

ECONOMIC REFORM CLUB AND INSTITUTE

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"THE WORLD WE WANT"

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SESSION 5

on

MONETARY AND ECONOMIC REFORM

In the Chair: LORD SEMPILL, A.F.C.

Speeches by :

P. C. LOFTUS, M.P. — "MONETARY REFORM
PROSPECTS"

ANTONY VICKERS — "COMMON SENSE IN
THE BALANCE"

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MONETARY REFORM PROSPECTS

Address by P. C. LOFTUS, M.P.

This is the final session of a successful conference where many subjects have been discussed, yet throughout the various sessions in the background there has been present, and dominating the conference, the question of monetary reform, because all of us realise that without an improved and reformed monetary system we shall not be able to achieve our ideals in Education, Town Planning, Health, Agriculture, and Social Security.

I have had experience, in the actual work of local government, of how plans can be maimed, diminished, and postponed through our defective money system. For over twenty years I have been a member of the Education Authority for East Suffolk and there we pushed ahead and established probably the finest area schools in rural England. We were and are evolving a new type of education, roughly half the time was allotted to handicrafts and half to ordinary school work. I had and have great hopes that, given continued freedom to experiment and from the restrictions imposed by examinations, we would evolve a finer type of education than that now given by our secondary schools, a type of education more in harmony with the Greek ideal, the education of the whole individual; the education and co-ordination of brain and hand and eye.

But we were constantly restricted in our programme and our intentions and plans diminished by financial considerations. To give an instance we desired and planned that every area school should have a large room thoroughly fitted up to teach the boys the use maintenance, and repair of the internal combustion engine and also a large room specially fitted to teach the girls dairying and cheese-making. During the period of depression these proposals were rejected by the Council in order to economise, and to this day our area schools lack these facilities.

Yet at that time of falling prices how easy, how desirable, it would have been for the State to have encouraged expenditure on the building of these schools, to have provided finance through creating State credits at nominal or no cost; thus not only stimulating educational progress but distributing purchasing power and providing employment.

In the same manner Town Planning in the past has been a failure owing to financial restrictions. I was chairman of my County Regional Planning Committee during the period of its existence and I felt really powerless to achieve anything of real value, as we were hindered the whole time by financial considerations. Look at the many mean houses of our abominable ribbon development during the period between the two wars; mean houses badly planned and badly built, the potential slums of the future; yet let at exorbitant rents.

When I think of what might have been under a proper monetary

system I am angry at the folly of our present methods. During the long years of falling prices and rising unemployment it is obvious to us that the State should have deliberately unbalanced the Budget by creation of purchasing power without interest, and it should have gone on doing this until it had checked the fall and raised the price level to that conducive to maximum national production.

Of course one of the best possible ways of distributing purchasing power and creating employment is through the building trade, because so many other trades—coal, iron, steel, lead, pottery, wood, textiles, and so on—are so closely interwoven with building.

Had we pursued such a policy many of our people would have had well-built new homes at very cheap rentals; or, indeed, over twenty years they would have bought their houses by paying a weekly sum less than their present rents. We should bear in mind that a large proportion of present rents is required to meet interest charges.

Regarding Agriculture, even uncritical, unthinking supporters of the present financial system are commencing to realise that it has had disastrous effects on British agriculture. We have followed in the footsteps of ancient Rome with equally lamentable results. The Roman bankers and capitalists exported capital overseas to develop agriculture in the provinces—in Asia and in Africa—and they imported their profits in the form of cheap food (produced by slave labour), thereby ruining Italian agriculture and destroying the class of yeoman farmers: the men who were the backbone of the Roman State and the strength of the Roman armies.

We have done much the same, and as a deliberate calculated policy conceived by the powerful financial interests of the City of London we have depopulated our countryside and encouraged by every means the concentration of the greater part of our people in huge and sordid city agglomerations. Even to-day, despite the lessons of two wars, despite the cry for soil conservation increasing in intensity in every continent, we can read constantly in certain journals the old arguments and pleas that once again British agriculture after the war must be subordinated to the financial interests of the money-lenders and middlemen and importers.

We even read arguments setting out to prove that it is better to employ men underground in coal mines in order to export our capital—coal—in exchange for imported food which we could easily produce ourselves on our own soil, to the great advantage of our national health and character and strength in peace and war.

