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# THE ENGLISH REVIEW

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# The Trade Slump\*

By Arthur Kitson

THE present trade slump is not an entirely surprising or unexpected event to certain people. It had been predicted by two or three writers and economists, and particularly by certain financiers more than a year ago, when business was booming, and when there seemed a long period of prosperity before us. I myself ventured to prophesy over four years ago what would happen, but I made the fulfilment of this prophecy conditional upon the adoption of a certain financial policy, a policy which the great money-lenders were threatening to re-establish. Two or three professors also gave reasons why we must expect a long period of business disaster. But they, like their employers the financiers, and like the boy who, having ignited the fuse of a fire-cracker, said there was soon going to be an explosion, were prophesying on what they knew to be "a sure thing." Apart from these instances, it is both amusing and amazing to read the varied reasons offered by our journals—reasons which have no earthly connection with the subject. We are told by one of our City editors that trade moves in cycles, and a period of trade depression is now overdue! Which reminds one of the anxious mother who said she feared there was something unnatural about her last child, as, unlike the others, it had never had the measles. Another writer says that wars are always succeeded by bad trade, and there is no use in worrying about it, and he leaves it at that. Another seeks to revive the late Professor Jevons' theory of sun spots. Jevons, you may remember, tried to show some connection between sun spots and bad harvests. And as the failure of the crops would unquestionably have an adverse influence upon trade in general, he hoped to place the blame upon the shoulders of Providence.

Providence has, no doubt, a good deal to answer for,

\* An address delivered before the Business Club of Birmingham.

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but it is not responsible for our foolish national politics and economics. And unfortunately for Jevons' theory, several of these periods of industrial depression have been those during which the harvests have been most abundant. Trade and commerce are created and controlled by human agencies, and for every economic or political event there is an economic or a political cause. Herbert Spencer once said that human intelligence is marked by our ability to detect causes, and if we apply this rule to our politicians, our press and our professors, we shall be compelled to regard them—in the realm of economic science—of a somewhat low order. These economic questions are regarded by the general public with both awe and superstition—thanks to the foolish opinions offered by our newspapers. I maintain, and shall endeavour to prove, that the present trade slump was unnecessary, and has been deliberately created by the Government's irrational policies, and I hold the present Chancellor of the Exchequer and his Treasury officials mainly responsible for the ruin and misery which the country is now beginning to experience. I contend that the Government have the means and power to stop the slump from going any further, and can, by reversing their policy, restore our trade to its former prosperous condition.

Let us first inquire whether there was anything connected with our industrial and trade conditions after peace was declared likely to lead to our present disasters. There are three prime factors essential for trade prosperity. The first is a great demand for goods. The second is the means for manufacturing, producing, and supplying such goods, and the third is the necessary means of exchange to enable those desiring goods to purchase them. In other words, these three factors are demand, supply and credit. Wars usually create an enormous demand for the replacement of property destroyed. Periods succeeding wars—far from being periods of trade depression—ought logically to be periods of trade revival and prosperity. The war that we have just experienced has left the world poorer in many respects, and we know that there has been, and there still is, an enormous unsatisfied demand for commodities of every description. We have only to consider the housing question or the question of clothing, the food supplies, and

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the supply of a thousand-and-one articles of manufacture which the public require, to realise that, so far as the public necessities are concerned, there is every reason why business should be in a very prosperous condition. For demand is the parent of industry. So far as this factor is concerned, there is certainly no reason for the trade slump.

Let us look on the other side, and see how matters stand in regard to the factors of production. First, we have labour. In spite of the unrest in labour circles there is a crying demand for work on the part of thousands, and the percentage of unemployed has risen during the last few months to an enormous extent. During the war we had practically no involuntary idleness. Everybody who wanted work could get it. So long as the main business of the world was the destruction of life and property there seemed to be no dearth of willing hands, and there was employment for all; but now that we have entered a period of reconstruction—of recreating wealth—our whole political and economic system seems to fail us. The cause of the trade slump is therefore not due to labour. I admit that the continued unrest and the cry for higher and higher wages does to a certain degree unsettle conditions and prevent that continued progress which is necessary for maintaining trade prosperity. But, in my opinion, this unrest is itself a result of the main cause of this trade depression.

