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THE BIG IDOL

BY
RICHARD B. GREGG



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BY
RICHARD B. GREGG



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FOREWORD

For one reason or another, society is not yet ready to put some ideas into action. Nevertheless, while waiting for this readiness to occur, such ideas, if published, can sometimes be illuminating and stimulating. Just their appearance and the discussion of them can prepare people's minds for their subsequent possible adoption when the time comes right.

Someone, I think it was Emerson, said that the mere occurrence of an idea in the mind of someone is an indication that the world is ready for its birth. I hope that may be this will hold true for the subject of this booklet. Its ideas have been simmering in my mind for over thirty years. Let us hope that such long cooking will have made them pleasantly assimilable.

New York,
September, 1962

RICHARD B. GREGG

CONTENTS

| Chapter | | Page |
|---------|--|------|
| | FOREWORD | iii |
| I | TOOLS AND SOME OF THEIR EFFECTS .. | 3 |
| II | A TRUE STORY | 6 |
| III | MONEY: A GREAT AND DIFFICULT TOOL | 11 |
| IV | THE FUNCTIONING OF MONEY | 15 |
| V | SOME RESULTS OF MINGLING OF FUNCTIONS | 27 |
| VI | SOME OF THE MORE GENERAL HARMFUL EFFECTS OF MONEY | 35 |
| VII | WHAT ARE WE GOING TO DO ABOUT IT? | 48 |
| | INDEX | 69 |

THE BIG IDOL

CHAPTER I

TOOLS AND SOME OF THEIR EFFECTS

In past ages man learned very, very slowly. Yet he has made great advances in ways of living especially in the last three hundred years. The advances have come when he has invented a new tool or a new discipline, has discovered and stated a law of Nature or of human nature, or when he has made improvements in any of these tools, disciplines, or statements, or has found new uses for them. Many of his tools are material, such as the wheel or mould-board plough, enabling him to use more effectively the forces of Nature. Some of his tools are intangible, such as the idea of the nation or the corporation, or other intellectual concepts. Some tools are partly intangible and partly tangible, such as language or symbols, like a flag, or musical notation or the x , y and z in algebra. An instance of an organization being used as a tool would be the Greek military formation called the phalanx. The phalanx was a triangular formation of soldiers, each side of which was a line of soldiers facing out. In this formation the rear of every man was protected, and the phalanx as a whole could move in every direction. The invention gave the Greeks great military superiority over armies of others. It was adopted by the Romans and added to Roman military might.

So we can say that man has progressed by inventing tools, external or internal.

Everyone realizes that our tools and the combinations of tools that we call machines have produced most of our wealth and have effected our environment greatly. Ploughs, tractors, cement mixers, ships, airplanes, railways, motor cars,—a great number of such devices come immediately to mind in support of that statement.

Not so quickly do we realize that these tools and machines have affected the minds and character of us who use them. They change our distribution and use of time. By means of the electric light, for example, both our work and play are extended by many hours. The motor car has transformed American life. That did more than speed up transportation. Some of the changes it has brought about have been beneficial, some harmful. It has enabled men to live many miles away from where they work. It has centralized education through the use of school buses. It has made the whole American population machine-minded and mobile (indeed almost nomadic). It has thereby broadened the experience and minds of many people. It has expanded the suburbs and taken many of the wealthy people outside the cities, thereby increasing tax problems for the cities. It has disturbed the unity of family life. It has speeded up social changes. It has increased certain kinds of crime and violence. It has made Americans less stable and more tense. It has revolutionized warfare.

The automatic washing machine and the sewing machine have altered clothing fashions and freed the

time of many women for other activities outside the home, and thus broadened their minds. Many other examples could easily be cited.

We talk about what we can do with certain tools and devices, overlooking usually what they may be doing with us. We have been moulded by the tools and machines we use, but it is not always easy to realize in what way and to what extent. We know as an abstract proposition that man is affected by his physical environment and adapts himself to it; that is, he is changed by it. Well, our tools and machines are an important part of our environment, and they influence us subtly and powerfully. We are apt to forget also that any means, used constantly by us, not only determines the nature of the end we achieve, but also modifies our character in the process.

One of these tools is money, not quite as old as the wheel but invented by the Greeks, I believe, several thousand years ago. In its modern forms it is partly tangible and partly intangible. It is a commonplace of our environment. Its immense importance we all know. An artificial thing, it is not used unconsciously as we breathe air, but always consciously and for a deliberate purpose. Yet such thought as we give to it is casual, exterior and descriptive. As an element in our environment, how have we adapted ourselves to it? How has it affected our character?

CHAPTER II

A TRUE STORY

I am not an economist, so do not be afraid that this discussion is going to be a great cloud of murky words and economic abstractions. But I am interested in the present moral difficulties of the world, and think that money and its defects have something to do with this. Money is complicated, but I hope to work out here a readily understandable explanation of how it operates to affect our character. Also I will try to suggest remedies for its defects.

Let me first tell you a true story.

In 1890, Silvio Gesell, an imaginative German businessman living in the Argentine, invented a substitute for money now called Stamp Scrip, to be used in times of severe economic depression, when ordinary money becomes very scarce, because people hoard it and thus take it out of circulation. The scrip was to consist of pieces of paper of uniform size (about eight inches by three and a half inches) to be issued by a voluntary association of factories, merchants and a bank in a depressed town in denominations of convenient amounts, say 1/2, 1, 2 and 5, to be used in payment of wages and for trade. The association would be made up of merchants and factory owners and a bank and any others who saw the need for some medium of exchange by which the economic life of the community could be carried on till the depression was over. The back of each of these pieces of paper was divided into 52

A TRUE STORY

oblongs, one for each week in the year, and the piece of paper was to have the value of its stated denomination only for one week at a time, provided that a 2 cent stamp had been affixed on the back, in the oblong allocated to that week. The stamps could be bought at the bank that was a member of the association. This stamp device kept the scrip from being hoarded, and nobody wanted to have the scrip in his hands on Wednesday, the day the stamp had to be affixed. So the scrip would be kept in rapid circulation. Wages would be paid in scrip and the shops who were members of the association would get all the trade. So there would be an incentive for all the shops to join.

Well, the idea was taken up by some of Gesell's friends in Germany and was widely discussed. One of his friends, a man named Hans Timm formed an association for the purpose of putting the principle into action. You must remember that after the first world war there was currency inflation in Germany of astronomical proportions, and very grave hardships as a result. So Germans were doing a great deal of thinking about money and how to prevent wild fluctuations in its value. Following the inflation there was a severe depression for some years. Hans Timm actually had printed such stamp scrip which he called "Wara". That was an artificial name compounded of two others—"Ware", the German word for goods, and "Wahrung", the German word for currency. Herr Timm's association was called the "Wara Exchange Association". There were other details that need not be recited here. The idea coasted along in Germany,

becoming fairly widely known but no great enthusiasm for it developing.

In Bavaria there was a village named Schwanenkirchen of about 500 inhabitants. The only industry there was a coal mine owned by a man named Hebecker. Owing to the severe depression the mine had been shut down for two years preceding 1931. The village had barely existed by means of the government dole. Everybody was in debt; nor could anybody see the slightest hope of the mine being reopened. Deflation raged all over Germany, leaving bankruptcies, suicides and overcrowded jails in its wake.

Herr Hebecker, the coal mine owner, had heard about the Wara stamp scrip and decided he would try it. He got a loan of Reichsmarks (the official government currency at that time) and with it bought Wara stamp scrip from the Wara Exchange Association. Then, according to a report in *The New Republic* for August 10, 1932:*

"Herr Hebecker assembled his workers. He told them that he had succeeded in getting a loan of 40,000 Reichsmarks, that he wished to resume operations but that he wanted to pay wages not in marks but in Wara. The miners agreed to the proposal when they learned that the village stores would accept Wara in exchange for goods.

When, after two years of complete stagnation, the workers for the first time brought home their pay envelopes, no one was interested in hoarding a cent of it; all the money went to the stores to pay off debts or for the purchase of necessities. The shopkeepers, too, were happy. Although at first they had felt

*"Wara" by Mr. Cohassen, *The New Republic*, Aug. 10, 1932.

a little hesitant about Wara, they had no choice, as no one had any other kind of money. The shopkeepers then forced it on the wholesalers, the wholesalers forced it on the manufacturers, who in turn tried to pass it on to those who carried their notes, or they exchanged it at Herr Hebecker's mine for coal. No one who received Wara wished to hold it; the workers, storekeepers, wholesalers and manufacturers all strove to get rid of it as quickly as possible, for any person who held it was obliged to pay the 2¢ stamp tax. So Wara kept on circulating, a large part of it returning to the coal mine, where it provided work, profits and better conditions for the entire community. Indeed, one could not have recognized Schwanenkirchen a few months after work had been resumed at the mine. The village was on a prosperity basis, workers and merchants were free from debts and a new spirit of freedom and life pervaded the towns.