Finance also is directly responsible for the creation of vast desert areas in the new countries and for the under population of Australia and New Zealand. It was the international moneylender who forced the development of the new countries into great farms, exploiting the soil by the cultivation year after year of the same crop for export to meet the interest due.

It was finance which discouraged healthy settlement by self-sufficient communities farming on mixed farm lines; the immemorial

human tradition. And it was the financial power of the creditor countries which in the great deflation destroyed the purchasing power of the primary producers throughout the world, to the great hurt of the manufacturing interests and finally to the hurt also of the loan-mongers themselves, who lost much in the open or veiled repudiation by debtors throughout the world.

Regarding social security, do we ever ask ourselves why all these schemes involving a certain amount of regimentation, a certain restriction of freedom of choice and compulsion in many forms (including compulsory ownership and control of savings by the State), do we ask ourselves why these schemes are really necessary? They are indeed necessary under our present defective system, but in an ideal society of free men every individual willing to make his full contribution to the community would be in such an economic position that he would be able to provide his own social services, to choose and pay for his own house, his own doctor, and the school he thought most suitable for his children. But in our present society there is a constant lack of purchasing power. The more efficient becomes our machinery of production the greater becomes unemployment.

Faced with this problem we drift into an atmosphere where we all regard employment rather than consumption as being the chief objective of an economic system. But even then we act in contradiction to our wishes. With vast numbers of men unemployed in time of peace we encourage women to work in factories and then we are astonished at a rapid fall in the birth rate.

Faced with this economic chaos, the inevitable result of an outworn and inefficient money system, we keep on devising new palliatives, more social services, more inspectors, more doles from the State and so on, and all this means and must lead to the State becoming more totalitarian and to the centralisation of power.

Even now we are proposing to destroy local government in small areas (the smaller boroughs, Part III. Education Authorities, and so on) and to concentrate all power in centres often remote from the areas they control. How can busy people, such as professional men, shopkeepers, and working men, participate in local government if it is carried on forty or fifty miles from where they live? At present they can attend the Town Hall in the evenings; in the future they will be unable to participate, and genuine democracy, which in this country has always been decentralised, will receive a mortal blow and power will pass to an omnipotent bureaucracy.

There is only one method by which we can maintain genuine democracy, combining reasonable security with reasonable individual freedom, maintain initiative and enterprise, discourage monopolies and vast accretions of capital, and secure a vivid, varied national life, and that method is by a drastic reform of the money system.

Of course, monetary reform by itself will not create a new heaven upon earth, but it is the only foundation on which to build that better England of the future which we all desire. If we neglect laying that foundation then all our post-war schemes, including the

Beveridge Report, will sink into the quicksands of finance and never come to fruition. || (X) (X)

I believe that the prospects of monetary reform are improving daily. During the past couple of years immense progress has been achieved. More and more people are becoming intensely interested in the subject. For instance, many requests come from the troops for lectures. But more important still is the fact that Chambers of Commerce, great influential trading associations such as the Master Cotton Spinners and the Textile Trade Association, have appointed special committees to investigate monetary policy, and as their reports are published we read therein the arguments we have been using for years: the demand for the equation of purchasing power with productive power, the plea for deliberately unbalancing the Budget in times of threatened depression, and the suggestion that the State, through a National Central Bank, should control not only the expansion and contraction of credit, but the actual creation of credit. || (X) (X)

After long and weary years of seemingly ineffective propaganda, subjected to sneers and misrepresentation, we monetary reformers should now lift up our heads, rejoicing to see at last the tide flowing strongly in our favour. We should be proud to think that our patient, ceaseless work and propaganda, our long years of endeavour, have almost overnight, as it were, produced this result, and we should now move forward a united force to achieve our first objectives.

I would, however, utter this warning. We must be practicable. In politics no party ever achieves its full ideal immediately. Even a party with a great majority behind it has to make concessions to the opposition during the passage of its legislation. Some enthusiasts may object to any kind of compromise, denouncing it as a betrayal, something mean and timid.

My reply is that Parliamentary Democracy can only work by compromise. The essential thing is that while the will of the majority shall prevail, it must do so with due regard and respect for minority opinion. The majority must not ride roughshod in totalitarian fashion over the minority; it must convince and on some matters conciliate minority opinion. That is how the democratic system works, and it cannot work and endure in any other manner. |

Therefore I hope that no section of monetary reformers will refuse to co-operate in securing our first objectives, and decline, like the clan at Culloden, to join in the attack because they have been refused the foremost place.

