into secular life, seek for witnesses among those who labour in yards and factories, in social work, politics or poetry, as well as among monks dedicated to the search for perfection; but a kind of divine simplification will help people to realise that the perfection of human life does not consist in a stoical athleticism of virtue nor in a bookish and humanly calculated application of holy recipes, but rather in a ceaselessly increasing love, despite our mistakes and weaknesses, between the Uncreated Self and the created Self. There will be a growing consciousness that everything depends on that descent of the divine plenitude into the human being of which I spoke above, and which performs in man death and resurrection. There will be a growing consciousness that man's sanctification has its touchstone in neighbourly love, requiring him to be always ready to give what he has, especially himself, and finally to die in some manner for those he loves.

JACQUES MARITAIN

THE CROSS OF GOLD

THIS little book[1] is introduced by a quotation from William Jennings Bryan attacking the Gold Standard but it turns out to be a plea for a restoration of a gold currency as the only kind of currency likely to maintain its value. Money is generally defined as anything—from cowrie shells to cigarettes—which is generally acceptable in settlement of debt and is not consumed but used as a medium of exchange and standard of value. The fact that gold has been used as money for thousands of years suggests that there is much to be said for its use; it is homogeneous, portable and, above all, though it may vary in value is not likely to vary very much or become valueless because the supply is limited. Paper money, on the other hand, is liable to be issued in excessive quantities, as happened in Germany after the Great War and in China, Hungary and other countries after the second world war, and to lose its value practically altogether. Even the pound, in spite of price subsidies, blocked sterling and other devices, is worth less than half what it was worth in 1930 and is likely to be worth still less, especially if people expect its value to decline further instead of recovering. The best way to maintain the value of the pound, says Mr Pepler, is to restore a gold currency; and he reinforces his argument about the solidity and intrinsic value

1 *The Cross of Gold.* By H. D. C. Pepler. (Distributist Books; 1s.)

of gold with analogies about the sun and moon, magnetism, eggs, anchors, keels and barnacles.

Now in spite of the obvious advantages of a gold currency there are a number of disadvantages which Mr Pepler does not seem to take sufficiently into account and it would, perhaps, be just as well to mention them briefly here. The first and fundamental disadvantage of a gold currency is that the supply of gold cannot be increased following an increase in the demand for money or the non-monetary demand for gold.

It is true that an increase in the demand for money can to some extent be met by printing more notes, but this process cannot go very far if convertibility is to be maintained. As a consequence it is usual where the Gold Standard is in operation to allow only a limited 'fiduciary' issue of notes unbacked by gold or to limit the 'fiduciary' issue to a fixed proportion of the total note issue. When we had a gold currency in the 1880s the demand for money *did* increase faster than the supply of gold and the result was a particularly disastrous slump which lasted until fresh supplies of gold were discovered in South Africa. During the 1880s current prices fell below past costs and ruined many producers—in particular the farmers. Falling prices always hit producers and create unemployment, whereas rising prices, even sharply rising prices, injure those dependent on fixed incomes. It was falling prices which produced the agricultural depression which has lasted since the 1880s, the post-war slump of the 1920s due to our return to the Gold Standard at the old parities, the great depression of 1931-3 and, indeed, all slumps; rising prices tend to lead to strikes for higher wages but would not even do that if property were distributed and the product of industry went to those whose work produced it. The danger of a gold currency leading to falling prices is considered by many to be a more serious threat to our national economy than the danger of a paper currency leading to rising prices, which is one of the main reasons why most economists nowadays oppose a return to a gold currency.

Governments have, moreover, discovered that the issue of new paper money by deficit expenditure, by unbalanced budgets, is the best if not the only way of maintaining demand and employment in an economy in which property is concentrated in the hands of the few and money is issued by private corporations called Banks. In such an economy a decline in the demand for capital leads to money accumulating in the hands of wealthy individuals and corporations and in the hands of the Banks. They cannot spend the whole of their incomes and when they cannot invest what they do not spend they are compelled to hoard, which brings down prices and produces depression and unemployment. There is not sufficient money in the hands of the public to buy the product of industry at a price which will cover the cost of production. If industry were organised co-operatively so that prosperity increased the incomes of people able to consume as much as industry produced, and if all money were issued by the State so that a decline in the demand for capital could be offset by State expenditure in other directions, demand and employment could be maintained without deficit expenditure and inflation. But under the system which we have the only practicable way of maintaining demand and employment is to issue new money and impose controls to contain the resulting inflationary pressure. This is what all Governments have to do in war and what Sir William Beveridge and the coalition White Paper on Employment Policy urged should be done in peace time too and what we are, in fact, doing. If the Government issues new money in time of slump to maintain employment the Banks will be able to 'expand credit', to issue further money themselves later, and the result will naturally be inflation. Under our present system we must either have periodic unemployment or full employment and more or less continuous inflationary pressure and controlled prices. Most of the electorate seem to consider inflation a lesser evil than unemployment. But it is impossible to maintain employment by such an 'expansionist policy' and remain on the Gold Standard. Therefore, say the economists, the Gold Standard must go.