Another factor in production is raw material, or what in economics is called "the land," and here Nature has certainly not rebelled. We have only to plant the seed and to till the soil, as in previous years, to get abundant harvests, and we have only to dig into the earth in order to extract the necessary metals, coal, and minerals essential for the manufacture of all kinds of products.

Another factor is capital. Here again there is no shortage sufficient to cause depression in business. On the contrary, capital—in the form of machinery, tools and plant—is actually rotting for lack of employment. It has become the fashion for some writers to explain present events by saying that we are, as a nation, very much poorer than we were prior to the war, and that we have been living on our capital. This statement is not wholly true. In fact, it is, in the main, entirely false. By capital we usually mean the means of production—*i.e.*, the means that have

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been created by labour and raw material. Now, it is a fact that not only were we able to carry on the war during those four critical years, but that during that period we built up numerous gigantic works, and the majority of those that were in existence prior to the war were greatly extended. We increased the number of our machines, lathes, looms, tools, etc., so that when the war ended we were able to turn out a far greater volume of goods than at any period in our history, and those who talk about the war having brought us to the verge of bankruptcy are talking nonsense. Not only did we wage a war in which we lost hundreds of thousands of precious lives, and blew away hundreds of millions of pounds' worth of munitions, and carry on a work of destruction to a terrible degree, but we actually paid for the war during the period of the war! The debts with which we are now burdened are solely due to the ridiculous and insane financial policy that was pursued by our ignorant rulers. Owing to the fact that our financial system is based upon the most childish theories, and upon fallacies which have been again and again exposed, we find ourselves to-day burdened with a colossal debt—due mainly to a number of our own people, who were invited to exchange their inferior credit for the far superior national credit, and upon which our generous rulers undertook to pay high interest charges!

I have already shown (in *A Fraudulent Standard*) how the war might have been financed without incurring this huge debt, and so have avoided these appalling interest charges. Investigation proves that, so far as the factors of production are concerned, and so far as the demand for goods is concerned, there is not the slightest reason why the present slump in trade should have occurred. Where, then, is the trouble? Modern industry has been made to depend, not only upon the factors that we have already mentioned, but also upon another, namely, the factor of credit which enters into exchange. Every business to-day is based upon the credit which its owners can command, and this has to be established with some banking house. Hence any injury to credit affects the whole economic structure. We do business as long as the money holds out. Money or credit (which is practically the same thing) may be likened to the water that flows through a canal, and which carries vessels

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from one place to another. Similarly, credit causes the flow of goods from one part of the country to another, and when credit gets scarce, it is like the water in the canal running out, so that the vessels are stranded. Scarcely had the war ceased when certain financiers started an agitation against our paper currency which had enabled us to carry on successfully the war, and to maintain our industries, and they were determined to reduce the volume of currency. For a short time the Chancellor of the Exchequer seemed to be able to keep himself free from their pernicious influence, but it appears that ultimately, with the connivance of the Treasury and Inland Revenue officials, and under the influence of certain professors, Mr. Chamberlain allowed himself to be driven to the adoption of their policy.

In a recent speech Mr. Chamberlain spoke as follows:—

“That brings me to the fact that I require co-operation in every quarter in order to maintain the policy, on which the Government have set their hearts, of first stopping further inflation and then beginning gradually to deflate. I need the co-operation of the financial community. What has happened is that as fast as I have stopped creating credit they have been creating credit, and that the extent of the advances made to trade and to private individuals is such as to endanger and to reduce the amount of Treasury Bills. I cannot view without some concern the extraordinary expansion of business in the promotion of companies. If I was sure that all this money really resulted in increased production I should find some consolation, but I am convinced that the time has come when a part of it only creates increased competition for the limited supplies of labour and material which are all that are available.”