The news of the town's prosperity in the midst of depression-ridden Germany spread quickly. From all over the country reporters came to see and write about the 'Miracle of Schwanenkirchen'. Even in the United States one read about it in the financial sections of most big papers. But no explanation was given as to the real cause of the miracle—that a non-hoardable money was being tried out and that it was working marvellously."

Subsequently Wara was accepted in a few thousand shops in various parts of Germany and one or two entire communities recovered by means of it. Then the German Government put an end to it by an emergency law of November, 1931. Schwanenkirchen then went back on the dole.

Another larger town called Woergl in Austria had 4,300 inhabitants of whom some 1,500 had lost their jobs in 1931-32. A lot of its factories had closed, taxes

were badly in arrears and the town was down and out. The mayor of the town had heard about Wara and decided to try it. The town issued it with the agreement of a number of merchants and the local savings bank. The town paid its employees half in Wara.

Some of the local merchants began by refusing to accept the Wara, so the trade went to the other shops. Then the doubtful shops had to climb on the band wagon. The Wara worked beautifully. Taxes had been in arrears since 1926 in steadily increasing amounts. By 1931 the arrears amounted to 118,000 schillings.

Then, according to the story in Professor Irving Fisher's little book *Stamp Scrip*:*

"After the scrip was issued not only were current taxes paid (as well as other debts owing to the town), but many arrears of taxes were collected. During the first month alone 4,542 schillings were thus received on arrears. Accordingly the city not only met its own obligations but, in the second half of 1932, executed new public works to the value of 100,000 schillings. Seven streets aggregating four miles were rebuilt and asphalted; twelve roads were improved; the sewer system was extended over two more streets; trees were planted and forests improved."

Having told you a true story of actual events, let us now take a mental airplane trip to get a bird's-eye view and a perspective on the subject that we cannot get by staying amongst all the details.

*Adelphi Co., New York, 1932, p. 25.

CHAPTER III

MONEY: A GREAT AND DIFFICULT TOOL

The rise of civilizations and the growth of cities have gone hand in hand. Most cities began as either fortresses or centres of trade. In all modern cities the military factor has dwindled greatly while manufacture and trade have been the chief causes of growth. Although in very early days commerce was carried on by barter, for many centuries the medium of trade has been money in some form. It is clear then, that money has played a great part in the growth of civilizations.

How great that part has been was stated* by the philosopher, Alfred North Whitehead, when he said, citing Plato as his authority, that "the creation of the world is the victory of persuasion over force," and pointed out that commerce is a very great persuasive power, and therefore a great builder of civilization:

"In this rapid survey of the rise and fall of civilizations, we have noted four factors which decisively govern the rise and fall of social groups. First, there stands the inexorable law that apart from some transcendent aim the civilized life either wallows in pleasure or relapses slowly into a barren repetition with waning intensities of feeling. Secondly, there stands the iron compulsion of nature that the bodily necessities of food, clothing and shelter be provided. The rigid limits which are thereby set to modes of social existence can only be mitigated by the

*In his book *Adventures of Ideas*, Part I, Sec. 5, "From Force to Persuasion", Macmillan, New York, 1933.

growth of an understanding by which the interplay between man and the rest of nature can be adjusted. Thirdly, the compulsory dominion of men over men has a double significance. It has a benign effect so far as it secures the co-ordination of behaviour necessary for social welfare. But it is fatal to extend this dominion beyond the barest limits necessary for this co-ordination. The progressive societies are those which most decisively trusted themselves to the fourth factor which is the way of persuasion. Amidst all the activities of mankind there are three which chiefly have promoted this last factor in human life. They are family affections aroused in sex relations and in the nurture of children, intellectual curiosity leading to enjoyment in the interchange of ideas, and—as soon as large-scale societies arose—the practice of commerce.”

Money, of course, plays a great role in commerce. The importance of money, therefore, cannot be gainsaid. But as a tool, it is and has been difficult to understand and to control. Let us see why.

Money has so many functions that you cannot be sure just what will happen when you use it. If we were somehow to assemble a piece of gold, a quart measure, a refrigerator, a push cart, a national flag, and a barometer, combine them all into one thing, able to do the work of each of those different articles, the one name, X, of this thing would cover about what the one word money combines. Money is so essential and so familiar that we forget its different functions.

Let us try to get a sort of slow-moving picture of money. Let us see more exactly what different things money does. It is complex, the economists tell us, and

performs many kinds of actions. They say that money is:

1. a medium of exchange;
2. a measure of value, usually for the purpose of exchange;
3. a store of value: that is, a means of transferring value from one time to a later time;
4. a means of transferring value from place to place;
5. a symbol of credit (trust);
6. a standard for estimating the present value of a future act or obligation, though this function may be only a variant of number (2), the measure-of-value function.

Thus money has an exchange function, a measure function, a storage function, a transfer function, a symbol function, and an estimating function.

As a tool, money, in spite of its many uses, is not like multi-functioned machines, such as the complex metal-working lathes, or the grain combine that reaps, thrashes, winnows, and puts the wheat into sacks. In such machines the different operations are always performed in the same order or are at least completely controllable, and the result is uniform. This is not the case with money.

Doing so many things, money talks and has many meanings. That is to say, a dollar, regarded as a word in the language of economics, is ambiguous. I may intend to use a dollar only as a medium of exchange, but the man to whom I hand it may take it as a store of value, and proceed to hoard it. Or he may use it in any of the permutations and combinations

of its functions. Of these, by algebraic rule, there are a great many. Hence, people cannot tell surely what result will come from a given use of money. The differing opinions of bankers and economists illustrate this uncertainty. It is so confusing that most discussions of it by economists and bankers are very dull and, to laymen, repellent. If in talking you used words that had five or six different meanings each, you could be sure of only one thing, that your auditors would misunderstand you. In the case of ambiguous words the context often determines the exact meaning, but with money, the context is itself usually ambiguous. So the use of money confuses men's minds, emotions and motives.

When dealing with concepts, emotions, and motives, even more than when dealing with things, clear thinking is important. Hence this confusion in the money tool creates greater difficulties than would a many-functioned, purely material tool. A motor car, for example, has several uses and therefore several meanings. But the uses of the motor car are not so mutually interfering as are the uses of money. A car runs the same whether it be driven for work or for pleasure. With money there is more than verbal ambiguity to cause confusion. This confusion makes the abuse of money easy, and its control difficult. Money creates social problems, faced with which the common man is bewildered and helpless.

Now let us discuss each of the several functions of money in more detail.

CHAPTER IV

THE FUNCTIONING OF MONEY

Money as a Medium of Exchange

As a medium of exchange, money has been an immense boon to man. Before it was invented, life was monotonous, meagre, and oppressive. Without money, man was chained to certain areas. He was narrowly circumscribed in what he could eat, wear, possess, learn, do and persuade others to do. Money has given man freedom to a degree that perhaps none of his other inventions have done. The function of money as a medium of exchange in itself seems to be wholly beneficial.

Many economic authorities state that we have solved the main problems of production, and that the great task now is to solve the problems of distribution. Money as the common medium of exchange plays a big part here.

Money as a Measure of Value

The function of money as a measure of value is immensely important. But as money developed this function, trouble began, for in relation to the things which money will buy, it is an unstable unit. In 1919 a dollar bought, on the average, only half as much goods as it bought in 1913. By 1927, it had again changed so as to buy about 70% of what it bought in 1913. Today it buys much less than that. Smaller ups and downs are going on every day. Although we

usually refer to this phenomenon as change in prices or fluctuation in the cost of living, with our present kind of money it is just as true to say that the change takes place in the dollar.

