"Yes, I agree: you're quite right. We needn't look further than

the present war to prove that contention, but maybe the jolt it is giving us will change us a bit in this respect.”

“Maybe, but it’s said a leopard doesn’t change his spots. There is, however, a ray of hope. Instinctively we are dead against dictatorship, but at the moment, in our private lives we are docilely submitting to it all along the line. We are, of course, doing this for the sake of the war, and the ray of hope is that we shall submit to the dictatorship of the proposed Scheme (infinitesimal as it would be) for the sake of the peace.”

“Well, I for one sincerely hope so, for as the result of our talk I can’t see anything at all wrong with it, but quite the contrary. Looking on the black side, however, for the moment: suppose for some reason (unseen at present) it doesn’t work. What happens?”

“Nothing. As in the first case, the B.B.C. broadcast that it was ‘on’, if it fails it would merely broadcast that it is ‘off’. It’s just as simple as that!”

“But surely——”

“No: that’s all there is to it. It required no new State department or organisation to bring it into being: therefore, there is nothing to scrap or disband to put it out of being. All we did was to print S. and I. notes and arrange to use them. If for some cause, real or fancied, we dropped the Scheme, we carry on with the same notes until they are worn out. We use them as ordinary currency and ignore the dating.”

“It sounds too damned silly for words.”

“It is—but then, if we look down the pages of history we find that all great reforms are. They’re silly by virtue of their obviousness. Nevertheless, despite the obviousness of this reform one can already visualise critics sharpening their pencils in readiness to

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damn the scheme because of some minor point that has not been touched upon.

“We're rather like that, you know: we take a peculiar and unholy pleasure in delving for reasons why we should *not* adopt a certain reform, but seldom delve for the reasons why we should, no matter how apparent the benefits. To cite Daylight Saving again: you'll remember that the most damning argument we could put up against that reform was that 'the cows wouldn't like it.' ”

“You're rather cutting, friend, but I agree there's a lot in what you say. Now, before we finish, there are two matters which exercise many minds, and which I should like to have your ideas upon, although I agree in advance that these matters are apart from your scheme. They concern (1) Cheap imports from, say, Japan and other low-wage rated countries, which definitely injure our home-competing Industries and (2) in the event of your Scheme being successful, with the resultant increase of wages and the general standard of living, how are our exports going to compete in foreign markets with those of other countries?”

“If we view these questions from the ordinary business aspect, friend, and not (because they concern Overseas trade) from the political aspect—as for some strange reason we are apt to do—when we get down to proportions, the regulation of these discrepancies is not at all a difficult matter.

“Take Exports first. We've seen that our total is 8 % equalling £480 million. Without the fag of delving into official records I have no knowledge of how much of this 8 % is subjected to fierce competition, but suppose it equals 50 %—a total of £240 millions.

“Now, if it's vital that we secure this business—both from the point of view of output and of creating credits abroad—then the obvious remedy, the business remedy, is a subsidy on those items where we find we are definitely 'up against it'. An average subsidy

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of 10 % on the half of our exports would cost the Exchequer £24 million, less than the cost of two days of war—a mere pittance compared with the issues at stake. It is either this or keeping our whole standard of living down to a competitive level—an alternative which would be absurd.”

“Well, that seems a simple enough solution, although as you know, we have a deep-rooted objection to subsidies as tending, I suppose, to bolster up the inefficient, but when we realise it will apply to only about 4 % of our output there’s really nothing in it. Now what about the cheap Imports?”

“We treat them in the same manner, but the other way round. Duties instead of subsidies. We must sort out the offending items and tax their import value to bring them more or less in line with our home-competing product.”

“I see, so what we lose on the swings we make on the roundabouts, and therefore, on balance we suffer no hardships.”

“Exactly. If the country were run as a single business concern, say as Britain Ltd., it wouldn’t think twice about these comparatively simple remedies.”

“I see the point, and I agree, but the argument against this solution will be that it will make particular imports dearer for the consumer, and as you know, we say our prayers to cheapness.”

“Unfortunately, we do, and the fetish is much to our detriment. Cheapness, however, is a relative term. If, owing to bad trade and lack of full and regular employment we have little to spend, nothing is cheap. On the other hand, if we have a regular and full week’s income in our pockets, nothing—in reason—is dear, and the usual internal business competition is sufficient to check exploitation and profiteering.

“When we get down to essentials, the alternatives are quite

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clear-cut. We either let the standard of living of other countries dominate ours, or we regulate the difference by a properly thought-out system of tariffs and subsidies. Any more questions?"

"No, I think not. Taken altogether, I think it's a great scheme, and I wish it all the luck in the world. It embraces two outstanding features which will appeal to most people. The first is its simplicity, and the second—which is the greater of the two—is that it involves no change in our constitution or mode of life except for the incidence of the control of Savings and Spendings.

"From the facts and figures you've given, it is abundantly clear that the present lack of control is the loose joint in our economic structure which hitherto has periodically drained away our substance and damned us to a life of economic insecurity, and if we can efficiently remedy this with a watertight scheme it would be a marvellous thing."

"Well, friend, it will of a certainty do that, but lest we get too optimistic, it's not contended that the Scheme in itself is a panacea for all our Industrial ills, or that its adoption will enable us to sit back in comfort for all time. There will still be much planning necessary within its four walls, so that each section of the community, from vested interests down to the lowest-paid worker, gets a square deal.

"The Principle on which the existing Russian Constitution is based is—

From each according to his ability.

To each according to his work—

a conception as far removed from the popular idea of Communism as night from day, and if we plan with this basic principle in mind we shall not go far wrong.

"Even this just formula, however, brings us back to proper spending as the keynote, for as all property in Russia except

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personal property is owned by the State, it appears that if a citizen by his greater ability receives more than his fellows, the only way he can 'enjoy' this additional income is to spend it and so increase his personal possessions."

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THIS is perhaps a wrong heading or title, for the following reflections deal rather with the separate facets of our activities and their bearing or effect thereon.

Despite the many noble words in the many noble speeches which comfort or afflict us from time to time, the general tenor of which is that post-war conditions will see us—One for all and All for one—human nature is such that we shall naturally weigh up every new idea or proposal from the point of view of how it will affect us personally, or at least the class to which we belong.

For ease we can roughly divide ourselves into two classes—the monied class and the non-monied class: or broadly speaking—the taxpayer and the non-taxpayer.

At a first reading of the contents so far, the impression may be that though the Control Scheme would undoubtedly be good for the non-taxpayer it would be distinctly less good for the taxpayer. Let us examine this.

In the section dealing with the National Income it is pointed out that of our total of 27 million earners, *one-eighth* only is directly taxed. This means that *one-eighth of us pay the whole of the Income Tax of the country, and the remaining seven-eighths get off scot-free.* (It is agreed that at present these proportions are slightly altered, owing to the lowering of the exemption limit.)

Out of this direct taxation—plus a proportion of the rates—is defrayed the whole cost of the Social Services of the nation, which include grants to certain basic Industries, Pensions, part of the costs of Unemployment and Health Insurances, Poor Law Relief, free Education and free meals to necessitous children, grants to Hospitals, Housing Subsidies and a host of other out-

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goings. These disbursements it will be realised are practically all directed to the benefit of the non-taxpayer.

There appears to be an unwritten law that the wage-earner, irrespective of his skill and output, shall not earn—or rather shall not receive—more than so many pounds per week, and as these, taken in the lump, are no more than barely sufficient to defray his personal outgoings, obviously he has nothing to spare to contribute to the cost of these Services.

As given in *Whitaker's*, their annual costs total roughly £500 millions. Therefore, in addition to 'wages received' by the non-taxpayer, he is handed a bonus by the actual taxpayer of £500 millions—or, in other words, after each section has received their emoluments for services rendered, the higher-paid section puts its hand in its pocket, pulls out £500 millions and hands it as a free gift to the lesser-paid section.

Under existing economic conditions this forced 'generosity' cannot be helped, or rather avoided, for the total pre-war output being just enough or barely enough in the aggregate to keep us all alive, part of the surplus of the better-breeched has, of necessity, to be taken from them and handed over to the lesser-breeched—or nearly naked, as they would be had they to pay their proportion of the cost of these services.

The writer has stated that under full employment conditions which the Control Scheme guarantees, an increase of output of 25 % is well within our compass (a statement more than proved by present war production). On our £6,000 million this increase totals £1,500 millions. As this addition is an addition of 'things' material and spiritual, and as Social Services are also things material and spiritual, this increase of output would not only more than provide enough for these services but would enable the nation to reduce taxation to a figure that would be ludicrous compared to the present.

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Therefore, apart altogether from the increment accruing from increased and assured business for the employer class, the saving in Income and Sur-tax alone would be a tremendous asset.