And his only remedy for this evil is to ruin trade and industry indiscriminately, and throw thousands of workers on the streets to beg or starve! This is the policy that some of us foresaw would be attempted by the money-lending interests, and it is this same policy which has been pursued after every war, and which I maintain is the real cause of these periodical trade slumps. Had the Government carried out their original promises, had they resisted the demands of the usurers, and had the banks continued to support industry as they did during the war, the present condition of affairs would never have happened. Now, let me give you a few extracts from a work I wrote in 1916, and which was published under the title of *A Fraudulent Standard*:—

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## "INTRODUCTION AND A WARNING.

"The basis upon which all our industries, trade, and commerce are conducted is the legally established 'standard of value,' represented by the golden sovereign or 'pound,' which is supposed to 'measure' the values of all labour products.

"As will hereinafter be shown, this 'standard' is founded upon a most egregious fallacy, and although it occupies a position in the domain of trade of similar importance to that of the standards of length, weight, and capacity in the industrial world, unlike them it is extremely variable, and purposely made so by the great financiers of this and foreign countries, who are able to juggle with prices to an almost unlimited extent, and by so doing reap enormous fortunes from the producing classes. It has placed the fortunes of all engaged in trade and industry wholly at the mercy of the world's money dealers. These men exercise, by means of the legal privileges accorded to gold and the banking profession, far greater influence over economic conditions than any potentate, ruler, or government. They have the power to stimulate industrial prosperity and to destroy it by increasing or diminishing the available gold or currency supplies, as well as by the mere manipulation of credit. They are the world's real autocrats.

"Just now a few of their number are contemplating the most gigantic 'deal' that has probably ever been conceived, and one which if perpetrated by any other class of the community, even on a very much smaller scale, would be denounced as barefaced robbery.

"And it is in regard to this projected crime particularly that I desire immediately to sound a note of warning to the British public, as well as to those of all our Allies engaged in the present war. This 'deal' is nothing less than doubling the national and, incidentally, all other debts by doubling the present value of our monetary units!

"The object of this is to double the value of their War Loan investments, regardless of the terribly disastrous industrial and social results which must ensue. This robbery will be accomplished, if it is not checked in time by public sentiment, in a perfectly legal manner by a complacent Chancellor under the guise of a measure for the public welfare for the sole purpose of removing 'inflation' and reducing prices which have risen mainly through the creation of the very currency and credit constituting the War Loans. The measure will aim at restoring what our money-dealers term our 'good, sound, honest gold currency' by destroying the Treasury notes and reducing bank credit to its pre-war proportions. The effect will naturally be to double the purchasing power of the pound at the expense of every wage-earner, producer, merchant, manufacturer, tradesman, and taxpayer in the country.

"The great banking and financial companies that have invested large sums in the War Loans will thus, by the mere stroke of the pen, enormously add to their fortunes without any further expense or effort on their part."

"Let us, however, clearly understand what this conspiracy means to our social and industrial conditions. You cannot increase the purchasing power of money without decreasing the value of all goods and services proportionately. If the moneylenders are granted their demands for the 'dear' pound, the merchant, the manufacturer, the farmer, the wage-earner will all be compelled to sacrifice the value of their goods and services to a similar extent.

"If the gold currency is restored and prices put back to where they were four or five years ago, wages will have to go down with them.

"You cannot reduce prices generally, as certain politicians are urging, and retain the same banking facilities and the same currency circulation. *Now mark what will inevitably follow such an attempt.* To reduce prices you must reduce the volume of the currency, including bank credit. This means reducing banking accommodation, over-drafts, loans, etc., and con-

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sequently curtailing trade and depressing industry. It means reducing employment and both wages and salaries. This will add to the depression by reducing still further the demand for goods, since the wage-earners are the great consuming classes, and if you reduce their wages you reduce their power of purchasing commodities—in short, reducing prices or, what is the same thing, raising the value of money means trade depression, lock-outs, strikes, emigration, starvation, pauperism, riots, with the possibility of civil war!

"The crime proposed is not a novel one. It has been perpetrated in all countries usually during their most serious crises. Moreover, the men who do these things are usually the pillars of society, whose names figure in the highest circles, who support many of our national charities, and, after plunging hundreds of thousands into social want and misery, ease their consciences by donating a mere fraction of their ill-gotten gains to some church, hospital, or orphan asylum!