Money is intended to measure values, that is to say, what people desire. People's desires change. But in regard to quantities of food, of clothing, of furnishings, those desires usually change gradually. Compared with variations in prices, variations in these desires are much slower. A loaf of bread has to me a physiological value that is constant, but I pay twenty-nine cents for it now as compared with only ten cents when I was a boy. If my dollar is a measure of value, it ought to remain constant, just as a yardstick or a pound weight, and measure out a constant quantity of the things it is designed to measure. Actually it is as if I were using a rubber yardstick, 36 inches long yesterday, 30 inches long today, 41 inches long next week. If shops use false weights and measures, the shopkeepers are heavily fined; but variations in this measure of value bring punishment to no one except the poor old consumer. For purposes of exchange then, variation in the value of money is equivalent to variation in almost every standard of weight and measure. The hardships and injustices thus caused have at present no redress.

Could carpenters build decent houses, if their foot rules varied in length from day to day? Could scientists, engineers, or mechanics get valid and lasting results, if they used variable units of measurement? Then how can we expect to have a secure economic structure while we use so erratic a unit of value as

money? This difficulty is something no one can escape, for this erratic measure of value is at the same time our only medium of exchange, used every day and often many times a day. The very idea of measurement implies a stable unit of measurement. But as long as we combine this function of measurement so closely with the other functions of money, we cannot have a stable, uniform unit of measurement of economic value.

There is another aspect of this measuring function of money. Exchange of goods is important in our civilization. Science has impressed upon us the uses and benefits of measurement, and has taught us how to measure many things that formerly were unmeasurable—electricity, the distance of stars, the velocity of light. We combine our ideas of exchange and of measurement, and conclude that almost everything can be measured,—and measured even in terms of money. But it is not so. You cannot measure the beauty of the Venus de Milo with a yardstick; there is no means of measuring goodness or wisdom or personality. With such things, all you can do is to appreciate them.

True, people sometimes pay large sums for works of art, and assert that such works of art are "worth" so and so many thousands of dollars, but this market value is not a true measure. And even though composers, musicians and singers are paid money salaries, neither the music they produce nor its aesthetic value can be measured by money. Nor can you accurately measure personal service or work. Helen Keller's teacher, Miss Sullivan, received a salary but the service

she performed transcended any money payment. Certain qualities cannot be expressed accurately by tangibles. To apply a money measurement to such things is only a very rough, inadequate and often unjust comparison.

Money as a Store of Value

When we come to money as a means of transferring value from one time to a later time, that is, as storage of value, we find in money a great advantage but also another set of difficulties. This storage function appeared when money developed out of cattle or ornaments such as cowrie shells into pieces of iron, copper, silver, and gold. From the beginning the thing chosen as a medium had value in men's eyes and was itself a commodity of trade. Hence money has been for many centuries itself a commodity.

The history of land mortgages in the United States indicates that something about the operation of our pecuniary system injures land values. Control of land gives the owner much economic wealth, as Henry George and his disciples have shown so clearly. Money helps to create monopoly, as will be explained later, and this has helped to make land control harmful to society because a few people own so much of the land. The storage of value in the money medium tends to perpetuate and enlarge that harm.

Another big slice of economic wealth is made up of the arts, sciences and technology. Their promotion is aided by money but they cannot be stored in money, though we try to make control of them so storable. We now have clear evidence that the operation of our

pecuniary system is gravely hampering the further development of art, science and technology.* Just as a name is not the same as the thing which it represents, so money is not the real value for which it may stand.

Aside from the arts and sciences and the control of land, perhaps the most important source of economic value and security is a constant and regularly active mutual trust among men. This mutual trust rests upon common assumptions, strong common purposes, the interest and liking of people for one another, and on non-violent modes of solving conflicts. If this combination of inner attitudes and outer activities consistent with them prevails, we can summarize the resulting conditions in the word peace, which implies also security. But in a money economy security depends more on individual, selfish acquisitiveness than on mutual trust.

Trust grows when men serve first and foremost the community and the common purpose. Men have sometimes had some community purpose in the making of their private fortunes, but it has not often been predominant. Money splits up community security and plays upon men's ambitions and fears—fears of the future and of each other's motives, fears that compel them to compete with one another to a harmful

*See *The Frustration of Science* by Sir Daniel Hall and others, Allen and Unwin, London, 1935; *The Social Function of Science* by J. D. Bernal, London, 1938 and New York, 1939. Also testimony before the Temporary National Economic Committee at Washington, D. C., in regard to inventions and patents.

degree. Hence money must be restrained so that it shall not be regarded as the ultimate absolute value, and thereby divide the community.

In former days, economic security depended much more upon the mutual support afforded by family, community, clan, tribe, caste, or church. Those institutions stored up social and economic value for the individual as well as for society. Religion supplied the deeper moral and spiritual values. Now that those institutions have weakened, we try to fill the need for a store of value by means of money. It is quite possible, however, that the use of money for this purpose did not come about because the old securities and values had decayed, but that those institutional forms of security and value broke down largely because money was used more and more.

Nowadays we have to possess and use money in order to exist for long. Since most people think that money is the chief store of value and it seems to be the one sure means to economic security and to the survival of human life, people rank it above all other prizes. For example, they will risk their health to make money, because money will buy the services of doctors, nurses, and hospitals. Men commit crimes and breaches of trust for money. With money they can acquire prestige, high social position, and services of skilled lawyers. It is known that sometimes police, district attorneys, or juries can be purchased and judges influenced by the power and prestige of money. It is certainly true that most of the people who suffer capital punishment are not well off but financially poor. So money seems to some worth the risk of honour and

character. Money seems the supreme value. In a civilization based on exchange, money is the primary means to power. Money has become the Big Idol. And those who have made money their god have a devotion to *that* god that is just wonderful.

About this stage in the discussion some critic may say, "You are making an absurd mistake. You are ascribing all sorts of moral evils to money. Since money is a tool, it can be and is, like other tools, used for both good and evil purposes. The wrong lies not in the tool, but in the motives of those who use it. You should not criticize the tool, but the evils for which the tool is sometimes used."

But money, because it is a store of value, is a very special kind of tool. It is so dependent on our conceptions and conventions that it is partly intangible, almost living. It is in a way inside men's minds and desires. Economic values are so closely intertwined with physical existence and with the higher ranges of human life that they become also moral values. And money's function of storage of value is inherently moral, depending on trust. In exchange, in saving, credit, economic power and security morality cannot be excluded. Although, as a logical proposition, one may maintain that Nature is non-moral, man's tools and symbols cannot be wholly divested of moral quality and moral effect. They are his own creation, are used for his purposes, and partake of his nature.

Like any other two levels of reality, the economic and moral realms are not wholly separate. For intellectual convenience we distinguish between them, just as we distinguish between the front and back of

a man's head; but they are closely related or essential to each other. In life we recognize connections and wholes which for intellectual analysis we may want to keep distinct. The connections between morality and economics may be too subtle to be immediately apparent. Nevertheless, they are organically related: in the long run—and often in the short run—the connections do operate. Money as a part of our environment and our thought does affect our moral behaviour or attitudes. And because money in its present forms has inherent defects, bad moral results of its use are inevitable.

Money as a Transferrer of Value

The function of money to transfer value from place to place, and the use of it as a symbol for credit, have made possible the extension of trade, modern industry, modern agriculture, and modern mining into all parts of the world. Thus money has increased the external energies of mankind. It is largely responsible for the immense growth of cities and of urban population over rural population, and for the development of the modern business corporation. Money is the chief means, and perhaps one of the chief causes, of the modern wages system. In that system the owners of capital, for their pecuniary profit, have organized into factories, transport systems, and so on, the wage earners, who are legally free but economically bound. Together with machinery, money created the "triumph of industrial civilization".

The power of money reaches farther than personal contact or common understanding of men under present

conditions can reach. For example, the managing director of a Malayan rubber plantation, living in London, may be the kindest of men. Yet, because he does not know the daily circumstances of the lives of the Chinese workers on that Malayan plantation, he can hardly avoid doing them grave injustice by his executive orders. Hence, finance is in some respects unconsciously irresponsible.

We know how much trouble it makes to put a man in a position of responsibility and yet not give him powers commensurate with his responsibilities. Very soon he gets severely criticized for something which happens within his jurisdiction. He is powerless to correct the situation, and resents the injustice done to him. Responsibility without corresponding power is bound to result in moral wrong. So does power without corresponding responsibility. Sooner or later money always creates situations of partly irresponsible power.

Money as a Symbol of Trust

Especially in its modern paper forms, money has become a symbol. It is a symbol of credit, that is to say, of human trust, belief and faith in the skill, honesty and persistence of other men in relation to human needs and desires.