The answer to this contention—the expected answer—will be ‘Yes, presuming this may be so, but if the Control Scheme forces us to spend this additional income we either make by better business or save on taxation, we shall not as individuals be able to add to whatever wealth we may already possess, and therefore, will be no better off.’

This conception, however, is a definite fallacy, for under the Scheme we are still free to become as wealthy as our individual abilities can make us.

We can own a town house and a country house, or a town flat and a country cottage or seaside bungalow, and we can stuff them full of expensive furniture, and fit solid gold taps to the baths if our fancies run that way. We can own a tiny runabout or a dinghy, or a fleet of high-powered cars or a luxury yacht. We can acquire large estates, agricultural or urban, but we must most definitely own these things in the sense that they are our personal property and that we have taken *personal possession of them*, and so in the economic sense, by taking them ‘off the market’ consumed them.

To keep the requisite economic balance, what we cannot do, however, is to own the value of these things in hard cash, i.e. say in the form of bank deposits, and so leave them unused on the shelves of Industry, although we can, if we wish to exchange them for some other form of property, sell them at any time for hard cash.

Further, in addition to all these personal ‘ownings’ we can, by the investment of our I. notes own ‘impersonally’ as great a quantity of the increases to the Machinery of Production as Industry from time to time requires, and our means allow.

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Therefore, it will be seen that as against the plan of the Russian Social order, wherein all wealth is owned by the State, that is, each individual *in theory* owns an equal part of it, under the proposed Control Scheme each one of us owns or is able to own—not in theory but in fact—as much property as he is able to acquire by the exercise of his own skill and ability.

This distinction is an important one, for the ownership of wealth in the form of property in this country is by no means confined to the rich, but is spread in varying degrees from the middle class of wage-earner upwards. The primary need of us all, by employment, is to get a living. The secondary need—or wish—of most of us is to own something, even if it is only the house we live in. This is a peculiarly British trait, and one that is all to the good, for the acquisition of property gives us—as nothing else can—a feeling of responsibility, a feeling which makes us better and more careful citizens, and less likely to be swayed by every revolutionary wind that blows.

Now let us see what the Control Scheme will do for us in respect to a general increase of wealth, always bearing in mind the 2×2 factor that our wealth consists of 'things' and not in that non-existent entity, money.

Firstly, let us touch upon another matter that is bound up with this—one which in connection with our reconstruction plans there is much talk—the Replanning of Industry. The short answer to this is that although not perfect, *Industry doesn't require replanning*. Neither employers nor employed are supermen, yet by their combined skill and abilities, and their combined efforts in the past, Britain has attained great wealth, and the excellence of her products is known and valued the world over.

Further, Industry is composed of *hundreds of thousands* of separate manufacturing and distributing firms, and to talk of replanning or reforming their methods or abilities by some central body of super-supermen is, to put it bluntly, simply balderdash.

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It just cannot be done. Being human, they are full of human shortcomings, but the lessening of these is just a matter of the slow process of time and experience—no planning or Act of Parliament will do it.

During a slump period, Industry is always blamed for incompetence. The cry is that it must be gingered up, and reformed. When the slump is over, and output regains its former level, then Industry is correspondingly wonderful. Yet nothing is changed. It doesn't suddenly change from being an inept body to an adept one. The fluctuations of demand for its products are not its fault. Industry cannot be blamed if Consumption, from time to time decides to go in for a spell of plain living and high thinking.

Both employer and employed can therefore safely be left alone to do their own planning. All that Industry requires is demand for its output—not in spurts but in steady continuity. It itself will do the rest. It can plan for a continuity of demand, but it cannot plan for the opposite—for feasts and famines—a statement that every manufacturer will confirm. It is the lack of continuity that is the bugbear of Industry—that not only ruins but actually prevents really ordered planning.

That Industry is up to its job is abundantly proved by the present enormous output of Munitions. Millions of fit men and women have been withdrawn from Industry for the fighting services: many more millions are engaged in the necessary service of keeping the nation in being—however sparsely we are fed and clothed—yet the energies of the remainder culminate in an output of munitions for War amounting at present to the staggering figure of about £10 millions per day.

When we visualise the full meaning of this production we will realise the well-nigh bottomless pit of wealth that in peacetime lies dormant in the bones and sinews of the nation, and to what heights of production of human needs we could attain were this wealth of labour used. When we think of how in the past, by its

non-use, this possible wealth has been wasted, it will be borne in upon us—perhaps with somewhat of a shock to some—that it is not the mentality of Industry that requires reforming but the mentality of our leaders as represented by Parliament.

That in the past the nation has been blind to this dormant man-power—this unrecognised mine of labour—is evident, for when any question arose concerning the living conditions of the people, from slums upwards, the parrot-cry answer was invariably ‘the country can’t afford it’—an answer which is equivalent to telling a man that by his otherwise unemployed energies he ‘can’t afford’ to cut down a tree from his own garden and convert it into a shed or a table.

What after all is the composition of a material human need from a house downward, but materialised labour; not labour and materials, but simply and solely labour. A tree is not timber until it is felled—by labour. Coal in the earth is not coal to us until it is brought to the surface—by labour. Therefore, to say as a nation that we cannot afford this or that betterment that can be produced by labour whilst great blocks of it are either unemployed or under-employed is quite untrue.

As everything that is produced is produced *by* the people *for* the people, rich and poor alike, the limit of what the Nation can afford is bounded by—and *only bounded by*—the limit of what it can produce by the full employment of all its people.

Think what it would mean in connection with social reform and the betterment of the nation as a whole if even a fifth part of the £10 millions per day we are now spending on war were spent on these matters—a sum equalling say £600 millions per annum.

Although for want of a more comprehensive term we are obliged to use the word Money, what the production of this added wealth would really mean is (to draw a picture) that we draw on

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this dormant labour, lend it some tools to work with, amplify somewhat the housing, food and clothing we at present supply to them when unemployed, tell them to get going and to produce from nature by the exercise of their energies, betterments to the value of £600 millions. Therefore, as against the nation not being able to 'afford it' the actual cost to it would be practically nothing. The real essence or outcome of the matter would be on a par with the example of the man cutting down his own tree.

The State having no body or existence apart from its citizens, it has no pocket, and so can afford or pay for—nothing. It is the citizen who pays, and there being no such entity as money, he pays in kind. He pays by the exchange of the product of his own brains and sinews. It would therefore be just as foolish and incorrect to say it couldn't afford to produce £600 millions of betterments by otherwise unemployed labour as it would be to say it couldn't afford to produce our normal £6,000 millions output.

The State in the person of its citizens has taken on the obligation of providing for its people whether employed or not—which means that under this obligation the majority of us are not only content to work to produce for our own needs, but to work harder or longer to produce the needs for others whilst they sit around in enforced idleness—an arrangement which is economically absurd.

The broad and vital differences between this new conception of economics and the old is that the latter concentrated upon Production as being the point or axis upon which all our activities revolve, whereas the new conception completely ignores this view and concentrates upon and gives Consumption pride of place—the factor that has hitherto been looked upon as the Cinderella of economics, and therefore a factor to be banished to the outer regions.

If we get the single salient fact firmly rooted in our noddles that it is not Production that compels Consumption but the exact

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opposite, we shall see the whole panorama of our activities in an entirely different light—a light that will simplify most of our problems.

The human mind is incapable of grasping the countless industrial acts contingent upon the production of our peacetime output of £6,000 millions—nor does it need to, for this welter of ‘acts’ no matter to what astronomical heights they soar, is but the multiplication of a single one.

If we reduce it, say, to the purchase by a consumer of a pair of boots we shall realise that this single act sends a *replacement signal* right along the line of boot production down to the breeder of the cattle that provides the leather. It is but the multiplication of these single and simple acts that makes up the grand total. There is nothing complicated about the matter—nothing that the least trained intelligence cannot understand.

If there’s any value at all in the 2×2 formula it is therefore crystal clear that it is not the acts of Production that require replanning but the acts of Consumption. As we cannot plan that each of us shall consume annually so many yards, pounds or pieces of this or that, all we can plan—or all it is necessary to plan—is that we shall, in the aggregate, *collectively* consume the total of yards, pounds or pieces we collectively produce—a result that can only be achieved by the Control Scheme.

Under the present insistent and dire demands of war the hitherto unseen or unrealised possibilities of this wealth of output is made manifest. It is brought to light solely by virtue of the fact that we have a voracious customer (albeit a non-paying one) that absorbs all and everything we can produce.

The lesson of this is that in peace-time we have an equally voracious customer in the bodily, mental and recreational needs of our 47 million people, and moreover, a customer that

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will pay for its purchases by the output and exchange of its own energies.

In the one case the demand for output is controlled by the needs of war: in the other, under our present economic system—or rather, lack of system—the demand for output is controlled by exactly—*nothing*. The full disposal of this output, whatever its quantity, *is left entirely to the 'winds of chance'*—the chance as to whether for a time the nation decides to live as Diogenes lives, or to live in fulness and fatness.