The Gold Standard, therefore, is opposed by economists firstly because it means that the quantity of money in circulation cannot be increased in order to meet an increase in the demand for money and prevent prices falling; and secondly because it means that the quantity of money in circulation cannot be increased in order to maintain demand and employment. But there are also other objections. Under the Gold Standard a country importing excessively has to export gold in payment; the quantity of money in circulation is thereupon reduced, prices fall while the exchanges remain the same and imports tend to fall off. Countries are required to balance their external trade by adjusting their internal price level, even if this means falling prices, depression and unemployment. Modern Governments prefer to balance their trade directly by means of tariffs, quotas and other devices and to maintain employment even at the cost of reduced external trade.

Before 1914 Britain, as chief creditor country, used to practise free trade in a world of tariffs and to lend freely to any country with an adverse balance of trade. As a consequence it was possible to maintain equilibrium in international trade without any very large shipments of gold. But after the Great War the United States became chief creditor country and the United States would neither lower their tariffs unilaterally nor lend as freely and carelessly as Britain had done nor play the Gold Standard game. They insisted on their debts being paid as far as possible in gold; if they had kept to the rules they would have issued dollars against the gold imported, American imports would have risen and American exports would have dried up. But they refused to redistribute the gold either by lowering tariffs or lending or allowing their prices to rise. They 'sterilised' it, buried it at Fort Knox, and the result was that other countries were unable to maintain their currencies freely convertible into gold—even at parities different from those which were operative before 1914.

In Britain we went back to the Gold Standard at the old parities in 1925—and falling prices ruined Mr Pepler's farming venture. But even if we had tried to stabilise prices at the post-war level, even if we had tried to fix the price of gold at, say, 30s. for 8 grammes instead of 20s. (a sovereign weighs just about 8 grammes), Mr Pepler would probably have found that the Gold Standard still interfered with his farming. For the value of gold in terms of goods and man-hours does not only vary with the supply of goods and the demand for money but also with the demand for gold.

The agricultural depression of the eighties was primarily due to the inadequacy of gold supplies to meet an increasing demand for money and to the new demand for gold due to Germany's adoption of the Gold Standard in 1871. But Mr Pepler's agricultural depression was primarily due to the Americans' demand for gold in settlement of war debts, and that demand has gone on. Instead of contracting credit after the Great War in order to return to the Gold Standard at the old parities we could, perhaps, have issued sovereigns weighing about five grammes—as Mr Pepler suggests. But if we had done so the American demand for gold in settlement of debt would have continued and we should have been forced to contract credit and reduce prices all round. We should still have had a slump and been forced off the Gold Standard simply because the Americans want the gold, because we need the gold to pay our debts in the only form acceptable to the Americans. That is why Mr Pepler's book is dedicated to the American President and people.

Some day, of course, the Americans may come to realise that their gold is a substantially useless asset. Some day the American taxpayer may come to realise that he is paying the Britishers and the Russians a good deal more for their gold than the stuff is worth, that there is little point in digging gold out of the bowels of the earth only to bury it again at Fort Knox. From a point of view of military security they would have been wiser to accumulate wolfram or manganese or uranium—you cannot make guns out of gold. If they should ever decide to redistribute the world's supply of gold it will be possible for other countries to consider using gold again as a currency; but it will not be possible unless and until they do.

The Americans, however, are unlikely to redistribute their gold unless and until they redistribute their property, unless and until they return to the ideals of Jefferson and the Homestead Acts. Where property is distributed the product of industry goes to the people whose work produces it and in an industrial age the way to distribute property is to limit the return on capital, tax property incomes and distribute the surplus revenues of industry among those actively associated in production as a dividend on wages and salaries. If the Americans did this they would have no need to insist on their debts being paid in gold. As Carey McWilliams shows in his 'Ill Fares the Land', there are millions of Americans living at a level of destitution unknown in this country; if the wealth of the country was distributed among these people instead of being allowed to accumulate in the hands of the gentlemen of Wall Street there would be no need for the United States to exclude European goods by high tariffs. There would be a market in America for what America could produce and it would be possible for the country to lower her tariffs unilaterally and sell her gold.

If property was redistributed in America and the world's supply of gold was redistributed, the price of gold would, of course, fall sharply. Gold production in the Rand deeps would probably become uneconomic, but the people working the mines probably would not mind turning to more important and less laborious work—to agriculture, for instance. The shareholders would suffer but shareholders are paid to bear risks; and they must know even now, especially after the troubles of the New Union Goldfields, that their income depends directly upon their continuing to be subsidised by the American taxpayer.