As a symbol, money is exceedingly useful and powerful in human affairs. All symbols are psychologically carriers of energy. Credit or expectancy is itself a potent energizer. Trust or credit in some form is necessary to all community life. The subtle power of money credit has been one of the major causes and agencies for the immense developments of the past

three hundred years in science, machinery, industry, transportation and commerce.

Yet despite all its power, the money symbol has many grave defects. I do not refer to the abuses by those who are greedy of power; I speak only of the defects which make such abuses of power possible.

In the course of centuries of use, the meaning of symbols seems often to wear away, leaving only the shell, devoid of most of its original significance. When its meaning is lost, a concrete symbol seems more important than the intangible reality which it originally represented. With some Christian church members, for example, that has happened to the symbol of the cross. They believe that a church building is sanctified when a cross has been placed on it, forgetting that holiness is a quality composed of far different and more intangible elements. Again, for most citizens of the United States, a king, as a symbol, has lost most of his former meaning of national unity and has become chiefly a figure of pomp, ceremony and social hierarchy. When a symbol has lost its significance, a means has become an end. The symbol has become impoverished.

That has happened to money. Nowadays a young man begins life with the thought that he must earn money. If he were wiser he would try always to conduct himself so as to earn people's trust,—trust in his industry, perseverance, honesty, and skill. He could be sure that having earned the reality—trust—, the symbol of that reality would inevitably be given to him. That gift would usually be in the form of money, but it might also appear as opportunities for

work, offers of other positions, and so on. Usually, the manifestation would be fairly direct and prompt, but it might find full expression only years later, or in roundabout form. I might watch some boys at play and see one of them do a fine and honourable act. Ten years afterward I might express the trust which his act created in me by recommending him for a job somewhere. Sometimes trust springs into being instantly, but more often it is a plant of slow growth.

If a shopkeeper cheats a customer, he may get the money on that one occasion, but he loses the customer's trust. That means the loss of all future trade from that customer and perhaps from his friends, losses probably amounting to much more than what was won by the single dishonest transaction. The intangible reality of trust is more important than the concrete symbol, money.

People have made prolonged study of the details of accounting and finance, and practise them with utmost scrupulousness. Consider, for example, such items as allowances for interest, depreciation, obsolescence, repairs, insurance of all sorts, vouchers, receipts, day books, ledgers, profit and loss statements, balancing of accounts. All these are appurtenances of the money symbol. If people were as careful and eager about the details and finesse of creating the trust that stands behind financial symbols, as they are about the manipulation of the symbols alone, what a happy world we might build!

The understanding of this difference between the symbol of trust and trust itself does not absolve an honest man from all responsibility for using money and thinking

about it in the same old way. He may be trustworthy but the defects of money and their moral consequences remain. Nor does it take care of the difficulties to try to be a trustee of one's money for the general welfare. We must do something more than that about it.

Money can express only a small part of either the quality or extent of human trust. Trust is a sensitive, subtle affair, — a living thing. No man can state in money the quality of his trust in his wife or the extent of his faith in his son. You can bet a certain sum that Jones will accomplish a certain project, but that is no adequate expression of your belief in Jones. And when people try to express recognition of human service entirely by means of money, the money gravely injures the faith. It acts mechanically like an axe to trim off and cripple the trust, and like a sieve to strain away the finer qualities associated with trust. It contradicts and erodes the finer feelings underlying the faith, which give it quality and sustain its existence.

This fact is one of the sources of that bitterness among employees which so often distils out of the wage relationship. To express the values of human work and service only in terms of money often humiliates and insults, even though most of us have grown calloused to this affront. And the attempt to express all kinds of trust in terms of money saps the energy of unsymbolized sorts of trust.

In our list of money functions the last was that of money as a standard for estimating the present value of a future act or obligation. For example, a banker discounts today a bill of exchange which is not due

for three months. The only thing to note about this function is that it is a special instance of the measure-of-value function, with perhaps a reverse twist of the store-of-value function. It is in reverse because instead of helping the transfer of a present value to some future time, it assists the transfer of value from future to present. Thus it adds to the complexity and confusions of money functions.

CHAPTER V

SOME RESULTS OF MINGLING OF FUNCTIONS

Since money combines the three functions of exchange, measure, and storage, we tend to think of money as itself the supreme value. This idea is called Mercantilism, the delusion that money is the only real wealth, a delusion probably responsible for our harmful tariffs, the common reluctance to import as much or more than we export, the fear of "an adverse balance of trade".

From the association in money of these three functions, a symbol of trust, a store of value, and a measure of value, comes a quaint bit of incongruity. In no other instance do we store up a great quantity of symbols, to gain a great amount of the intangible reality which the symbol is supposed to represent; nor do we accumulate many measuring instruments, to get a great quantity of the thing to be measured. I do not, for instance, amass great numbers of American flags in an effort to increase my patriotism; nor do I

pile up crucifixes in a yearning to become holy; nor, again, do I accumulate a great many weighing scales, to get much weight. Yet that is what we do with dollars. There is a confusion of the tangible thing with its intangible functions.

Because the symbol for trust is also a store of value, a financial loan as an expression of trust is also a debt to be paid by the person to whom the trust was expressed. And so the modern expansion of credit is also an expansion of debt. National debts, largely to banks, are an example. The expansion of credit is not all just beer and skittles; it gives rise to many troubles and some doubts. Since the functions of store of value and symbol of trust are mingled, there is inevitable confusion between wealth and debt, a confusion most useful to the bankers.

Since money was a store of value before modern forms of credit developed, that earlier function is stronger, more persistent and more widely felt than its function as a symbol of trust. And so when confidence breaks down and we have an economic depression, people begin in a panic to hoard money and retrench and postpone new ventures. These results of panic withdraw much money from circulation and slow down the circulation of the remainder. Soon there is so little money or credit in circulation that millions of people are idle, and presently they are on the brink of starvation. They wanted to work. They did not stop for a vacation. Their work was useful, some of it necessary to society. Yet it must stop. If the medium of exchange were separate from the store of value, this evil of

unemployment need not happen, or at least it would be far less grave.

As Simmel pointed out*, money makes possible great secrecy. By means of it one can hide vast wealth in very small space. This secrecy of money helps to conceal many of its harmful aspects.

Because money is a store of value, it becomes a symbol with emotional content. For purely rational purposes, this emotional content is a disadvantage and confuses thought, just as it would confuse science if the terminology of science were poetic and emotional. If a defective, semi-automatic telegraph machine transmitted words different from those which were intended, misunderstandings and confusion at the receiving end must result.

The combination of money as an interest-bearing commodity and as a symbol of credit has made other vast difficulties, dramatically illustrated during the last fifty years. In so-called "good" times, men's industrial and commercial enthusiasm runs high and they readily borrow money to launch and operate great enterprises. Or governments in time of war, when men's patriotism is strong, borrow vast sums. Then comes the depression and there is no wherewithal to pay interest on the large debts. So private businesses go bankrupt and undergo what they call "reorganizations". Governments declare a moratorium, compound with their creditors, or flatly repudiate their debts; or they devalue their currencies, to lighten the burden of debt and interest payments. There has been so much bankruptcy and devaluation in

*In his *Philosophie des Geldes*.

the last fifty years that now almost all interest payments have been scaled down to a half or a third of what was formerly customary. Even the rate of interest is considerably lowered. This means that capitalism, founded on the sanctity of contracts, is weakening partly because people cannot live up to their contracts to pay money; and they cannot live up to their money contracts partly because of the institution of interest. Here again is an instance of trouble because of the mixture of functions of money.

How Money Makes Bankers Powerful

The money commodity is rented more often than any other form of personal property. This rental of money we call lending or borrowing. The rent-price of money is called interest. Those who specialize in the storing and renting of money are called bankers. Because money is much more than a necessary commodity, and because they have become so skilful in operating this symbol, bankers are much more than being its lessors and storage warehouse keepers.

Being in a position of great power, the bankers announce whether they do or do not believe in a certain enterprise. If they believe in it, they issue to its promoters credit, the symbol of their belief. Thus bankers create money and manipulate it. This creation and issue of credit money is indeed the chief business of bankers. As inventors and nurses of the newer forms of money, they have arbitrarily established some of the rules of its operation.