Under these uncontrolled conditions we have but to ask ourselves how is it remotely possible even to approach—much less attain the desired haven of economic security. The position is not only frankly and plainly absurd—it is criminal—for by its lack, we not only condemn the business section to a life of financial insecurity and worry, but we unfailingly condemn a large section of our wage-earners to a life of semi-starvation and want.

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RECONSTRUCTION Is a somewhat vague term, but if it means anything at all it means planning to increase the amenities of life. As these amenities consist of 'things' from roads upwards, this planning reduces itself to *doing* something *with* something, as making a brick to build with. This or these *some-things* are the output or product of human labour, and naturally the greater this output the greater is the volume of the things at our disposal for this purpose.

Planning therefore to increase these amenities will be of little use unless—as *an irreducible factor*—we first plan to ensure the production of the material for these increases.

The only possible assurance we can have of this—the assurance that production will reach its peak, is to ensure the corresponding peak of demand, the quick and continuous clearing from Industry of its output.

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The Control Scheme by its guarantee of a practically 100 % consumption or demand for the goods we produce—whatever the quantity—will do this and is therefore not only the key to economic sanity but the key to assured and continuous prosperity, and for that reason, the assurance of a land fit to live in, whether we be heroes or not.

“ ”

IF We dig deep enough we shall find the main cause of wars and of ‘man’s inhumanity to man’ is rooted in the fear of poverty—the poverty of the Nation and the poverty of the individual, which can be summarised in the phrase—the struggle for existence.

In the International sphere this struggle manifests itself in the urge to grab or to control more territory. In the Home sphere it manifests itself in screaming hoardings and slogans to buy this or that. In the last link in the chain of production—the retailer—it manifests itself in shrieking shopfronts (mostly architectural nightmares) each trying to outshriek the other in frenzied endeavour to elbow their way to the front and to kill their competitors.

All this we do (and under present conditions are forced to do) in an effort to make the Consumer buy or collect the goods he has produced. The Control Scheme by the control of spending would alter all this, for it would *in itself* supply the driving force to reach this end, and we have only to visualise the tremendous change of outlook and the easement it would make in our lives were most of this strenuous thought, uncertainty and desperate endeavour cut out—an easement that would affect not only the retailer but every employer and employee alike in the chain of production.

It is only by this means—this simple means (for the Control Scheme is simplicity itself) that we can cut ourselves adrift from life’s greatest curse—the everlasting fear of recurring Trade

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Slumps—a fear which casts its foul shadow over every facet of our existence.

AS A concrete example of the supreme power of the Consumer for good or ill, we have but to hark back to about the year 1921. The period covered by the immediate post-war years was a time of unprecedented personal spending. Sales were high, and prices were high—not only high, but were steadily climbing to still greater heights, when suddenly—almost in a night—by some process of thought transference, the whole country awoke to the fact that there was something wrong—that there was, for instance, something wrong in a charge of, say, £4 for a kitchen table that used to cost £1 or 25s.

As a consequence, and almost as a single body, it 'struck'; it bought practically nothing beyond necessities. The result of this—the inevitable result—was that the bottom dropped out of the business world. As there were no Consumers, prices of materials and stocks behind the 'Counter' slumped to nothing. In an endeavour to obtain ready money to meet commitments, bargains were hawked around at a tithe of their actual costs, and fortunes that had been made during the four years of war were lost almost in a flash. Small firms, by their financial inability to hold any quantity of stock got off lightly, but hundreds of the larger firms crashed.

Production at that time was high; wages were high, and Consumption was high, and we could have gone on in that happy state *ad infinitum*, with prices gradually adjusting themselves to real or basic values as time went on. It was a case of 'thumbs up' in the world of Consumption, and therefore, it was likewise 'thumbs up' in the world of Industry, but when Consumption suddenly turned its thumbs down, equally suddenly the Industrial world fell to pieces, and those of us who went through that chastening experience will confirm that the picture is not a phantasy but an actual fact.

TO SUM UP

The writer is well aware of having stressed almost to the point of irritation and boredom the fact of Consumption being the ruler of all things, and his apology for so doing is that he is equally well aware of the difficulty most of us have in accepting a new idea, and especially an idea of such far-reaching effect.

Though as a race we are intelligent, we are peculiar in our intelligence. Our first instinctive reaction to a new idea is that it is wrong, and furthermore, the fact that it wasn't discovered ages ago is more or less clear proof that it is wrong. Therefore, although no amount of reiteration will ever change a wrong premise into a right one, a certain amount of it, backed by irrefutable examples and proof may open our minds to the fact that there may be something in it.

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IN Respect to the brand of Social Order under which we shall live; post-war conditions will definitely see us at the cross-roads. The war is being fought not by the High Command nor by Parliament, but by the People—on the land, on the sea, in the air, and in the factories.

The shibboleth of the governing class, as a class, being blessed with a special type of governing brain, is dead. Judged by the industrial conditions obtaining since the last war, it has been killed by its own incompetence, for in its governorship—in its endeavour to control Trade and therefore to stabilise Employment, it failed utterly.

The people of this country are by no means halfwits and they will not brook a second period of tinkering, muddle and failure as typified in the last twenty years. If they are skilful and intelligent enough to fight and win the war they will be justified in taking a dominating hand in winning the Peace.

By this is meant not merely having a dominating voice in the

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dictation of the Peace itself, but an equally dominating voice in the industrial and living conditions which follow it.

As a race we are an easy-going lot, and slow to anger, but nevertheless there is always a last straw. Apart from a few hot-heads to whom the way of blood is the way to Industrial paradise, we have no love of revolutions. We don't ask much. We don't ask for the charity of a week's pay for a week's idleness, but we do ask for a week's work, and a week's pay at the end of it, multiplied fifty-two times in a year.

Furthermore, we don't ask for a week's pay that will keep us hovering on the poverty line, but for a reasonable surplus above it, and to be given the opportunity to produce the additional output to exchange for this surplus. In the mass, we are not scroungers, and we don't ask for or expect something for nothing.

The Social Order we have built up through the centuries, being based on the freedom of the individual suits the British needs and the British mentality, and if we ruthlessly cut out its two main blots—slums and unemployment—there's nothing inherently wrong with it.

Nevertheless, its tenets must be administered: they will not run themselves, and to those who have eyes to see, it is clear beyond a peradventure that unless the 'Powers that be' have ready for instant application when the crucial time comes, practical and watertight plans definitely to cut out these two blots, their status will change from that of the 'Powers that be' to the Powers that were.

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WE can assume that whatever the nature of the plans floating around concerning post-war conditions, they are fundamentally based on Trade and Employment. As employment is based on sales, the subject matter of this book reduces itself to two basic questions: (1) Whether economic salvation lies in concentrating upon and amplifying the Overseas market or (2) Whether it lies in concentrating upon the Home Market.

Despite the 2×2 nature of the facts already given in the Section concerning Overseas trade, so deeply rooted is our faith that the kernel of security and prosperity lies in this trade that it has become almost a religion. The writer, therefore, is under no delusion as to the difficulty of breaking down this faith.

If the issues were not so great and far-reaching, the success or otherwise of this breaking-down would not matter, but as they are great and far reaching, to get at the real truth is vitally important.

It is important for this reason. That if we disbelieve the facts to the contrary, and therefore hold fast to our faith, then we shall direct all our energies to the amplification of this business. We shall give it the spearhead position of our activities, and so *lean and depend upon it* as our chief prop and mainstay.

On the other hand, if the facts have convinced us that there is more than a doubt about it, then our minds are naturally more open to have this doubt confirmed.

Therefore, on the assumption that we are all honestly seeking the truth, whether such truth clashes with our faith or not, let us look at some additional facets of the question.

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At the outset we can take it that we are not looking for a frenzied output that will reach astronomical figures, but a steady production that will provide us in ample measure with all our needs, and that our real search is for the key that will ensure this steadiness—a key that will therefore ensure economic and social security.

The writer's contention that Overseas business has not and never has had the power to ensure this steadiness is not a matter of surmise but a plain matter of history, for even in its greatest days it has never kept internal trade level. It has never prevented slumps or trade cycles; therefore, the measure of its volume is definitely not the key for which we are seeking.

In thinking over the significance of this, there is a further fact to remember: our 8 % Exports imply that this business, as pointed out in the Imports and Exports section, represents an Overseas market of the equal of 2,000,000 personal Consumers, and as the Overseas merchant does not purchase for 'keeps' but to pass on to the private consumer, exactly as our Home merchant does, the rise or fall of the quantum of our exports does not depend upon our *power to sell*, but on the power of the private Overseas consumer *to consume*. Therefore, should the internal trade of the outside world drop, so in like degree must our external trade drop. Plain cause and effect!