I would here suggest a practical instance where I believe compromise at the present time is necessary, and that is over the Keynes and Morgenthau proposals.

I would regard the adoption of the American plan as a disaster for us, for America, and for the world. ||

It re-establishes the gold standard, but in a stronger position than of old. Under the former system a nation such as ours had the right to devalue its currency or to abandon the gold standard at any moment.

Under these proposals every nation would be deprived of this right; they could only abandon gold after giving two years' notice.

One of the worst economic evils before this war was the refusal of creditor nations to take goods in payment of debts and their insistence on accumulating gold. The Morgenthau plan allows, even encourages, this practice to continue. The Keynes plan effectually prevents it.

I need not go into the many other objections to the Morgenthau plan, though I would remark that it gives complete economic control of and, indeed, domination over every country to a dozen irresponsible international financiers in New York, with power of veto on all important issues to the American representatives.

Now I would glance at the Keynes plan. It has many attractive features. For instance, it recognises that the blame for economic disequilibrium rests equally upon the creditor (or excessive exporter) as on the debtor (or excessive importer) nation. Therefore, while the debtor nation is charged interest on his excess debits, the creditor nation is charged interest on his excess credits—a very valuable proposal with far-reaching implications and possibilities.

"But," the rigid orthodox monetary reformer may object, "you cannot in any way tolerate the Keynes plan because it finds a place and a market for gold."

Now first let us clearly recognise this: that the Keynes plan could be carried out without in any way using or finding a place for gold. Gold is not in the least essential to the scheme, but it is an essential part of the Morgenthau plan.

Lord Keynes finds a place and a market for gold, but he does not allow it to exercise any power, much less any domination.

Now I want to say this, that I wish to see gold utterly divorced from all connection with money. But as a practical politician I recognise that certain nations have at the present time a vested interest in gold and in maintaining the price of gold.

First of course the United States, with its vast hoard buried in the vaults at Fort Knox, that consists of an overvalued metal imported in exchange for real American wealth exported to other countries. Divorce gold from money and the price of gold in the world's market might fall to one-fifth of its present price.

The reaction to this in America would be immense and the results probably disastrous, including possibly the withdrawal of America from post-war collaboration in reconstruction. The Union of South Africa has also a vested interest in gold. If the price fell heavily, its whole economic structure would collapse.

Then Russia and Canada are great gold producers, and each has a strong interest in maintaining the price and output of gold.

Now I say frankly that when I contemplate the immense difficult and tragic problems which will confront the world after this war, and for years to come, the only hope I see of salvaging European civilisation, and restoring health of mind and body to its stricken,

oppressed, half-starved peoples, is by the close cordial collaboration of the victorious allied nations.

We want this helpful collaboration from every one of the allies if possible, and therefore if America, Canada, Russia, and South Africa refuse to consent to any plan which utterly divorces gold from money and which destroys the market for gold, I am prepared to find a place and market for gold providing it is a minor place, without influence on our internal monetary policy, on the expansion and contraction of our purchasing power, and without any real influence or power in international trade. These things I believe the Keynes plan very cleverly achieves, and therefore I am prepared to accept his proposals regarding the use of gold.

I have appealed to all monetary reformers to unite and concentrate on achieving our next immediate objectives. What are those objectives?

First the conversion of the Bank of England into a nationally owned public utility company with a governor and deputy-governor holding their appointments on the same terms as His Majesty's Judges.

Secondly, to secure to this National State Bank control over the expansion and contraction of currency and credit and a monopoly of the creation of all money and credit above approximately the present level.

If we can only secure these objectives then, indeed, from this base captured from the financial monopoly we can move forward with confidence to achieve our objectives in Education, in Town Planning, in Housing, in National Health and Agriculture, and in Social Services so as to build up after the war a Britain more worthy of the splendid human material revealed by the war, not only by the gallant care-free bravery of our airmen and seamen and soldiers but also by the courage under defeat and disaster and steadfast endurance under heavy air attack revealed by all our people. They are deserving of a better Britain. Let us strive to give them the World They Want.

COMMON SENSE IN THE BALANCE

Address by **ANTONY VICKERS**

The World We Want after victory has been gained—is, I believe, a subject which occupies people's thoughts almost more than any other. To the majority the four main essentials are freedom from want and fear and freedom of speech and religion. In other words, a world guided by the principles of Christianity and Common Sense.