"At present the country is indignant over the disclosures regarding profiteering. But the fortunes made by all the shipowners and commodity merchants since the war started are a mere pittance compared to the profits which the financial magnates will win by raising the value of the monetary pound.

"It may be asked, 'Will not the Government, and Parliament particularly, watch the people's interests and protect them from this threatened financial raid?'

"The answer is that neither Parliament nor the Government will move a finger to save the public unless the public protest is made so effective as to engender fear in the minds of the majority of the members. This is not so much the result of corruption or any lack of honesty on the part of the average politician as to his incredible inertia.

"When the opening of the great conflict suddenly rent the veil which had served to hide the truth from the British public, it brought us all to the realisation of our two greatest dangers: the one foreign and the other domestic.

"The former was our mortal enemy, with the organised and well-drilled hatred, ambition, and unscrupulousness of his seventy million subjects under the leadership of a clever, cunning, bloodthirsty fiend utterly devoid of any moral or humane sentiment!

"The other was the lofty and appalling conceit, ignorance, inefficiency, and apathy of our so-called governing classes, comprising all shades of party politics. And of these two the latter will most probably prove to have been the more dangerous and costly in the long run."

How literally these predictions are being fulfilled may be seen from the industrial depression that has now set in.

The same events are now happening in America, and from the same cause. Only last week I received a letter from a friend in one of the Western States, in which he writes as follows:—

"The deflation advocated by our financiers and professors has been perpetrated to a considerable degree, and in this region there is almost no money at all. And this is probably the richest farming area in America. The banks have refused credit to almost all comers, regardless of their solvency, since June, just at the season when expansion of credit has been urgently needed for harvesting and moving crops. This contraction has been exaggerated by a suit by the Associated Mortgage Banks against the Federal Reserve Farm Loan Banks, by which the farm loans at 5½ per cent. were stopped. The regular banks and mortgage companies don't like



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competition at  $5\frac{1}{2}$  per cent., the regular bank interest here being 10 per cent.

“Professor Kemmerer\* *et al.* consider the welfare of the people of much less importance than maintaining a certain large percentage of gold reserve, and while predicting an indefinite period of depression as a consequence of deflation, yet hold deflation necessary. In writing to him on Sunday I expressed surprise that, with a clear realisation of the awful results of credit contraction, he could approve of it. I held that such a measure is wholesale murder and much worse, as it always dooms thousands of men and women to suicide, hundreds of thousands of women to prostitution, transforms multitudes of home-owners into tenants and tramps, wipes out the savings of old people, adding them to the army of paupers, and brings about an appalling aggregate of human misery! And there is absolutely no excuse for it, as the paper-money of this country is absolutely inconvertible; nobody can obtain gold coin for even a gold certificate, which is a warehouse receipt; gold has gone out of commission as money, and the people at large have no use for it, wouldn't buy it if they had the money, so the gold in cold storage is immune from them. The only parties who ever 'loot' the national reserves are the financial concerns that profess most pious concern for their maintenance. Instead of destroying the country on the pretence of protecting the gold, it should be just as easy here as in France to refuse gold to would-be looters.”

Precisely the same deflation policy is being pursued in India, Africa, and in Australia, and with similar results. The *Times of India* actually boasts of this policy, which means industrial ruin and revolution.

The following is from the *Daily Mail* :—

“The *Times of India*, in comparing the financial strength of the country with that of other countries, lays stress on the seriousness of the problem which the latter have to face in the volume of paper currency, unsecured otherwise than on the general credit of the State. Since the war, it is claimed, the Indian paper currency has 'returned to a state of health to which we know no parallel in any of the belligerent States.' After drawing attention to the decrease of the circulation and the increase in the metallic reserve, the journal continues: 'These are great and welcome changes; they indicate a financial strength in relation to the paper currency which the strongest and wealthiest State might envy.'”

What have been the results of these financial changes which the *Times of India* welcomes so vociferously? The public of India are reducing their demands for goods, and orders sent to this country are being cancelled wholesale. The Indian docks are glutted with goods, which the natives are unable to take through refusal of the banks to supply further credit. Unemployment is general, trade is depressed, and revolution is in sight! And this is the same complaint we are receiving from all our Colonies!