How then in our search for stability can we in any way depend upon, or put our trust in such an unstable factor? A factor, too, over which we have no control whatever.

Further, and *for the same reason*, not only has Overseas business failed our own country as a life-saving factor, but it has failed every country in the world. Yet the faith that it has the power to do otherwise has attained such a firm and inflexible hold that it is looked upon as the veritable sheet-anchor of trade in every nation.

From Adam Smith downwards, this faith has become the axis of all economic thought—the very foundation stone upon which every nation's economic edifice is built.

That he is tilting against the established conception of centuries the writer is well aware, but that this conception is wrong—that it is built upon a wrong premise—is not a matter of opinion but a matter of historical fact, for if the application of its main tenets is supposed to ensure the well-being and prosperity of a nation as a whole, then it has most certainly failed to do what it sets out to do.

International trade—contrary to the general opinion, but as their figures prove—has always been a very small part of any nation's activities, and while it has been of undoubted benefit to the few—the manufacturers of commodities for export, the sellers, the financiers, and in some degree the actual working producers of these commodities—it has, by its very smallness and by the fact that it is but an exchange of goods and labour, been of no real benefit beyond the procuring of necessities, to the mass of a nation's people.

Nevertheless, in an endeavour to hold fast to the 'faith', critics will point to the Victorian age, when by the volume of our Exports we climbed to the position of being the 'Workshop of the world', and became immensely rich thereby.

The known facts concerning this period are that whilst the manufacturing and commercial element—the merchant princes as they were then called—became immensely rich, the mass of the people remained in a state of dire and abject poverty. We exported our wealth—the output of the workers—to such an extent that only the barest minimum was left for their own sustenance.

Viewed from this more enlightened age, though this rise to

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Industrial power was a path of glory for the 'princes' it was almost literally a path of blood for the poor. Therefore, the less we point to that age for the justification of our faith the better.

Further, in respect to Overseas business as being in any way a sheet-anchor, we need not go further back than the last fifty years and remember (before the Unemployment Insurance Act was passed) the periodical, shameful and heartbreaking processions of the workless parading the streets with collection boxes, like beggars imploring charity, and it must also be remembered that for the five years preceding the last war (1909 to 1913) the money value of our exports of British products averaged £500 millions. Therefore, if volume had anything to do with it that period should have been one of high prosperity.

Further, the purchasing value of the £ in 1913 was nearly double that of its purchasing power in 1939, which means, if we exported the same amount *in bulk* for the five years preceding the present war, its value *in money* would have averaged £1,000 millions per annum, whereas in actual fact, for those years it averaged but £400 millions.

The net result of this is that between these two periods our exports *in bulk had dropped by no less than three-fifths*, and its lesson is that as we live by Goods and as the volume of these we export is supposed to be the index of our prosperity, the latter period should have seen the nation in a state of the most extreme poverty.

Thus, from whichever angle we examine and judge it, the proofs mount up that our faith in this business as an all-powerful trade and prosperity weapon is a misplaced faith, and to those who still think otherwise, one pregnant question may be asked: How do they reconcile the steady *decrease* in the volume of Exports with the steady *increase* in the standard of living?

In discussion, two important questions are often raised: (1) If

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the country as a whole is convinced that beyond essentials, Overseas trade is of doubtful benefit, will not the natural tendency be to let it dwindle? and (2) Will not this dwindling do incalculable harm both to our shipbuilding and to our Mercantile Marine?

These are both good points, but if we had a clear 2×2 grip of causes and effects, the points would not arise, for the fear of these results is founded upon misconceptions—upon a misreading of basic factors, which are—that:

In times of internal prosperity, the volume of Overseas business and therefore of shipping, is high—but this internal prosperity is definitely not the *result* but the *cause* of the increase. In such times the nation is in a position similar to that of a factory inundated with orders; it requires increased quantities of materials which, if not home-produced must be imported, and as imports are paid for by exports, then the general level of Overseas business and shipping must of necessity automatically increase.

If therefore, by the application of the Control Scheme, Home output is increased, then as a natural result, Overseas business is also increased. It's just natural cause and effect, and therefore, as against the fear of a decreasing we get an increasing Mercantile Marine.

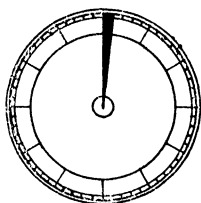
Further, we get not only that benefit, but by the steadiness of internal trade we get a steady Overseas trade, and therefore, steady employment for our shipyards and equally steady employment for our seamen.

As we are not all endowed with the type of mind that can readily grasp proportions from figures or percentages, let us simplify our vision by using an ordinary clock face.

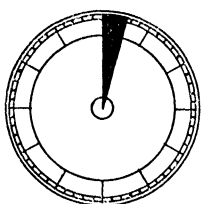
As we are working on a £6,000 million output, a space of one minute on this clock will represent £100 millions. The following

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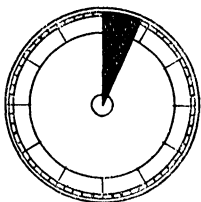
three faces will therefore give us an instant picture of the true weight—or rather, lack thereof—of our Overseas business.



Quantity (equalling one minute) of Imports received in exchange for Shipping services, etc., which is balanced by our outgoings in respect of cost and profit for these.



Quantity (equalling $2\frac{1}{2}$ minutes) of 'free' Imports resulting from Overseas Investments for which no balancing Exports are required.



(By the liquidation of foreign assets owing to the war, these free imports will be considerably reduced.)

Quantity (equalling four minutes) of normal or 'sold' Exports which are balanced by the same quantity of 'bought' Imports.

If we still hold to our prejudice in favour of dependence on Overseas business, our natural reaction to its smallness as evidenced by these clocks, will be that it must be increased—considerably increased. Although we know beyond a peradventure that Exports *can only* be paid for by Imports, for some obscure and ostrich-like reason we put the thought away from us as a something to be ignored or glossed over—we just refuse to face it.

That this is so is confirmed by the considered Reports on post-war reconstruction issued by such august bodies as the Associated Chambers of Commerce, the Federation of British Industries and the London Chamber of Commerce. Taking a line through these

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Reports, their *over-riding plan* for world betterment is a vast increase of International Trade.

Britain by any and every means in her power is to find more and greater markets; that in short, she shall sell, Sell, SELL. Although the fact is given lip service, that this frenzied selling has its counterpart and must be balanced by equally frenzied buying is ignored.

The members comprising these three important bodies can be looked upon as the intelligentsia of British business. Yet despite the known and proved failure of Overseas business to ensure trade steadiness and prosperity in the past, the only plan they offer the nation is to carry on as before, only more so. True, they have put forward all sorts of ideas for the better regulation of this and that, but all these recommendations tend toward the main object—the furtherance of International trade.

This mentality is doubtless due to the fact that the world being a large place and the wants of its 2,000 million inhabitants well-nigh limitless, the idea is firmly rooted that the possible scope and size of our Oversea market is therefore equally limitless, bounded only by price and salesmanship.

That this popular conception is quite wrong is made clear if we examine the 2×2 facts which govern it, and which prove that our market is most distinctly limited. These facts are that on a parity of Imports and Exports, a nation's market is (as we have already seen) no more and no less than the *equal of its own population*. If a country were 100 % self-contained and had no Overseas business at all, obviously its only market would then be—not merely the equal of, but its actual population.

In our case, being 92 % self-contained, we have a 92 % market at home and an 8 % market abroad, which means that (reckoning an 'earner' and his dependants as one), of our total 27,000,000 earners or purchasers, roughly 25,000,000 are in this country and

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2,000,000 abroad—or, in other words, while we produce for and provide the needs of 2,000,000 consumers overseas, a like number abroad produce for and provide the needs of 2,000,000 of our people.

If, on the other hand, by concentration and strenuous endeavour we doubled our Oversea business, then we should provide for 4,000,000 abroad and 23,000,000 only at home. The important fact to hold on to in this connection is that on a parity basis the total number we produce for and which therefore constitutes the personnel of our total market *always remains the same*. There is no unlimitedness whatever about it.

Further, if in the aggregate a nation consumes the equal of what it produces, the individual (still in the aggregate) consumes the equal of what he himself produces. Therefore, if by the afore-said strenuous endeavour we enlarge our Oversea market by exporting more than we import, then we in this country will undergo the hardship of having less to consume than we produce.

This means that if we receive a credit chit for this excess and decide not to liquidate it by buying goods in its country of origin, but to spend it in our own, there will be more money in circulation than goods available on which to spend it. This in turn, means rising prices and inflation, a simple arithmetical sum than cannot be so diverted as to mean something different.

To put it in a nutshell, as exports are paid for by imports, the fact to keep in mind is that the wages or goods received by an export worker in exchange for his output, although paid *pro tem.* by his employer must in effect and in the long run be paid *in goods* by the Oversea buyer of the export. Shorn of its trimmings, the transaction is exactly as though each party were a Robinson Crusoe producing for the other on adjacent islands.