But not all these rules were made by the bankers. Most of the modes of operation of symbols grow inevitably and necessarily out of the inner nature of the

symbols or the assumptions upon which they are based. In algebra there are a few basic assumptions about x , y , and z , and the whole body of algebra grows inevitably out of the logic of the initial assumptions or characteristics of these symbols. In checkers or chess there are certain initial rules as to how the pieces shall move and as to the purpose of the game. The whole complex game follows automatically.

So it is with money. I believe that a number of so-called "economic laws" are merely the result of the particular logic of this set of symbols and counters called money. But the many diverse functions of money make the basic assumptions very complex, so the resulting "economic laws" are not only very limited statements of probability, but also are confused in operation and often mutually contradictory.

We need here to discuss a bit the behaviour of symbols.

One of the inherent characteristics of man, a characteristic which separates him from all other animals, is his use of symbols. He has used symbols from pre-historic times. Gestures, dances, pictures, signs, words, numbers, flags, emblems, dress, architecture, whatever their various immediate functions,—all are symbols. Without symbols of some sort, probably man's thinking could be only rudimentary, his emotions scanty, and his actions few and simple. Symbols are our chief and probably earliest intellectual and emotional tools.

The psychologists tell us that symbols stimulate and carry energy. The use of national flags in war time is a vivid example. Or you may say that symbols are not merely understood intellectually as representing something else,—they accumulate unto themselves sentiments

they are trusted and believed in. And so, because belief always results in action or influences it, symbols cause action. Though we are unaware, symbols also organize our feeling, thinking, and action. We readily perceive that material tools organize our action and establish many of our habits. The life of a farmer using a bullock plough is organized very differently from that of the farmer using a tractor plough; the housewife possessing an electric stove, washing machine and vacuum cleaner has ambitions, a tempo and mode of life quite different from the woman with a wood stove, a wash tub and a broom. Symbols act in the same way as possessions, though more subtly.

Perhaps one reason why our pecuniary economic-social system is so tenacious, despite the immense dislocations of wars, depressions, and revolutions, is that man has to have some medium of exchange and has to use symbols. We cannot do without symbols; but to use them safely and make progress, we should frequently examine them and occasionally correct and improve them, just as we do with our material tools and machines.

As a symbol, money, we have said, stimulates and carries energy. See how creative financial credit has been. And as an organizer of certain forms of thought, sentiment, and action, money has played a special formative part in the development of industrial production, in commerce, transport, communications, and government itself. It has strongly influenced men's minds and inner attitudes, even their appearance. Habitual thoughts and feelings largely affect facial expressions. In an illustrated supplement of a *Sunday*

New York Times, the photographs of about a dozen Japanese businessmen and financiers showed expressions not typically Japanese at all, but just like the expressions on the faces of a dozen American or British men of the same occupation. Again, I once saw a photograph of a group of Chinese Moslems. Their faces had the same expression I have often noticed on the faces of Indian Moslems.

Because symbols are so important in the conscious and unconscious life of man, those who are skilled in the manipulation of our symbols control our thinking, emotions, sentiments, and therefore our actions,—our whole lives. Of this we are not clearly and vividly aware, so that those who thus control are not usually held responsible. Money is our prime economic symbol; and those who control it control all our institutions. The grandeur of bank buildings and the head offices of insurance companies (those great pools of money) is a sign of the power of money. They are as expensive and impressive for this age as the cathedrals of Europe were in the middle ages. Cathedrals of the money god.

Money is one of the most powerful social controls in modern Western civilization, ranking with private property in land, organized managerial skills, and organized State force in the form of armies and police. Money is, in our civilization, the dominating agent of organization. It is our primary means of integration, social as well as economic. Because of the stimulating and habit-forming power of conscious daily use, money is now perhaps *the* most powerful of those social controls, for it operates within the others as well as by itself.

It is a sort of language common to all nations and races and cultures except perhaps the Eskimos, Bushmen, Brazilian forest Indians, and African pygmies. We are all caught up in it and deeply affected by it. We practically all want it in some degree. As an instrument and mode of power, money is unnecessarily dangerous to its users, both individual and collective. Like all people and institutions, it is a mixture of virtues and faults, of good and evil. But unless a powerful social control is intrinsically accurate, unambiguous, and ethical in its detailed operations, its continued use will gravely injure and perhaps destroy society. I think its values are now subject to the law of diminishing returns.

Since money has come to be regarded by most people as the supreme value, we must not be surprised that employers under pressure of keen competition set money above human values. We must not even resent it. If we rig our economic system so that a business, in order to keep going, has to show money profit, in time of stress employers will inevitably cut wages rather than profits. They *must* do so in order to survive in that society, and can hardly be blamed for it. Some few employers, by exceptional efficiency and unusual wisdom, can postpone this step, but not permanently. In the long run, if we retain our present form and mingled functions of money, this sort of exploitation probably cannot be prevented by governmental or socialistic controls of any sort. Exploitation may be delayed a few years, but the intrinsic character of money, acting upon human nature, *must* work out in spite of exterior restrictions. Since the Soviet republic has not

altered the functions of money, we are seeing already these results there also. Already a new class structure is developing with higher money income to the managers. The use of this kind of money tool determines the eventual nature of the economic system.

CHAPTER VI

SOME OF THE MORE GENERAL HARMFUL EFFECTS OF MONEY

Money Harms Economic Relationships

Because money has become the accepted medium of exchange for any commodity or intangible value, it is an impersonal tool and has played a large part in making our economic relationships impersonal. We trade with people of whom we are ignorant, or to whom we are personally indifferent, or of whom we may not approve morally. This fact, together with the great scale of modern industry, and the mechanization of minds as well as materials, has deprived the relation of employer and employee of most of its human element. This relationship has in great measure become mechanical and impersonal. The driving power and speed of modern machinery, the time-table scheduling and subdivision of productive processes and transportation, plus the pressure for money profits, have created an industrial discipline as severe and rigid as that of the army. The employee must obey orders strictly and be quick about it or he loses his job. He feels himself to be, and in fact is, a cog in the vast machine, only a means to an end. That fact is a humiliation and insult

to his personality. Some have grown too callous to feel it, but the rise of labour unions is evidence of the depth and strength of employees' resentment. Money must bear its due share of blame for this feeling and the ensuing conflicts.

All of us use money and we are all affected by its qualities. Since, in our kind of civilization, money is a means to power and economic security, the desire of practically all men for power and security makes them go after money. Since it is a store of value which all men recognize, and since it also has all the other functions mentioned above, it plays upon whatever acquisitive tendency man has, and by many frequent repetitions of slight stimuli it makes his acquisitiveness grow. Growth is inevitable from a great many repetitions of suitable, slight stimuli. That is a law of life, which applies to intangible qualities or powers as well as to living tissues. All of us have impulses toward selfishness. Money plays upon and develops them. It also stimulates the common desire to dominate.

Frequent, regular, and prolonged use of tools (tangible or intangible) constitutes the most effective way of forming strong habits, as is seen in the military, industrial, scientific, and religious disciplines. So the steady use of money creates in us a strong habit of acquisitiveness, the less polite name of which is greed. This happens to the little man as well as to the great. Other things being equal, the man who uses money most is subject to the strongest stimulus and is therefore likely to have his acquisitive instincts most strengthened. Greed develops, not because rich men are bad, but because the instrument we all use is bad.

It tempts our weaknesses. We are all directly affected by money in different degrees. In the absence of strong contrary stimuli, it affects us according to the extent of our possession and use of it. Some form of money is necessary, but the present form is poisonous.* It is a large element in our culture pattern.

Defective Money Causes Social Ills

Our troubles then—community, class and national, both economic and social—are not due to the original, inherent wickedness of scheming financiers and big industrialists. Our troubles are largely due to the defects of our organizations and of our economic counters and symbols. If those who have little money could realize this fact, they could avoid attitudes of resentment against rich individuals, or the rich as a class. On the other hand, these same considerations should enable rich people to understand why they are blamed for the ill-effects of money. The faultfinding is not all due to envy. Furthermore, some sensitive rich men who are troubled by the effects of their wealth or by the grave faults of our economic system may better understand the causes of these evils and join with others to make improvements. If such realizations can become widespread among all kinds of people, the tensions of class feeling from both sides will be lessened and the danger of occasional violence reduced.

*For excellent examples of how a specific culture pattern affects people's actions and temperaments see] *Patterns of Culture* by Ruth Benedict, also the several anthropological studies by Margaret Mead.