If we had the gold and did not have to use it to pay our debts it does not necessarily follow that we should be wise to use it for currency purposes. It certainly would not be wise to do so unless we as well as the Americans had distributed property—that is, organised industry on a co-operative basis and restored the function of issuing money to the State, since otherwise we should not be able to maintain both the gold currency and employment. As has been explained, the limitation of the return on capital and distribution of industrial surpluses as a dividend on wages and salaries is essential if we are to maintain demand and employment without deficit expenditure and inflationary pressure. If we allow money to accumulate in the hands of wealthy individuals and corporations who only want to invest it and not to spend it, we cannot maintain employment and demand without inflationary pressure and a rising price level—and with a rising price level a gold currency would soon be melted down and disappear.

To prevent money accumulating in the same way with Banks only able to utilise their reserves by investing them, all that is necessary is to reform them in the way indicated by Professor Irving Fisher and Professor Soddy—that is to turn them into loan agencies which, like Building Societies and Credit Unions, do not issue their own money. That is to say the Government should buy up securities until their deposits on current account are covered 100 per cent by currency or credits at the Bank of England. The Bank of England should at the same time be amalgamated with the Royal Mint and be made responsible for the issue of all currency. The joint stock banks, for their part, should be forbidden to make loans unless they had reserves of currency sufficient for the purpose, that is, forbidden to allow their liabilities to depositors to be backed less than 100 per cent by currency or credits at the Bank of England instead of simply by 10 per cent. Instead of money being issued by the banks crediting customers with money they do not possess it would be issued by Parliament providing the Government with a further credit at the Bank of England.

If all bank deposits were backed 100 per cent. by currency or its equivalent it would not only be possible to maintain demand and employment without inflation; it would also mean that an extra demand for currency would not embarrass the Banks. A 'run' on the Banks would not force them to close down; they would be able to meet their obligations. Money would simply circulate from pocket to pocket in the form of notes and coin instead of from account to account. All money would either be coin or notes or readily be turned into coin or notes and the quantity of money in circulation would be directly under Parliamentary control. This would go some way towards making money real and substantial but not, perhaps, quite far enough for some people. It would, however, make it quite possible for gold coins to be issued again if it was felt desirable that they should be.

The issue of gold coins does not, of course, mean that we must return to the Gold Standard. That is to say it does not mean that the Government must undertake to supply a gold coin in exchange for any other currency unit and adjust the price level so that it will always be able to do this. If the Government undertook to turn all forms of currency into gold on demand it would have to reduce the quantity of money in circulation when industrial or oriental demand increased or when supplies fell off, thereby producing depression and unemployment. If it is to issue gold coins it must issue them like 3d. bits; that is to say so long as the supply of gold lasts it will turn other money into gold but will not undertake to do so always. The Bank of England should no more undertake to supply sovereigns on demand than the Mint undertakes to supply 3d. bits to anyone who asks for them.

Another desirable condition of issue of a gold currency is that the face value of the coins should be considerably higher than their 'intrinsic' value as metal. If the price of gold is 5 grammes a pound it would be a mistake to issue 'sovereigns' of 5 grammes or 8-gramme coins worth 32s.; it would be wiser to issue sovereigns of 4 grammes or 8-gramme coins of 40s. Otherwise an increase in the industrial or oriental demand for gold or some increase in prices might lead to all the new coins being melted down. I think it rather a waste for gold and silver to be used for currency at all—almost as much a waste as burying them at Fort Knox. Silver, after all, is valuable for photography and in industry, and gold could surely be put to many useful purposes. It would be nice to have gold door-knobs and be able to buy gold jewellery at Woolworths.

In conclusion, therefore, we can say that the restoration of the gold standard or a gold coinage is at the moment out of the question. If the Government were foolish enough to issue 3½-gramme sovereigns now, as Mr Clifford Johnston suggests, it would soon recall them all to help pay for prunes and petrol. The Gold Standard is in any case undesirable because it might make it necessary for a Government to reduce prices owing to an increased demand for money or gold or reduced supply of gold, because it forces a country to balance its external trade by adjusting its internal price level. The reintroduction of a gold currency *without any guarantee of convertibility of other currency into gold* is practicable if and only if property is distributed both in America and England; in America because without it the Americans won't accept goods instead of gold in payment of debt and in England because we cannot, under the present system, maintain employment without inflation. And the way to distribute property in modern England is to organise industry on a co-operative basis; that is, extend the co-operative principle of a limited return on capital throughout industry by the reform of company law.

PAUL DERRICK