What excuse do these so-called deflationists offer for their mad policy? They tell us that high prices are wholly

\* Professor of Economics at Princeton University, New Jersey, a strong advocate of deflation.

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the result of our paper currency. They tell us that our currency has become inflated during the war, and that if we want to have prices down to a normal scale, we must reduce the volume of the purchasing-power of the people. The money that was issued during the war was absolutely essential to carry on the manufactures of the country and particularly the supply of munitions. A man who makes shells and guns has to be paid his weekly wage precisely the same as the man who makes saucepans, kettles or lamps for household use. It takes just as much currency to finance the munitions of war as it does the munitions of peace. But there is this difference that, when you have manufactured your war munitions, you send them away and destroy them, so that you have nothing to represent the money which was used in making them except the smoke of battle. On the other hand, when you make the munitions of peace you have substantial wealth to represent the wages paid. Consequently, the currency that is used for making munitions of war *does* tend necessarily to raise the scale of prices of ordinary commodities. But what other method could you adopt for carrying on a war? If we had not resorted to paper money, we could not have made munitions, and we should to-day have been under the control of Germany! The money that was so issued for munitions was paid for in labour and material, and necessarily became a debt, and this debt is represented by the increase in the scale of prices. But you cannot get rid of this without doing injustice to millions, and this proposal to deflate the currency is nothing more than a repudiation on the part of the Government of the debt which is due to the producing classes, and to the working classes particularly.

But is it really true to-day that our currency is inflated? What is currency inflation? It means an over-supply of general purchasing power. It means that the facilities for purchasing goods are greater than the quantity of goods available, and the means for producing goods themselves. Is this true? Supposing someone were to tell you that there was an inflation of the sugar supplies. How would you disprove this statement? Naturally, by pointing to the present price of sugar, and to confectionery, in which the supply of sugar enters very largely. Apply the same test to the currency and to credit. If there was an over-supply

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of currency, the rate of interest would be low, and it would be comparatively easy to get money. Instead of this, it is a fact that the rate at which money is loaned to-day is higher than it has been for a century with but one or two slight exceptions. Indeed, we are paying more for our money to-day than our forefathers did 150 years ago. Ask the average merchant and manufacturer what troubles him most to-day, and he will tell you that it is the lack of credit facilities, and the difficulty of collecting accounts, and this has been the case for some months past, and it is getting worse. If credit were easier and cheaper, far more goods would be turned out than is now possible. And the value of the goods would exceed the nominal value of the credit necessary for their production. And by such increase in production, we should soon see a gradual fall in prices—the only safe and rational method for “deflating” the price level. Is it not a fact that the hardest problem that the country has to face at the present time is how to raise money? And yet, we have professors and financial writers coolly telling us that our currency is *inflated*, and that the supplies must be contracted! One wonders with what form of lunacy these men have become afflicted!

Of course, this deflation policy hits all classes except the moneylenders and the salaried people, who gain by the increase in the value of their money and credit, and this is the real object of the deflation movement. *It is one of the most infamous examples of wholesale robbery on record, for it means that with the deflation of currency every debt incurred during the war is inflated.* Every pound that was borrowed during the war, whether by the Government or by individuals, and which is still owing is being inflated by the deflationists. Take, for example, the War Loan and the National Debt, which now amounts to over £7,000,000,000. This debt was incurred in what the deflationists call “cheap pounds.” They tell us that our present pound is only worth 8s. of the pre-war pound. If this is so, then in repaying the debt, and in paying interest on the loans, the taxpayers should only pay pounds of the same value as those borrowed, but the moneylenders are not satisfied with this. They tell us that we must revert to our gold standard, so as to raise the value of the pound to 20s., the result being that those who lent money to the Government and bought

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war bonds are to receive not merely the interest agreed upon but they are to be actually paid pounds worth two and a-half times those with which they bought these bonds ! This is the game that is being quietly but persistently played by the great financiers. This is the swindle which our Press, like the *Times*, the *Daily Mail*, the *Morning Post*, the financial journals, the professors, and our politicians are supporting !