Speaking as an engineer concerned with production, I am quite sure that such a world is perfectly possible provided we mend our ways before it is too late and we understand more clearly the two main material factors in modern civilisation. These are:—

The influence of machinery and science on our everyday lives,
and

The true function of money and how it is created.

From conversations I have had with all sorts of people I have come to the conclusion that the everyday things of life are so taken for granted that we fail to see them in their true proportion. Those that concern themselves with machinery, science, and production know little about money matters and those that administer and control money usually are not mechanically minded. Hence there is a kind of no-man's-land between the two which is responsible for endless misunderstanding.

To visualise clearly the madness that existed between the last war and this, and to avoid such mistakes when peace comes again, it is necessary to look back to the days before the industrial revolution, to, say, 1701, when England had a population of $5\frac{1}{2}$ million and a national income of £43 million. Power, before the advent of machinery, was mainly a matter of windmills, waterwheels, horses, and sails. If in those days someone had said that a machine could be produced which would do the work of 24,000 men he would have been burnt at the stake. Such machines are now realities, but we have failed to realise it, and until we face facts we shall not have the World We Want.

However, before drawing certain comparisons I would like to establish one or two points which affect us all.

Everyone agrees that in this country prices are higher to-day than they were at the beginning of the war, that is for those things which are not controlled in price. The reason is, that on the one hand there are less goods and services to buy, because so many people are in the Forces or are engaged on war production. On the other hand, there is more employment and, despite heavy taxation and savings campaigns, there is more money in circulation than ever before. In other words, there is more money than there are goods available.

Likewise, when trade is bad in times of peace, it is generally agreed that prices tend to fall. Farmers burn wheat; herrings are thrown back into the sea, and production is restricted; not because

people have sufficient but because market prices fail to cover the cost. Money has become scarce whilst there are more goods and services than markets will absorb at profitable prices.

Thus, the relationship between the amount of goods and services and the amount of money in circulation can be shown by a pair of scales. Furthermore, the indicator becomes the Cost of Living Index, because it shows the rise and fall of the purchasing power of money in terms of the goods and services which come into the everyday cost of life.

Here is a straightforward and very simple device which records quite accurately the changes that take place in production and finance.

Let us then consider the basic factors affecting each side of the scales.

Taking production first, the three fundamentals which determine the amount that can be produced are:—

Manpower.

Materials.

Machinery.

We all know that for a year or two after the war there will be shortages of one thing and another; but when peace-time production is once more restored there is likely to be in this country a greater capacity to produce than ever before.

There will be more trained manpower because practically everyone during the war has received training of one kind or another, or have increased their existing experience.

As regards raw materials, the amount of coal, iron, clay, and other basic materials under the ground will be just about the same, whereas wheat, timber, fish, vegetables, etc., are self reproducing. With the replacement of shipping, other things will become available.

In the case of machinery and plant equipment, we already have a good deal more in this country than at the beginning of the war, and only a comparatively small proportion will be useless when peace comes. Thus, if the war ended to-morrow the capacity of this country to produce would be considerably greater than in 1939.

At this point let us consider some of the factors in the production of a few of the everyday things we are so accustomed to use, taking as our datum line the days before machinery, when everything had to be done by hand.

Electricity, for example, is used in the production of most things, whether it be for driving machinery, heating, processing, lighting, or even for communications. Thus the grid which collects and distributes a good deal of our electrical power does the work of 600 million men.

Practically everything has to be transported at one time or another, but do we ever stop to think that if there were no locomotives in this country 500 million men would be required to move the same amount of ton miles?

Then, again, there are lots of ingenious machines for producing

such things as cigarettes, knitting rayon stockings, and printing newspapers, which multiply human effort as much as 30,000 times. In fact, there is nothing contradictory in paying high wages and yet producing cheap goods, provided really modern methods are used.

Turning now to the money side of the scales, there is no need to be conversant with the so-called mysteries of high finance to understand the main fundamentals of money. We do not have to be wireless experts to tune into any particular station on a radio—a child of six can do this; but it is essential to be clear on the two main functions of money, namely, that it is a convenient medium of exchange and also a measure of value.

Most people realise the former but are apt to forget the latter. The strange thing here is, that whereas every other unit of measure, such as the ton, the yard, the gallon, etc., always measures the same amount, the pound, in terms of goods and services, is quite variable. When prices are high, it buys less and when prices are low it buys more. You can see this on the scales quite clearly. Unfortunately, when prices are low producers receive so little for their products that they are forced into working short time, reducing wages, or putting men out of work—not to mention cutting dividends.