Rich men are caught in and adversely affected by the same economic tool which we all must use. They are not to be personally blamed for the results. Of course not all rich people are noticeably damaged by their wealth. Some are generous, simple, sensitive, and possessed of sympathetic imagination. Nevertheless, with even the finest and strongest of them, money is a strain on their character, just as the sooty air of cities is a strain on the health of city dwellers, or as working in cold, damp places seems to predispose people to rheumatism.

I am not trying to excuse the abuses of power, the crimes and breaches of trust committed by some rich men; I am trying to explain the causes. Just as slum environment and wretched family life cause some kinds of crime, so the defects of money are a direct and predominant cause of other kinds of crime. Of course the slums are caused by the lust for money profit; and so we may say that, indirectly or directly, the desire for money profit is the cause of a large part of crime.

The acquisitive urge is not wholly evil nor should we try to suppress it completely. As with most of our elemental urges, the acquisitive impulse is, within limits, natural and beneficial to mankind. But if any natural tendency or activity of mankind,—for example, sex or eating,—is constantly over-stimulated so that it increases out of all proportion to the others, then there is trouble. That is our difficulty with money. It constantly over-stimulates the healthful tendencies of man toward acquisitiveness, and develops an economic system which facilitates the

exercise of every degree of avarice and selfishness. As a result, it over-stimulates men's fears.

In this situation no good is done by trying to blame any particular group of people. We are all of us jointly responsible for intellectual and moral laziness, for our failures to analyze more clearly, and for letting our judgment be warped by selfish advantage. We all, in some degree, want money, because it is necessary in our culture. We ought to understand our difficulties, to endure against temptation, and to invent and apply economic instruments which will produce better moral results.

I used to think that money was the heart of our economic and social system. Now I would say that the essence of our system is not an exterior thing but an inner attitude, a set of assumptions, of sentiments, a complex of impulses and concepts dominated by separateness, divisiveness, acquisitiveness or greed. Money in its present form is the symbol and instrument of that complex. Money stimulates and organizes acquisitiveness, makes it easy, certain, and limitless.*

Money Defects Threaten the Future

If we continue to use money in its present form, further concentration of ownership and of control of wealth, and a consequent growth of monopoly are inevitable. In all business transactions there is the chance of loss, and in course of time losses come to

*For other complex results of money and its valuations; see Thorstein Veblen—*Theory of the Science Class*—Vanguard Press and *Theory of Business Enterprise*—Scribners, and Max Eastman—*The Literary Mind*—Scribners.

all. The fellows with small capital can't stand big losses and, when they come, drop out. The fellows with much capital can weather the storm, and then they absorb the business of the little men. Thus our present kind of money, under the mathematical laws of frequency distribution, necessarily produces concentration of wealth and growth of monopoly.* It over-accentuates the principle, "Unto him that hath shall be given". Modern inventions, including several fairly new banking practices which in effect are new forms of money, have, within the past two centuries, greatly accelerated the cumulative process of monopoly.

So, before long, almost all small enterprises and the entire middle class in every country will be destroyed. That can bring only suffering, violence, terror, tyranny and wars.

In the United States we are now painfully realizing, maybe too late, that soil erosion has endangered our future. Our farmers used land in such a way that water and wind swept away vast areas of top-soil, leaving enlarging desert. And the motive behind the abuse of the land was desire for quick money profit. The soil experts estimate that one-third of the arable top-soil of the United States has been washed into the sea, and further erosion is proceeding much faster than the existing conservation work can reclaim or stop. Forest experts tell us that the annual

*See L. Hogben—*Mathematics for the Million*, London, and W. W. Norton Co., New York, 1937, pp. 589-590; *Dividends to Pay* by E. D. Kennedy, Regnal & Hitchcock, New York, 1939.

loss of our forests exceeds the annual growth very considerably. Part of the losses are due to fire but also to the inroads of industrialization for timber and paper pulp.

As I wrote in 1952:*

"Nearly every empire throughout history has ended in deserts or near deserts. What is now denuded Morocco, Tunisia and Algiers was once the wheat-growing area of the Roman Empire. The dreadful erosion in Italy and Sicily is another product of that empire. The present desiccated lands of Mesopotamia, Syria, Palestine and parts of Arabia were the sites of the great empires of Ur, Babylon, Sumeria, Akkadia and Assyria. Persia was once a great empire. Now it is largely desert. Greece under Alexander was once a great empire; now much of its land is barren. The soil of the land of the empire of Tamerlane now produces only a small fraction of what it did in his day. . . . The cutting of timber in Kenya, Uganda and Ethiopia may presently destroy the massive even flow of the Nile. . . .

"In a publication of the United States Soil Conservation Service called *Conquest of the Land through 7,000 Years*, the author, W. C. Loudermilk, says, 'If civilization is to avoid a long decline such as has blighted North Africa and the Near East for thirteen centuries and for centuries yet to come, society must be born again out of an economy of exploitation into an economy of conservation.' "

The farmers are squeezed by the desire for cheap food for cities. So the farmers have to enlarge their operations, use tractors and farm machinery to save time (i.e., money) and use chemical fertilizers. All

*In a little book called *Which Way Lies Hope*, pp. 10-12 (1957), Navajivan Press, Ahmedabad-14, India.

these start soil erosion and the balance of amino acids in the protein of the crops is upset and their nutritive value diminished. Life is made so hard for the farmers that most of their sons leave and go to the cities so as to get more money.

Money and the desire for money power have played no small part in this destruction of natural resources. It still goes on. If you doubt that, read some of the recent books on conservation by Mr. Justice William O. Douglas of the U. S. Supreme Court.

Effect on Spiritual Values

If we comprehend these qualities of money, we understand why it has had such a regrettable effect upon spiritual values, upon the church and other religious organizations, and upon individual and group morality everywhere.* A large proportion of church ministers and priests are very reluctant to speak out vigorously against war or injustices and wrongs committed by big business. One feels that they are afraid that if they should do so, the powerful and conservative businessmen in their congregations would cut off their financial support. We can better understand why Gandhi gave up all his personal property and money when he went into Indian politics, why the rules of Buddhist monks and early Franciscans forbade them to use money, and why one cannot serve both God and mammon.

*See *God and Mammon*, by J. A. Hobson, Macmillan, New York & London, 1931; also R. H. Tawney—*Religion and the Rise of Capitalism*, and *The Protestant Ethic and the Spirit of Capitalism* by Max Weber, pub., Allen & Unwin, London.

Money harms and poisons because it is ambiguous in its meanings, because it makes men try to squeeze all values into its one form, because as a measure it is not constant, and because it pretends to measure accurately an unmeasurable thing, namely human trust and faith. Money stimulates greed and fear, and hence is divisive. It creates superiority and inferiority complexes. It causes frustrations and barriers of envy and jealousy. It does not stimulate respect for personality, but frequently makes people humiliate personality. It destroys the effectiveness of other values. Church members follow the rest of men in behaving every day as if they trusted money more than God or more than their fellow men. Money makes people misconceive wherein their real and enduring security lies. Money tends to warp the imagination and to injure the sense of human unity. It hinders comprehension of the reality and urgency of other people's needs. It causes blind, and hence selfish, thinking. As Lord Acton said, "Power tends to corrupt." The corruption is sometimes political or financial, at other times, of the mind, of the imagination or sympathies. Money shrivels the ambit of love and often impedes love's outward expression. It creates conflicts in standards and motives. These inner conflicts create suppressions, with psychological and moral effects that we have learned in recent years to recognize. Insofar as purity of heart is synonymous with singleness of purpose, money greatly interferes with purity of heart. The use of money makes integrity of personal character difficult. Its diversity of functions operates to create intellectual

doubts and indecision, and both mental and moral confusion.

Though money gives power, this power is exterior; and because of the immoral effect of money, its possession and use tend to take away inner moral power from men, while it gives outer immoral power, so you can't say for sure what you have left. Indeed it probably takes away more than it gives.

Money tends to create a certain kind of moral irresponsibility, because it builds barriers, operates over greater distances than can usually be bridged by immediate human knowledge and sympathy, and makes its more thoughtless owners feel that they can do anything and then buy their way out.

In relation to ideals, money is the great inconsistency whose constant use warps all our efforts at improvement. Several years ago, Mr. Reinhold Niebuhr in his book *Moral Man and Immoral Society* pointed out that the individual man is capable of rising and fairly often does rise to great moral heights, but that in point of ideals, groups and societies tend to lag far behind. If this be so, I believe that one cause for it is that money is our predominating tool, energizer, and binding force; and since money is so defective, the group results of its use must be equally and indeed more defective. Since our civilization has money as one of its great foundation stones, we can begin to see one important reason why our civilization is crumbling.