This is an obvious and logical fact, but despite our intelligence

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the majority of us either do not *or will not* see it. Hence our insistence on Oversea selling as the be-all and end-all of our trade activities. Delving, however, for the reason for this mentality, we shall no doubt find it in the natural fact that the body of exporters being comparatively few in number, the profits they make on their selling, and which the 2,000,000 Oversea consumers pay, are divided among this few, while the profits we in turn pay on the corresponding Imports are paid for by the mass.

This being so, the question at this point may be profitably asked—as the manufacturing exporter makes his profit out of the consumer **wherever he may be**, why go to the uttermost ends of the earth to find him when he or his equal is under our noses at home?

In this connection we can also ask ourselves the question (the writer cannot find the answer): Why do we look upon an Oversea market of 2,000,000, **by no other but the simple virtue of it being Oversea**, as being greater and infinitely more beneficial to us from a profit-making and prosperity aspect than our remaining market of 25,000,000 at home?

TAKING The broad view of international trade, we are all well aware of the fact that by the spread of manufacturing knowledge and skill, every country is becoming increasingly self-supporting (a process greatly accelerated by the present war). The steeply rising curve of this acceleration is a natural phenomenon of human nature translated into terms of national progress, and however much—by pacts, quotas, trade agreements, etc.—we try to prevent this upward rise, we shall fail. It is a natural tidal force that cannot be controlled or checked, and the sooner we recognise and accept the position, together with its implications, and arrange our future plans in accordance therewith, the better for our logical thinking.

The gradual decrease in the total of international trade that

has taken place over the last twenty or thirty years has not only definitely come to stay but, as a natural result of this growing nationalism; it will continue its downward movement. It will continue its slow but inexorable action until every nation will, by the brute force of this action, be compelled to visualise this trade in its rightful perspective, and at long last come to regard it—**not as an object in itself**, as is now done—but solely, by exchange, firstly as a means of rectifying its shortage of this or that, and secondly as a means of satisfying the entirely natural desire to 'enjoy' the products of other countries.

If, due to this increasing nationalism, other countries do not want and therefore will not buy sufficient of our manufactured products to enable us to buy the food we lack, then as we cannot starve, Mahommed must go to the Mountain, or, in other words, if we cannot get the food to us, a proportion of our people must get to the food—to the wide open spaces of the dominions where they can grow it. This, however, is looking a long way ahead.

Due to our presumed dependence upon international trade, there has grown up in our minds a half-formed, nebulous, but wholly erroneous idea that nations live upon each other, that they get rich by each other's exertions. They just don't. They get rich and make themselves prosperous by their own, and the measure of this prosperity is the measure of their manufacturing skill and ability, and their energy in applying them. To confirm this we have only to remember the $2\frac{1}{2}\%$ Oversea trade of America, France and Germany, and the 8% of our own.

Further, if we can and will get this picture, not of the greatness but of the *comparative* insignificance of international trade firmly fixed in our minds, it will *of itself* at once point out how far away from the real issue is the world conception, or rather the United Nations' conception, that the question of postwar economic security and employment for the mass of the peoples of these nations depends upon—and almost solely depends upon—their close co-operation and interchange of trade, as though the

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exchange of commodities were the largest and not the smallest part of their trade activities.

That mutual help in these transactions as against competitive and ruthless enmity will be of the greatest value is at once and fully agreed, but for the sake of logical sanity let us always keep to the forefront the sense of *proportion*. If we do this we cannot help but come to the iron conclusion that our future fortunes —‘for good or for ill’—depend upon ourselves, and ourselves alone.

Having said enough or perhaps more than enough finally to prove the fallibility of overseas trade as a sheet-anchor of post-war reconstruction, if our minds are open enough and flexible enough to recognise simple 2×2 facts when we meet them, it must be agreed that these facts establish that we cannot in the slightest degree look upon this section of our business as the dominating or central factor on which to base our postwar plans.

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THE Second of our two basic questions is the Home Market and the effect thereon of the Control Scheme. Although the Scheme itself, together with its effects has been explained to the full, we are not all of the mentality that can fully visualise its action on the nation as a whole: it's too big a picture. To overcome this, therefore, let us reduce it to a more understandable size.

To do this, let us take the Isle of Wight and assume, as with Britain, that it is all but 8 % self-contained. We will assume it contains but one comprehensive Factory, in the front of which is its shop and Counter, and in the rear of which is carried on all the production of the Island's personal needs, and wherein all its earners work.

Before it can satisfy these needs it must over-produce certain commodities, which it exchanges Overseas for the 8 % it lacks.

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It is then all set to, and completes its required output for its own consumption.

On payday its employees, from the controllers downwards, receive their emoluments—their receipts for 'services rendered'—in S. and I. notes. Then, within hours, days or weeks, *up to the limit of three months*, these Employees go to the Counter, hand over their Spending notes and collect the 'needs' they require.

With regard to their I. notes: Brown will (for example) go to the Banking section to deposit his notes, and he asks the Cashier if there's anything doing in the way of Developments. Yes, he is told, we're just going to rebuild Section C., which is getting out of date, and equip it with more up-to-date plant. Good, says Brown: I've got a couple of hundred pounds' worth of I. notes to my account which I shall be glad to invest, and—by the way—what's the state of the Investment Note Pool at present? any notes to spare? Yes, says the Cashier, it's pretty flush just now: what with holidays and one thing and another, people have been spending more on themselves lately, and exchanging their I. notes for S. notes. Right, says Brown; I've got some spare S. notes so I'll have another £200 worth of I. notes, which means that altogether I'll take up £400 of the new Issue for this job.

By the multiplication of these acts, the Island is assured (1) of the necessary Capital for Developments, and (2) that their personal Consumption products will be cleared within three months of the date of their production, and, by these continuous and automatic clearances, the Employees are equally assured of continuous employment.

If on the other hand there is no Control and the Islanders are—as now—at liberty at any time they please to cut their spending to the barest minimum, this smooth and continuous movement is dislocated, with the result that the whole business is upset, and a slump occurs—a slump which, moreover, continues until they

mend their unconsciously foolish ways and get back to normal spending.

IF We multiply the Island's Producers and Consumers to bring them to 27,000,000, we change the Isle of Wight into the nation, and get exactly the same result, for the nation as a whole is but the multiplication of single units.

Our natural reactions to the fundamental simplicity of the Scheme will doubtless be that 'it sounds all right, but what about all the hardships and injustices we suffer under the present industrial regime? The possible misuse of the power of vested interests, monopolies, etc., the disparity of the rates of pay, and the host of other troubles which affect our working lives? How will it regulate or better these?'

The short answer to this query is that it just won't. The Scheme has nothing to do with these matters, just or unjust. The regulating of these is quite apart from its basic purpose, which is to point out a definite way to create an ample market and to stabilise it—and therefore, in turn, to stabilise employment—all of which depend on our private acts in the world of Consumption.

The former and troublesome matters concern our joint acts in the world of Industry. They concern the division of output, which in other words, means how many notes or receipts—whether wages, salaries, profits, rents, dividends—we receive on payday in exchange for the services we have rendered. If the division has been equitable, then we each go home with our fair share. If it has not been equitable, then some of us go home with less than the sum to which we are fairly entitled, and some of us go home with more.

The correct adjustment of these matters, however, is obviously outside the scope of any single work, and as their regulation has little or nothing to do with the creation of Trade itself, but only

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with the division of the *product* after it has been produced, they have certainly nothing to do with this diagnosis, so we leave them entirely alone.

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REVERTING To the Reports of the great Trade Organisations (the constituents of the F.B.I. alone number 142, who in Grand Council have 'blessed' their Report) these publications, together with others of a like nature, can be looked upon as representing the 'Right' or Conservative wing of reconstruction thought, while others, with Labour as their centre, represent the 'Left'.

The writer, while not claiming to have read all, has read carefully a great many of the publications of both sections, and although it may be a damning statement to make, it is impossible to find a new and really constructive thought in the whole of them, nor one that even if it at all tends to be new, will stand up to the simplest logical analysis. Taken altogether, if the contents of these issues are the best the country can do, then definitely it's a sorry lookout for the future.

In the three Reports referred to, constant reference is made to the postwar need of a large amount of new Capital to again place Industry on a firm peace-time footing. The F.B.I. Report itself states that 'The problem of restarting Industry and the other activities of the country on a peace basis is a serious one, needing *vast financial provisions* (the emphasis is the writer's), but met it must be if any reasonable level of prosperity is to be secured.'