It is logical, therefore, that for money to fulfil this second function the Cost of Living Index must remain stable, which means that the pound must always purchase the same amount of satisfaction in terms of goods and services.

Many people still think of money as coins or notes, though in these days only a very small proportion is in cash and over 90 per cent. is cheque or book-entry money, known as credit. What is so strange is that comparatively few people seem to know how credit originates or take the trouble to find out. If, however, you look up "Encyclopaedia Britannica," vol. 15, under "Money," it says:—

"Banks lend by creating credit; they create the means of payment out of nothing."

There are many other authoritative statements to the same effect—that the creation of credit or money is merely a matter of book-keeping.

Turning once again to the scales, we have this situation. The ability to produce is tremendous, likewise the desire to consume is tremendous, because no one would deny that education, the cinema, the Press, and the attractive shops of our cities and towns have created a huge potential demand.

The thing that was lacking prior to the war, not only in this country but elsewhere, was not the willingness to work but the sufficient quantity of money tokens to buy what could be produced.

The reason why it could happen in England that an out-of-work miner in Durham could not buy adequate clothes for his family, whilst an unemployed clothing worker in Leeds could not buy sufficient coal for his home in winter, was simply and solely because neither had sufficient money, yet both were willing to work.

For this almost incredible state of affairs you and I are to blame,

and the sooner we realise it the better. Obviously Parliament is the constitutional means of putting this right, and, regardless of what our political views may be, it is the first and most important duty of the electorate to insist that this be done. In the words of Mr. Mackenzie King, Prime Minister of Canada:—

“Until the control and issue of money and credit is restored to the Government and recognised as its most conspicuous and sacred responsibility, all talk of the Sovereignty of Parliament and Democracy is idle and futile.”

This would not mean nationalisation of the Joint Stock Banks, which render a very useful service to the community and for which they should receive a reasonable profit. It would mean that instead of the amount of money in existence varying only with the action of the banks sufficient new money would be spent or worked into existence to permit the people of this country to purchase the full output of their capacity, including the amount required to pay for our necessary imports by exports.

Imports in 1938 amounted to about £800 million, and with our present production running at about £8,000 million, a year about 10 per cent. to 15 per cent. of our wealth would have to be exported to pay for our imports.

Unless this new money is brought into existence and without creating a capital debt prices are bound to fall, because of the ever-increasing power of production due to machinery and science. There are, however, many ways by which this new money, which is estimated at about £250 million a year, can be brought into existence to the benefit of all and the prejudice of none.

In fact, is there any real reason why Britain should not set the example to the whole world by modernising her money system to give full scope to her powers of production? If Britain would do this her people would have the best homes, health, agriculture, clothes, education, social security, entertainment, and the most leisure to develop their individuality. The equipment of our Navy, Army, and Air Force could be the best possible and the personnel remunerated accordingly.

Surely other countries would say to themselves, what is the great secret of Britain's success? What has made her so splendid? She no longer seeks to export more than she imports, but maintains a steady balance. She has no unemployed, and her factories, which are the most up to date in the world, are never idle. Her people have plenty of leisure to pursue their particular hobbies and sports; they are happy and contented and the country is united in goodwill as never before.

Every country is different by virtue of its atmospheric conditions and its geographical situation which affects the character of its people. To get the representatives of fifty different nations round the conference table and to reach international agreements that mean anything worthwhile is, I suggest, terribly difficult. Still more difficult is it for those representatives to return to their respective countries and obtain the wholehearted agreement of their peoples because of

these different conditions. Agreement can be reached temporarily by force, but is that what we are seeking?

On the other hand, we in Britain have all the means available to set such an example to the world that the other nations will follow suit according to their own particular conditions, and in doing so I suggest we shall by the Grace of God have gained the World We Want.

At the conclusion of the conference the following resolution, proposed by Lord Sempill, was carried with one dissenting vote:—

"This conference, recognising that the progress of Education, the development of Town Planning, the interests of Agriculture and National Health and the provision of adequate Social Security have all been hindered, thwarted, and constricted during recent years through their subordination to a defective financial machinery, calls upon His Majesty's Government to establish a monetary system which will allow continuous use of full national productive power in peace as in war; the equation of consumptive power with productive capacity; and the restoration to the State of the creation, expansion, and contraction of all types of money, thereby enabling the establishment in this country of a truly Christian Social Order."

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