It means that, in place of repaying the debt according to the dictates of justice and fairness, the taxpayers of this country are to be swindled to the extent of more than double the amount that the Government borrowed ! The same applies to debts incurred, and loans contracted by business firms and by private individuals during the war. It includes debentures, mortgages, and all similar forms of indebtedness. It means that if a man borrowed a sum equivalent to one year's labour, he will have to give from two to three years of his labour to repay it in addition to the interest charges. This policy is being pursued, not only in this country, but throughout the world, and this is the policy that has always been pursued by what is called "High Finance." And it will create universal failures and bankruptcies ! It will mean the downfall of this country ! This policy was pursued after the Napoleonic wars through the connivance of the head of Lloyds Bank, the notorious Lord Overstone. He amassed a vast fortune out of the misfortunes that he was able to inflict upon the country through the ignorance of Sir Robert Peel, who was then Prime Minister. It was pursued by the American and European financiers after the American Civil War, so that the American people actually paid their war debt three and four times over, apart from the interest charges, through the deflation policy pursued by the connivance of the American politicians.

I do not wish to insinuate that all the officials and Ministers who are responsible for this policy are *knowingly* perpetrating this gigantic fraud on the public. I believe that many of them are absolutely ignorant of the effects of their policy.

A story is told of Disraeli during his term as Prime Minister. When asked by the late Lord Rosslyn whether he did not have great difficulty in selecting a suitable man

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for the office of Chancellor of the Exchequer, he replied that that was the easiest office of all to fill. He said: "All I have to do is to select a man who is very ignorant, and has a bad temper." He added: "He must necessarily have a bad temper, so as to be able to say 'No' to the numerous applications made him for money, and he must also remain ignorant of finance, otherwise he might do his thinking for himself, and so upset his department chiefs." This was not a mere fanciful description of the qualities that our Chancellors have possessed. On the contrary, it is a very accurate description of the majority of them. And this is the terrible danger that we are in to-day, namely, the appalling ignorance of our Government officials who have control of our finance and of our trade policy. Sir Robert Peel was regarded by his own father as a "financial lunatic," and, judging from some of his correspondence, it is evident that he had grave doubts regarding the wisdom of his financial policy and particularly of his Bank Charter Act of 1844.

It is related of one of our recent pre-war Chancellors that during a meeting of the City bankers he told them it was his ambition to raise British credit to the highest point. "I want," he said, "to raise our credit to 5 per cent., and keep it there." Noticing a smile on the faces of the bankers, he asked if there was anything impossible in his statement. He was then informed that British credit was already much higher, that it was not even 4 per cent. "That," said the Chancellor, "is what I complain of. I want to raise it to 5 per cent."!

In the hands of men of this character how is it possible to have anything like a sound system of finance? I maintain that the trouble with trade at the present time, and the main cause of the trade slump throughout the world, is the contraction of the currency and of credit which is being carried out at the instigation of the moneylenders! And unless the business men of this country combine to put a stop to it, we shall have a long period of industrial stagnation, with bankruptcies, ruin and social misery!

We have been told by certain "authorities" that we must retrace our steps and go back to our pre-war conditions in order to get trade into its *normal* channels. What was the condition of affairs prior to the war? We

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had millions of people on the verge of starvation, unemployment was rife, our banks were supporting and building up German industries, which were crippling British industries. Our home industries were neglected, whilst foreign investments were sought after, and the best use that we could make of our young people was to send them either to our Colonies or to America. Germany was undermining us in every direction, and, as Professor Hauser says in his well-known work entitled *Germany's Commercial Grip on the World*, "if Germany had only pursued her policy of peaceful penetration, the wealth of the British Empire and of the world would have been within her grasp within the next twenty years!"