Taking this particular Report as a whole (which, by the way is the outcome of a special request by the Board of Trade for this great organisation's view on Reconstruction) it is about the best sixpennyworth of vague, inconclusive, and oftentimes illogical statements ever committed to paper by an influential body of business men. The above quoted extract is a fair sample of these, and taking it as quoted, it implies that somewhere in the country and at our command to draw upon, there lies a vast hoard of

unused wealth. Let us diagnose this particular extract by our 2×2 test.

Capital or money being Goods—a *primary fact entirely overlooked or ignored throughout the Report*—movable or liquid money represents movable Goods. Therefore, if to set his house in order, an industrialist requires, say, a loan of £5,000, what he actually requires is the loan of, or the use of Goods to this value. Assuming, owing to the war, Home stocks are more or less non-existent, and also assuming that no other country will be in a position to loan them, being doubtless as badly off in this respect as we ourselves may be, there is but one alternative. We must—plus the necessary Oversea exchange of a few per cents, set to work and by the help of nature produce them.

Producing Goods, as has already been made clear, is producing Capital. Capital is *not* a separate entity, a thing apart, and 'financing' Industry, therefore, is loaning to it Goods that have already been produced. If, for instance, a manufacturer requires the loan of money to build a factory, what he really wants to borrow is the requisite materials with which to build it, and consumable goods to sustain his workpeople during the process.

This being indubitably so, it follows therefore that unless there is a vast quantity of spare Goods lying around the country for disposal there is no pool from which we can obtain the aforesaid 'vast financial provisions'.

If the country were swept clean of every saleable commodity, alive or dead, from bullocks to buildings, and nothing but the virgin earth remained, obviously there would be no money. If from an adjacent island we borrowed a printing press and some paper and printed some, or if by our finger nails we scratched metal out of the earth and made some, we should be no better off, for there would be nothing to buy with it.

In this presumably educated and intelligent age, it is ridiculous

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to have to stress the truth of this simple matter, but that the vast majority of us look upon the facts as being *the exact opposite*, the contents of these three great Reports make only too glaringly evident.

Being based on the popular assumption that Capital is one thing and Goods another (which means that the nation as a whole can possess paper capital without possessing its equal in goods) the whole structure of these Reports and of many similar publications is built on an entirely wrong premise, and therefore, in respect to postwar planning, *quite valueless*.

We have deified Capital as being the beginning of trade, whereas it is the opposite; it is the end of trade—or rather, the end which culminates in ‘things produced’ and which for ease we value in terms of Capital. Our conception that Trade and Production depend on this Capital as a separate and primary factor or entity in itself and that nothing can be done without it, is the equivalent of saying that Robinson Crusoe couldn't have built his own hut, whereas as a matter of solid fact, **he had all the capital he or the world has ever had—or ever can have**—which is nature plus brains, brawn and human energy.

(Sorry the facts are so brutal, reader, but if you are one of the sinners in this matter, just sit back and think it out for yourself, for once we get this fundamental truth quite clear, it alters our whole economic vision, and a high light is shone on many dark and involved questions.)

Getting it clear will, or should, lighten the feeling of depression in many minds in respect to our possible financial condition immediately war ceases. The general feeling is that we shall be ‘broke’—that we shall have spent all our money. As a matter of fact, we never had or owned any money, and therefore couldn't have spent it.

All we owned was (1) the land we live on: (2) the machinery

of production, transport, and the houses we live in: (3) stocks in hand: and (4) our own abilities and energy. Less buildings destroyed, lives lost, and diminished stocks, we shall be more or less as we were, and as we have abundant energy and abundant abilities quickly to replace our material losses, there is no real reason at all for pessimism.

The publications and speeches of the 'Left', whilst taking a somewhat different line, are permeated with the same false idea concerning money. Their main reconstruction plank is that for the wage-earner, most, or rather more things are to be free. Full wages, work or no work: Higher pay: Grants of family allowances: Free this and free that. As though somewhere, under capitalist or government control, there exists a secret and bottomless pit of wealth from which all these grants could be obtained.

Remembering that Money is Goods and that the grants demanded represent a demand for Goods, the impossibility of there being such a secret pit is self-evident, for it would have to be a pit filled with Goods and not with that chimerical entity, Money.

The search, therefore, for these bounties reduces itself to a search not for something for nothing, but for something *from nothing*.

As we live by 'things' material and spiritual we can 'level up' by taking *existing* things from one class and giving them to another, but we cannot go on doing this *ad infinitum*. We can do it at one fell swoop, or we can do it gradually (as in fact, we are now doing by taxation) until every person or class, in respect of 'things' is level. Due to the disparity of numbers, this process would make the rich poor but it wouldn't by any means make the poor rich: neither would it give either class the thing we all seek—Security.

As we live by 'things', the only way we can all become richer,

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obviously is by collectively producing more of them—and not by robbing Peter to pay Paul.

This aspect of the situation does not as yet seem to have penetrated the mentality of the 1942 Labour Conference in session at the time of writing, for the general tenor of their speeches, whilst recognising the need for a New World, concentrates upon *taking*—upon a redistribution of existing wealth. Not a word is said concerning plans for the increased production of wealth whereby the people—the workers they represent—would be better off.

As there is no wealth but things, and as things are but materialised labour, it is in the hands of Labour as a body, *under proper and assured conditions*, to make themselves as rich as they please. Nothing nor nobody else can permanently better their state.

These are hard 2×2 facts which must be faced. There is no maybe about them, and the sooner Labour Leaders realise the position, come down from the clouds, and add their weight to ensure this higher production, the better for the party as a whole.

The unemployed wage-earner, not being responsible for the organisation of Industry, and therefore not responsible for the cause of his own unemployment is, from an equity aspect, entitled to his full wages and as, for the postwar period, the trend of thought seems to be going in this direction, no doubt he will get them. Nevertheless, although from the humane aspect this may be right, from the broad economic aspect it is definitely wrong.

Some of us, the great majority, like work and would be bored to death without it. Some of us like it in strict moderation, and some of us don't like it at all—and provided full wages were assured, this latter section would find they had 'a pain in the back' most days of the week and so avoid it. The effect of this on the 'moderates' would be that they also would eventually

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drift into the ranks of the work-shy and so, willy-nilly, instead of the nation retaining the spirit of initiative and self-reliance which is one of its most valuable attributes, there will grow up among us a considerable body of parasites, a body whose aim and delight will be to get something for nothing, and by the ease, under the proposed conditions, with which this will be accomplished, its numbers will tend to grow rather than to diminish.

A social and economic structure built upon such a rotten foundation is, sooner or later, bound to fail, for such shirking, and the mentality it generates, constitute a dangerous and creeping disease at its very core. As we all live on the equal of the products we collectively produce, the shirkers will, therefore, live on the workers.

The result of this state will be that instead of a satisfactory team feeling being engendered—every able person pulling his due weight and doing his fair share, the exact opposite will grow up, and we shall be as ‘a house divided against itself’, and with the same results.

The more one thinks of the Russian formula of: ‘From each according to his ability: To each according to his work:’ the more one realises not only its soundness, but that it is the only basis upon which an enduring economic structure can be built, for to the worker by brawn, to the worker by acquired skill, and to the worker by brain and intellect it gives a *quid pro quo*, or in other words, under this conception the value of the services or ‘things’ we receive is the equivalent of value of the services we render. Briefly, it is so much *for* so much, and so much more *for* so much more.

Nevertheless, human nature and endeavour being fallible, it is fully recognised that this exact and beautiful equation will never be reached. But being based on the solid foundation of equity and justice, it is the goal at which to aim, and the nearer we can

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get to it the better will be the chances of a firm and lasting social structure.

The care of the aged, sick and infirm is a separate matter presenting little difficulty, but to base an economy on spoon-feeding a section of the fit and able, whether wage or salary earners, is not only derogatory and ruinous to their independence but definitely a wrong principle—a conclusion to which every self-respecting citizen, of whatever grade or class will agree.

The whole matter, however, revolves upon two questions. If unemployment cannot be prevented, then the unemployed must be sustained in full measure: they cannot be left destitute. If, on the other hand we can prevent unemployment, and by the Control Scheme's automatic action the writer is firmly convinced we can, then the second question doesn't arise.

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A further reflection on International Trade. Mr. Sumner Welles, in a recent speech (October) stressed at great length the vital importance, from the prosperity and standard-of-living aspect, of post-war trade between our two countries, and that the fullest possible attention should be given to its furtherance.

Taking 1936 as an average Trade year, the Board of Trade figures are:

U.S.A. Exports to Great Britain	. . .	£87,133,850
Great Britain's to U.S.A.	. . .	£27,625,462

Of the total Home output of each country, these Export figures represent, in each case, **less than one half of one per cent, equalling 11 hours' output per annum for each country.**

How—we can pertinently ask ourselves—can the variation of these infinitesimal exchanges, even if they were doubled, have any appreciable effect on the prosperity of either country?