If all this be true, we can readily understand why, in the course of a few years, so many idealistic ventures have failed. They are brought to naught by

the character of the means which they use. We can see one reason why so many men of high promise in their youth fail to make good morally, why their idealism seems to dry up.

Money Harms Democracy

All who believe in democracy should realize vividly that the continued use of present forms of money will destroy their objective. Democracy is based on the belief that the opinion of every person has some value for the direction of the common life of the community and nation. It necessarily implies respect for human personality, and a belief that personality, with its responsibility and initiative, is of the highest importance. Since the operation of money overrides respect for personality, creates divisiveness, and promotes economic monopoly, money gravely harms social, industrial, and political forms of democracy.

Political democracy cannot work unless the people are told all the facts and nothing is suppressed or warped to suit certain selfish interests. The sources of information are the press, television and radio broadcasting. But, in the United States anyway, these are all operated by private companies to make money. Telling the truth would often hurt big advertisers, sponsors, the military, or other powerful vested interests. So the full facts, the complete truth, rarely gets told. This harms public opinion and results in grave mistakes in political, economic and social realms. Democracy becomes weaker.

Money and War

The believer in non-violence must understand the defects and deceitfulness of money, for if he remains ignorant of them he will be conquered. Since deceit is a form of intellectual and moral violence, he must learn how to meet and overcome it in this particular manifestation as well as in the grosser form of physical violence. A clear understanding of the defects of money, and of how they operate will thus aid in the attainment of non-violence.

Because of the confused way the different functions of money act upon one another and upon people, and the increasing lust for power, money is gradually destroying mutual trust among people and between nations. As that process goes on, violence increases: the violence of both individuals and governments. The decrease of mutual trust and the increase of violence mean before long the end of civilization.

We all recognize that important causes of modern war are economic. Raw materials and markets are needed to make money profit. Munitions makers obstruct peace proposals, and fan war scares and general apprehension in order to make money. They realize vast sums out of preparations for war and out of war when it comes. This is shockingly true in the United States now. Money has corrupted all the armed forces. Newspapers magnify international suspicions, jealousies, and resentments in order to sell more papers and thus make money. The money power of big advertisers warps the news. National

prestige is measured largely in terms of money. Modern imperialism is largely motivated by desire for money power. Undue desire for money results in injustices and misrepresentations which in turn create resentments and hatred, with probable overt violence. On all but rare and relatively brief occasions the highly organized power of money and financial concepts dominates directly or indirectly all essential departments of the government. By supplying stimulus to greed and excessive competition money is considerably responsible for militarism and for the threat to civilization which modern war contains. Because of the ambiguity and diversity of the functions of money, its use does not clarify, resolve and settle conflicts. Instead, it confuses men's minds and ethical impulses, creates resentments, suspicions, jealousies, rivalries, and hatreds. Thus it creates occasions for violence. It helps to mobilize individual impulses to aggression into group aggression and national chauvinism.

All nations are now engaged in economic warfare with one another constantly, and within each nation economic warfare goes on between different groups. Occasionally, when this economic warfare reaches a critical state, it changes its form to military war and thus comes more clearly into the open. The change is more of outer form than of inner purpose. In order to do away with military warfare and its disastrous effects, we must somehow greatly lessen economic warfare. I believe that suitable modifications in our chief economic instrument and stimulus, money, would do a very great deal to accomplish this end.

In the words of George Fox, the founder of the Society of Friends, the Quakers, such modifications would help greatly to "do away with the occasion of all wars".

CHAPTER VII

WHAT ARE WE GOING TO DO ABOUT IT?

Well, what are we going to do about it? Are we helpless; caught in the trap of our own devising? We may be caught in a trap but also we may be able to escape from it.

I do not believe, as some Socialists seem to, that evil comes only from our environment. I do not consider money the root of all wrong, or that there are no economic wrongs except those arising from its defects. I do not believe that human life was perfect before money was invented, or that some sort of reform of money would usher in on earth the Kingdom of Heaven, or that there are no causes of our present troubles more profound than the defects of money. Money is only one of the influences promoting materialism and egocentric divisiveness.

Money reform is not a panacea. We must avoid over-simplifications. Yet all that I have said remains valid. Money has been of immeasurable service to the human race, and in some form we must and will retain it. Every one of its functions is important and indeed indispensable. Nevertheless, we must realize its intrinsic qualities growing so largely out of the combination of these functions in one instrument,

and the indubitable effect which a tool has upon those who use it. Until the harmful stimuli of the present forms of money and the moral and intellectual confusions created by its use are removed, I doubt whether any deep-going economic reforms can be permanently accomplished. Like all man-made things, money has imperfections, and some of these defects can be removed. Every institution, of course, has the defects inherent in its virtues. No institution can be completely perfect. If some argue that the defects of money are inherent in its virtues and therefore incapable, I would answer, "Then let us rearrange and clarify the virtues and their inter-relationships so as to get rid of some of the defects."

Analogy of Benefits from Improvement in Other Kinds of Symbols and Tools

In all instances where an improvement in a set of symbols has been made, a great advance for mankind has resulted. Arabic numerals, for example, in place of the clumsy Roman numerals and the limited alphabetic numeral system of the Greeks, constituted a great step forward. Another immense advance was the invention of the zero sign and place values for numbers. Similarly the invention of the symbols of differential and integral calculus proved a vast boon to mathematicians, scientists, and engineers. The marvelous development of modern western music was made possible by the invention and improvements of its notation. If money be regarded as an ideographic symbol, like musical and mathematical symbols, it must certainly be unambiguous and exact.

Other great advances came when new instruments such as the telescope, spectroscope and turret lathe were invented. The wide adoption and use of the steam locomotive caused great social changes. An improvement on that, the diesel locomotive, was a great step ahead.

Similar benefits have resulted from splitting complex substances into simpler forms. The fractional distillation of crude petroleum, for example, into benzine, naphtha, gasoline, many grades of light and heavy oil, coal tar, dyes, and paraffine, each with well-marked characteristics and distinct standardized uses, has developed many more uses than the original substance had, and has produced vastly greater real wealth. So also with the invention of plastics and synthetic resins. In some of their uses such substances can be thought of as tools.

Daylight saving, a simple shift in our time-measuring instruments, changes easily the habits of hundreds of millions of people. An improvement in our money tool could rapidly and easily accomplish for some of our moral habits more betterment, I believe, than centuries of moral exhortation and training.

One reason for that is suggested by the mathematician-philosopher, A. N. Whitehead, when he was discussing the simplicity, exactness and almost pictorial representations of ideas and their relations to each other that are found in mathematical symbols and their manipulation.* He wrote:

*In his book *An Introduction to Mathematics*, Home University Series, Henry Holt & Co., New York, 1911.

"It is a profoundly erroneous truism, repeated by all copy-books and by eminent people when they are making speeches, that we should cultivate the habit of thinking what we are doing. The precise opposite is the case. Civilization advances by extending the number of important operations which we can perform without thinking about them. Operations of thought are like cavalry charges in a battle—they are strictly limited in number, they require fresh horses, and must only be made at decisive moments."

Tools and machines enable us to "perform important operations without thinking about them". So also do improvements in our tools enable us to perform further "important operations without thinking about them". Dealings with our fellow men which automatically conform with moral law and are free from intellectual and moral confusion are important operations. I believe that if the above described evils and confusions inherent in our present forms of money were removed, there would be an automatic improvement in our economic dealings with one another and the attitudes growing out of them. No moral exhortations, preachments, portentous warnings or threats would be needed. Indeed, they would be largely irrelevant. The record of the past two thousand years suggests that they are largely ineffective anyway.

In this essay we have made an analogy between money and language, pointed out the bad effects of ambiguities in both of them, and urged the removal of such ambiguities. The remarks of a Chinese sage of the remote past* may add weight to our plea.

*See *The Listener*, London, for January 28, 1960, p. 163, an article by Erich Heller on Ludwig Wittgenstein.