Mr. Lloyd George and his Government are very much like a railway directorate who, by changing their engine-drivers and stokers, try to make the public think they are going to take them to a new country whilst running them over the same old railroad tracks. A mere change of locomotive drivers does not effect any change in the route. The Government has set up scores of Committees to inquire into the industrial situation after the war, and the men put on these commissions have had little or no imagination whatever, and their ideas and ideals are merely those of pre-war times. For instance, in the matter of finance. The men chosen to advise the Government are bankers and moneylenders who are quite satisfied with pre-war conditions. They could ask nothing better than the conditions prevailing at that time which placed the whole of the country's industries at their mercy. Why should they seek to alter conditions? Similarly in other departments. The men who are most interested in preventing any change are the men that Mr. Lloyd George seems to have selected as his advisers. Is it any wonder that we have all this labour unrest and disappointment?

There is one remedy for the present trade slump, a remedy which would prove instantly effective. If the Government will announce that it is prepared to support the banks and to advise the banks to support industry by offering credit facilities to all sound industrial enterprises, *and to refuse credit to speculators and gamblers*, if they will instruct them to carry out the sacred promises they have made to accept

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war bonds as a basis for credit up to 90 per cent. of their full face value and reduce the bank rate to 4 per cent., the present trade depression would instantly cease, and we should have a revival of that prosperity which we had a year ago. But what about prices? Would not prices continue to advance? The Government would be quite justified in fixing a limit to prices in every industry, as it has done in connection with various food supplies. There is no reason at all why the Government should not, after proper consultation with the leaders of industry, set a limit which would save the country from further exorbitant charges. As soon as industry had overtaken the demand for commodities, the trend of prices upwards would cease, and would commence to go down. *This is the true remedy for high prices, namely to increase the supplies of commodities.* But even if prices are not fixed by the Government, is it not infinitely better for a country to suffer from a high price level than for millions to be engulfed in misery and starvation, and run the risk of revolution and Bolshevism—for this is the danger to which we are now exposed? The working man of this country will never consent to go through another such period as the "hungry forties," which was the direct result of the same policy of deflation pursued under Sir Robert Peel.

It should also be remembered that these periods of depression do not last for merely two or three years. When our politicians talk of "retracing our steps," have they considered the time that it will take for trade and industry to regain their normal conditions? A deflation period with its disastrous effects started about 1819, and continued without interruption until 1850, a period of about thirty years, and it was the discoveries of gold in Australia and California, which permitted the increase in the currency and therefore in credit, that saved England at that time from perishing as an industrial power. The same thing happened in America after the Civil War. The insane deflationists created a period of industrial misery and stagnation that lasted from 1870 until 1897.

If our present financial and trade policy is pursued, even though we escape the horrors of a revolution, we shall not recover our industrial position under twenty-five or thirty

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years. Is this an experience that any sane man can look forward to without a shudder?

There is another side of this question which should not be overlooked, and that is the moral issue. To-day we are employing both the military and the police to track down a gang of incendiaries and assassins who have been terrorising the inhabitants of our unfortunate sister island. The men who have instigated this policy of terrorism are said by their admirers to be men of high ideals whose aim is the political freedom of their countrymen. But whatever their ideals and ultimate objects may be, the law rightly judges them by their actions, and makes them responsible for the effects of their teachings. If the same law were applied to our politicians, financiers, journalists and economic professors, a number of well-known public men would to-day be awaiting their trial in the criminal court for conspiracy against the public welfare. Indeed, if we judge the magnitude of a crime by its results, we must pronounce a policy which reduces millions of people to penury, which bankrupts thousands, drives scores to suicide and thousands more to lives of shame, and endangers the safety of an Empire, as an infinitely greater crime than anything now being witnessed in Ireland! The policy of currency deflation is one of starvation, of murder, of incendiarism, of industrial ruin and social misery! "You take my house when you do take the prop that doth sustain my house; you take my life when you do take the means whereby I live!"

... "I am not looking for a crash," said Professor Kemmerer, "I am looking for a long period of trade depression!" Knowing, as that Professor evidently does, the terrible effects of the policy he is so strenuously advocating, I say that he and all the others engaged in the same wicked task ought to be charged with criminal conspiracy, and held responsible for the disasters and crimes which their teachings are now breeding, and which will presently ripen into action. Deflation, like Bolshevism, spells anarchy. "The children born of it are fire and sword, red ruin, and the breaking up of laws." It is the patriotic duty of every good citizen to fight this suicidal policy to the bitter end!