THE FINAL OUTCOME

THE alternatives discussed in the preceding section having definitely proved that the means of securing economic stability lies, not abroad but at home, the method or system to be employed to harness these means is the next and final step. This again presents alternatives:

These alternatives confine themselves to Voluntaryism v. Compulsion.

If mankind, from birth to death were morally and ethically honest, and could therefore do no wrong, there would be no transgressors: neither would there be courts, civil, or criminal, or police. Not being quite of this saint-like calibre we are prevented from serious back-sliding by compulsion—by, in short, the law.

Also, were we economic saints, instinctively and unconsciously walking hand-in-hand with primary economic forces instead of ramming our heads against them as we now do, there would be neither question of, nor need for compulsion. But as we have not as yet attained this state of wisdom, a certain degree of restraint from economic wrong-doing is necessary.

As a preliminary to diagnosing this vital question, it is necessary that we completely disabuse ourselves of the prevalent conception that the nation's business, being immense, is therefore much too difficult and complex for the single mind to contemplate, much less disintegrate.

It is nothing of the sort. Our market does not consist of 27,000,000 consumers but of one consumer multiplied 27,000,000 times—a vastly different matter.

If therefore, by a little gentle compulsion we prevent the

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economic wrong-doing of the one, we prevent equally the wrong-doing of the rest. The picture this splitting up brings to our minds is, therefore, not that the control of business from the demand-and-supply aspect is inherently difficult but that it is inherently simple. Clearly visualising the picture of this simplicity, we also clearly visualise the simplicity of so regulating it that we avoid trade slumps, great or small.

As the tiniest rivulet, no matter how devious its course, eventually winds its way to the sea, so does the result of our workaday efforts eventually wind its way to the common Counter.

Equally, to obtain our needed sustenance do we, as consumers, sooner or later wind our several ways to the same Counter, and there the two forces or factors that control our fortunes meet. The goods on one side, and **their equivalent in purchasing power** on the other.

There they stand. Production, submissively waiting the word of its master, Consumption. Consumption, *uncontrolled*, and in lordly independence, free to give to Production the welcome and longed-for word—free to give it in full, in part, or—except for meeting the dire needs of hunger—not at all.

Thus this uncontrolled freedom results in either a full clearance of output, a part clearance, or a minimum clearance which, for their replacement, in turn results in and *can only result* in full employment, part employment or minimum employment. Its action is as automatic and as irresistible as the tides.

We can liken our two worlds to our right and left hands, but the curse of our present uncontrolled system is that neither hand has the slightest knowledge or indication as to what the other hand is doing, or is likely to do, at any given moment or in any given period.

The Production hand lacking this knowledge of what the Con-

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sumption hand will do in the immediate future, is therefore, in regard to output, *in a constant state of indecision*. The Consumption hand is in a similar plight, and being uncertain of further and continuous employment, is equally uncertain whether to spend to the full or save to the full.

This uncertainty constitutes a gap between Production and Consumption. The degree of fear of what the future will bring us is reflected in the width of this gap. If our fear is high, it widens. If it is low or non-existent it closes. Its measure therefore is the measure of employment.

The Control Scheme kills this uncertainty. By its restriction of over-saving it definitely settles demand. From whatever level it commences, its automatic action ensures that while it can rise to its full 100 % *it can never drop*. As demand is but another name for employment, it therefore automatically fixes this at the same level, and so ensures—as nothing else can—trade steadiness and the resultant economic security.

This, then, represents the case for Compulsion.

That an equal result can be attained by the mere continued payment of more or less full wages to everyone, work or no work (a contention that has a lot of influential thought behind it), is a definite fallacy, for it just cannot. Without the compulsion of spending, under such a scheme **we are still as free as before to keep our earnings in our pockets, and so to leave our goods in Industry**. One week we shall receive our wages for producing a 'something' and unless this something is removed from Industry, the next week we shall receive them for producing a 'nothing' which, whilst preventing immediate want, is rotten economics.

It may doubtless be argued that the wage and lower salary-earner having but little surplus, is bound to spend all or nearly all his earnings, but, remembering that owing to his 'mass' he is by far the greater spender—and also, remembering that the whole

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difference between normal trade and a slump *revolves around the spending or non-spending of a few per cents more or less*—it is within his power to be unconsciously the greatest sinner.

Further, the freedom to spend or not to spend, as now applies under our present system, leaves the better-breeched among us to do exactly as we have always done—that is, to do as *we* please, which in turn, means that we can if we wish, spend sparingly and save *ad lib*. Further, as this section, as a body, owns the bulk of the fixed and movable capital of the country, it is within their power, whether by design or fear, or a mistaken view of their own interests, to at any time withhold the full use of this capital.

They can close or partially close their factories and sack a proportion of their employees (and believe me, reader, speaking as one of them, the majority are a panicky lot). As, however, they are all in business to make a living, and if possible a profit, it is only fear of the future, fear of a decreasing or unstable market, that would influence them to do these fell things.

Whether they have reached their position by fair means or foul, by inheritance or sheer hard work and intelligence, they are, by virtue of owning it, trustees of the nation's property, and therefore, for the safety of the common weal they must not be allowed this unrestricted freedom to panic.

Its cause is solely non-confidence; non-confidence in an assured market. Therefore, both for their own and the common good they cannot be left in their present uncontrolled position to indulge—due to recurring bouts of trade liver—in periodic spells of 'sitting on the fence' watching the nation slide into ruin.

Although the root of demand is born in the human mind it is the organisers of Industry who possess the power to translate this demand into human needs, which means that they—after humanity—occupy the premier position.

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They do not command Consumption but they *do command* Production. It is their word as a body that 'goes' and—short of Government compulsion—the only factor that will influence them to say the right word and to continue saying it, is *the surety of an ample and continuous market*. The surety that whatever the quantity of output this body plans for and produces, there is a definite market for it—that the wages and salaries they have *paid out will be paid back* within the allotted time, and the output cleared.

At this point it may be useful to remind critics that although the automatic action of the Control Scheme, by supplying the missing link, would work a major revolution in results, its application in respect to the restriction of our personal liberties would be negligible. Further, it must be emphasised that this restriction applies only to our personal acts in connection with the handling of our income as private consumers in the world of Consumption.

For the world of Industry it neither restricts, interferes with nor affects in any shape or form its normal day-by-day financial and productive activities. For this world—except for the fact that it will provide it with a staple and permanent customer—the Scheme will not exist.

IT Needs little vision to realise what changing the existing uncertainty into a definite certainty would mean. It would cure or prevent the major troubles which have hitherto beset us, and would so open wide the gate of Production and prosperity that for future generations the word poverty in the dread and tragic sense we now know it would have no meaning.

It is by these means and *these* means only that ample and steady Home and Overseas trade, together with continuity of employment can be assured. Further, as the actions of neither side are 'planned' (a slavery word!) it leaves the world of Industry free and untrammelled to get on in its *own way* with its job of pro-

ducing. It also leaves the world of Consumption equally free to get on in *its own way* with the job of 'living'—and thus we retain in both worlds the individual freedom of thought and action we have in the past fought for, and through blood and privation attained.

The world consists of two entities, the physical and the human, and as we cannot alter the physical, planning to build a new post-war world therefore means—and can only mean—planning or building a new brand of human nature. Comment on this ideal would be superfluous.

Apart from its impossibility, the writer is sure he is speaking for the great majority in saying that we don't want a new world: certainly not a world planned by a committee of godheads who probably know but little about its real needs. Further, in addition to being easily the worst and most short-sighted planners on earth (see history) the British race are equally and easily the worst people to submit to their lives being 'planned'. Fundamentally we are 'agin it'. We are too individual.

We want to stick to our old world—the world we're used to—together with all its freedoms, *but we want it bettered*. We want its sores and foul places cut out. A Britisher's house is his Castle, and after—by doing his job—he has rendered his daily service to the community, how he spends the rest of his time is his own affair. If he elects to spend his evenings at the 'local', or at home with a book it is his business and his alone. He doesn't want to be educated, reformed and planned by being compelled to attend highbrow lectures and the like, to make him a better citizen, or to be looked at askance if he doesn't. There are too many of this class of reformer about: the class that is always anxious to reform other people's lives.

Of mankind's five needs three are fundamental—Food, Clothing and Housing. To produce these, two factors are essential: (1) the

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inanimate equipment of Industry and (2) its animate equipment in the person of ourselves in our working hours. To keep both these factors fit and efficient they require 'stoking'—the one with power in the form of fuel and lubricant, and the other with power in the form of its 'three needs'.

These primary matters are basic to any new order we may in the future elect to live under, be it Fascism, Communism, or any 'ism, and being assured of them as an irreducible preliminary we are then equipped to build any fancy world we like—*but certainly not before.*

Our other two needs—mental and physical recreations—can be classed as 'enjoyments and refinements': splendid roads, parks, theatres, etc., and buildings for our communal use, and whatever luxuries we can attain for our private use. Putting first things first it is only after we have made *sure of our three essentials—as sure as though we had an ample, guaranteed and life-long pension to cover them*—that we can spread ourselves in the production of these less basic things, and the quantity and quality of these we can produce are only bounded by (1) our intelligence in devising the right things and (2) our industriousness and skill.

That we have the latent energy and skill to so produce them, not in shoddy but in splendid abundance is amply evidenced by our enormous output of war munitions.

The world thus envisaged would not be a new world created by some dangerous and—to us—unnatural revolution, but our old world brought into new being by natural *evolution*, a natural walking in line with the economic forces which govern us.

To the logical mind it will be obvious that the proposed Control Scheme does not replace other plans for our betterment—made or in the making. **It precedes them.** By stabilising trade it provides a stable foundation for them as against the existing unstable one

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—an instability which is part and parcel and must always remain an integral element of our present uncontrolled trade system.

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APART From its inequalities, which is a separate matter, that the root cause of the insecurity of the old world with all its attendant tragedies could be attributed to one definite factor—the uncontrolled flexibility of the gap between Consumption and Production, and that the permanent closing of this gap will bring us *within sure and certain reach of a splendid prosperity* seems, on the face of it, a ridiculous claim, but the common facts leave us no loophole for any divergent view, so there, brethren, on the knees of the gods and to that all too rare human attribute, logical common sense, we leave it.

IN Conclusion: either the findings of this diagnosis as a whole are a tissue of misconceptions from end to end, or the proper correlation and statement of the facts which control us, and the conclusions to which *they themselves point* are from the economic and security aspect the *surest thing ever*: there is no middle position.

(In this connection it may be interesting to quote the words of a barrister friend of the writer's—a name of high standing in the legal world—who, after fully digesting and agreeing with the main outcome of the diagnosis, remarked 'Do you fully realise, Barnes, that this scheme of yours not only cuts clean through every political party and its programme, but through every economic creed, and that its world adoption would change the whole outlook and condition of humanity? Its import is tremendous.'

These were heartening words coming from such a quarter, for the speaker is a hard and critical devil, much more given to damning than to praising!)

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If, reader, after tearing the diagnosis to pieces and testing each possible dissension—not by vague generalities but by the simple test of 2×2 —it is still on its feet, then for the sake of common humanity, its findings cannot be left where they lie—between the covers of a book. If, as in a thriller, the murderer of our peace and prosperity is at last discovered in the fluctuating gap between production and consumption, and the Control Scheme will close this gap and destroy him, it is up to each one of us as citizens *and voters* to see that he is destroyed. We must hold the pistol of compulsion at the head of our particular member of Parliament—to get on or get out. Write to him and get his views. If he hasn't had the book tell him to get it, or a free copy will be sent him.

Don't be put off with vague generalities. Nail him down to facts. Is he for it or against it? If there's any point you're not clear upon, a letter to the writer at No. 1 Whitehall Place, S.W.1, will bring an answer. Thresh out the findings at your Club, your Lodge, or any place where men and women meet, for it is the vital concern of every one of us. Therefore, let us see to it.

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THE Mass of our people don't seek great material riches, but they do seek and are entitled to the riches of security, the riches of happiness in their homes, engendered by the absence of fear—a happiness so well expressed in Burns's immortal words—that—

To make a happy fireside clime
For weans and wife
Is the true pathos and sublime
Of human life.

There's no 'Pomp and Circumstance' in these lines, but nevertheless they contain a fundamental truth, and point to the source of real happiness, whatever our station in life.

THE CHALLENGE

THE Great Magna Charta freed us from the despotism of Kings. The People's Charter of 1838 freed us from the Despotism of the Power of Privilege, and if the present Charter will free us from the greatest despotism of all—the despotism of the fear of insecurity, unemployment and poverty—it would be the greatest and most far-reaching measure ever passed through Parliament, whatever its political 'label'.

Britain, jointly with the United States, has issued to the Democracies a great challenge that puts us all on our honour, and entrusts us with a special duty, a duty to humanity that we dare not shirk—that—

ALL MEN MAY LIVE OUT THEIR LIVES
IN FREEDOM FROM FEAR AND WANT.

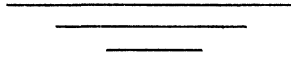
Freedom from Fear! Imagination boggles at such a tremendous conception. Freedom from fear! Freedom from the silent spectre that ever stalks at our side. Fear on the part of the mass, of constantly recurring unemployment in their working life, and semi-destitution at the end of it. Fear on the part of the business section, of failure and bankruptcy. Fear on the part of those who just manage to exist on a few investments. It is fear, fear all our days. The striving to reach the 'safety' line turns the naturally kindly employer into the hard employer: the naturally generous into the ungenerous. To all who have family or business responsibilities it is veritably their Old Man of the Sea.

THE CHALLENGE

The challenge then is not only a great one but a noble one for the banishment of this fear would lift from the shoulders of humanity its greatest burden.

The adoption of the new conception opened up by the present diagnosis will place our feet firmly and surely on the right road. Not a road of twists and turns, of doubts and hesitations, but a straight, clear road leading to the journey's end, and to that hitherto impossible dream—

**ASSURED TRADE, ASSURED EMPLOYMENT AND
THEREFORE ASSURED STABILITY FOR EVERY CLASS**



ADDENDUM

WAR is but a transitory evil, but the evils of trade instability and unemployment are always with us, and there is no question more insistent in the human mind than the possibility of their abolition.

Judging by the country's press, from the dailies up to the weighty economic weeklies—plus common thought, the only way to achieve this end is a great and continued drive toward the amplification of exports. Although enough has been said in this book to give the lie to this conception, some additional facts may be useful.

They deal with our 1936 exports to the eighteen main countries of the world—a year of average trade conditions, and moreover, one unaffected by any immediate threat of war.

The £6,000 million output taken for our basis throughout equals £20 million per working day, or £2½ million per hour per 8-hour day. On this hourly basis the figures below will therefore give us the total hours of our working time we spent in that particular year, in the production of shipments to each of the other countries named.

EXPORTS TO	VALUES	HOURS AND TENTHS
	£	
Germany	18,980,431	7 & 6/10ths
France	17,751,953	7 & 2/10ths
U.S.A.	27,625,642	11
China	5,780,445	2 & 3/10ths
Japan	3,563,789	1 & 4/10ths
Egypt	7,756,411	3 & 1/10th
British India ..	34,121,987	13 & 6/10ths
Australia	32,255,842	12 & 9/10ths
New Zealand ..	17,297,278	6 & 9/10ths
Canada	23,243,807	9 & 3/10ths
Sweden	10,386,970	4 & 2/10ths
Denmark	14,943,471	6
Belgium	9,466,433	3 & 8/10ths
Spain	2,975,218	1 & 1/10th
Austria	1,469,584	6/10ths
Poland	4,861,763	1 & 9/10ths
Russia	3,507,300	1 & 4/10ths
Argentina	15,256,670	6 & 1/10th
	Total hours	100 & 4/10ths

ADDENDUM

This may be an unorthodox method of diagnosing this trade, but it is nevertheless a correct method—a method any manufacturer would use in connection with his own business, and the nation's business is after all but the multiplication of such single units.

This practical diagnosis discloses that our total exports to these eighteen main countries occupied approximately a total of 2 *weeks* of the nation's working time for the year in question. Following it to its conclusion by including all countries, the total hours spent on producing our total exports equals approximately 3½ weeks, or, if we add a further seventh for 'invisibles' in respect of freight carried in British ships, it brings the total up to 4 *weeks*.

Assuming that every item—in or out—is vital, and that there is none of the girder-for-a-girder business about it, let us ask ourselves the hard and blunt question, How can the exchange of four weeks of its labour be the controlling factor in the nation's prosperity and the standard of living of its people?

The nation's export figures are plain to see, and for anyone of average intelligence, plain to understand; yet in a December 12, 1942, issue of one of our best-known economic weeklies we are told that:

“The maintenance of employment depends upon the maintenance of trade, that is, of essential imports and exports to pay for them.”

And again, in the same issue it is asserted that:

“The choice is between a large volume of foreign trade and a high standard of living, and a small volume of foreign trade and a low standard of living. Nothing that the technicians can do will appreciably alter this fact.”

One wonders if these scribes ever trouble to understand plain facts.

£400 million or so exports appears a large and important sum, but as we know, nothing is great or small except by comparison, and the pit into which we have fallen in our economic thinking is due to our visualising this section as a be-all and end-all in itself, instead of a comparatively small unit of our £6,000 million total output.

The reason for this Addendum and the further evidence it adds to our wrong thinking is, that if we continue along the same lines we shall arrive at the same dead end in our reconstruction plans as we always arrived at when trying to deal with a trade slump.