He "was once asked by his disciples what he would do first if he were given power to set right the affairs of the country. He answered: 'I would certainly see to it that language is used correctly.' The disciples looked perplexed. 'Surely,' they said, 'this is a trivial matter. Why should you deem it so important?' And the Master replied: 'If language is not used correctly, then what is said is not what is meant; if what is said is not what is meant, then what ought to be done remains undone; if this remains undone, morals and art will be corrupted; if morals and art are corrupted, justice will go astray; if justice goes astray, the people will stand about in helpless confusion.' "

So, improvements in our money tool could clarify our thinking, save human trust from abuse, reduce the temptations which its defects expose us to, and reduce the power of a false god. The long and ugly history of avarice could perhaps be tapered off a little, and human greed could more easily be reduced to manageable dimensions. The desire for power would be diverted into more direct and open forms which could be controlled by disciplined peaceful measures.

A Relatively Simple Remedy

When we come to consider the possibility of remedies, we return to the conviction that a great many of the unfortunate effects of money come from the combination of several diverse functions in one instrument. It is possible, then, that many of the defects of money in its present form could be eliminated by having a different kind of money for each of its present functions,

—five or six separate kinds of money,—but each capable of easy formal transfer from one kind to another.

As a matter of fact, this separation into different kinds of money according to function has been tried in part, and for the brief period it was in effect, it worked well. That was the stamp scrip which I described above in Chapter II. It was used with marked success in 1931 in Bavaria and Austria, and in 1933 in over a score of towns and cities in the United States. The English economist, J. M. Keynes, approved of it in principle.* Professor Irving Fisher urged its adoption. He described it clearly and fully in a little book called *Stamp Scrip*.†

In America the form of scrip used was in most instances defective and it had little success, but when a proper form was used it was very effective. Even the defective forms were decidedly helpful in several cases. Where the use of scrip proved successful, the function of a medium of exchange was separated from all the other functions of money, a special form for this one function was issued, and it proved able to make the communities, where it was used, blossom like a rose all through the worst of the depression.

Let me describe it again.

A piece of stamp scrip of the effective kind was in size and shape about like a dollar bill, only a little

**The General Theory of Employment, Interest and Money*, by J. M. Keynes, Macmillan, London and New York, 1936, pp. 234, 357-58.

†Published by the Adelphi Co., New York, 1933. See also *Men Without Money* by W. Weishaar and W. W. Parrish, G. P. Putnam's Sons, New York, 1933.

larger, but had a distinctive colour and design so that it could not be mistaken for a dollar bill. It bore on its face the name of the issuing community or private organization, and a denomination (say one dollar) to make its purchasing power equivalent to that of our regular currency. On the back of the scrip was a set of 52 squared spaces, each dated to indicate the successive Wednesdays of the year. The community, city, State or nation which issued the scrip sold distinctive little adhesive stamps for two cents each, and each Wednesday one of these stamps must be stuck on the appropriate square for it in order to make the scrip continue valid. Wednesday was chosen so as to be several days removed from industrial pay day. By agreement among most or all the shops, employers, and if possible at least one bank in the given community, the scrip was accepted in payment for commodities of all kinds, and in payment of wages, local taxes, and the like. But its effectiveness lasted only from one Wednesday till the next, being renewable only by putting a fresh two-cent stamp of this special kind on the next unfilled square on the back of the scrip each Wednesday as it came round. At the end of the year fifty-two two-cent stamps had been affixed, meaning that \$1.04 in "real" money had been paid in to the issuing agency. This redeemed the one-dollar denomination of the scrip, and the four cents extra paid the cost of printing and issuance. Thus the scrip was self-liquidating.

Such scrip was a common medium of exchange in the towns where it was used, and could be banked or invested, but it was not hoarded. It was good for only

one week at a time, and its validity could be renewed only from week to week and only by putting on a stamp costing two cents. Everyone wanted to avoid paying for that two-cent stamp on Wednesdays, and so kept the scrip circulating. Theoretically it could have been hoarded, but only on condition that the holder would affix the necessary stamps every week. That would be too bothersome and somewhat expensive. The two-cent stamp acted like an inescapable confiscatory tax on hoarding. From the point of view of the tradesman, the two-cent stamp was like a two percent tax on new business which he otherwise would not have had at all. Such scrip, you see, is *not* a store of value. The long-time element, necessary for a store of value, has been separated from it by the weekly stamp device. The scrip performs only one function, that of a medium of exchange.

In communities which used this scrip economic life went on busily; no unemployment, and no economic trouble to speak of. Numerous public works were completed by its use. Shops which at first refused to accept the scrip found trade all going to the others, and so they climbed on the band wagon. The speed of circulation of the scrip was about four times that of the dollar in normal times and about twelve times that of a dollar during the depression of 1930-35.

Opinions of Two Economists

Professor Fisher, in the book *Stamp Scrip*, above mentioned, described all the details, mode of operation, mode of installation, arguments and history of stamp scrip, and criticized its different forms. He

stated that the speed of circulation of money is the most baffling factor in the stabilization of the price level, and that stamp scrip would regulate that speed better than anything else. Stamp scrip gives buying power to the consumer, and supplies the compulsion to use it. Professor Fisher said that the use of stamp scrip would not constitute inflation because the scrip is tied to actual consumer transactions, is issued only against actual goods and services, and is therefore limited. It may be added that since stamp scrip is not a store of value, but only a medium of exchange, the chances of inflation through it are very slight. It restores exchange to normal, but not being a form of credit it has no tendency to balloon.

Nor does such scrip constitute bad money which, under the operation of Gresham's law, would tend to drive out sound money. It does not drive out money but steps into the gap left by the so-called good money when it retires from circulation because it is hoarded. Since stamp scrip supplements the failure of ordinary money in times of great distress, it can hardly be called "bad money". Indeed, the separation of the medium of exchange from the other functions of money would probably put an end to Gresham's law, thus making a new element of stability and security in the new forms of money.

J. M. Keynes in his *General Theory of Employment, Interest and Money*, above referred to, also approved of the idea behind stamp scrip, but believed that some modifications should be introduced to make it generally successful. He did not, however, specify any modifications.

The Transfer of Functions

The stamp scrip, though only a medium of exchange, was connected with the other functions of money. It was tied to ordinary money by the device of the weekly two-cent stamp. Also the scrip could be deposited in a bank and thus converted for the account of the depositor, into a store of value in the hands of the bank to the equivalent value in ordinary money. The bank, like all receivers of the scrip, did not keep it, but passed it out to its customers, putting it immediately back into circulation, just as the bank usually does with the ordinary dollar bills which you and I may deposit, only more quickly.

The term of redemption of the stamp scrip might be doubled, and the amount of the weekly stamp halved, thus making the carrying of the system easier for everyone. Other transforming devices could be invented for use between the other forms of functional money which I have suggested. The connecting links between the different forms of money would need to be some specific devices acting in definite, uniform fashion, and probably best handled by banks.

The measure-of-value function would be connected with the other functions by the denominations printed or written on all of the proposed different forms of money. The actual measure, however, would have to be a legal standard chosen and maintained by the government experts, just as in the case of standards of weight, length, time, and so forth. For many years the standard unit measure of money value was a fixed quantity of gold. But that was ineffective

because gold was itself one form of money. Just as a word may not be defined in terms of itself, so a unit measure of money value cannot successfully be constituted of a fixed quantity of itself. A standard unit of value, like all other standard units, should be composed of elements outside of and larger or smaller than its field of application. Either these elements or their compound should be considerably more permanent than the current run of human affairs.

The standard unit of length, for example, is based on the circumference of the earth or the wave length of light. The standard unit of time is based on the length of the sidereal day. The unit of weight is based on the relation between the attraction of gravitation and a fixed mass of a certain metal.

Because of the subtlety of economic value, a stable unit of measurement of it will be difficult to create. But some of its elements are tangible, as previously indicated. Perhaps a statistical combination of most of the value elements can be made which would be markedly stable. Or maybe there could be worked out a permanent relationship with a single measurable tangible factor, such as rate of energy conversion, which enters into most economic affairs. The task, though difficult, is not impossible. The benefits from its successful accomplishment would be beyond calculation.

The function of transfer of value where there is not direct personal contact between buyer and seller could probably best be performed by a bank checking system similar to what we have now, with special arrangements for illiterate persons. Checks would

cease to be valid after a specific period, say three or six months from their date of issue.

The function of a store of value might be carried out by a specially coloured paper bill. Or if all banks were operated by the government, storage of value might be confined only to bank accounts, with perhaps special arrangements as to the special kind of stored value represented by rights to money income inherent in corporate or government securities.

The function of money as a symbol of credit, in loans between persons, might be performed by another sort of paper check of a different special colour, or where a bank issues a loan it could be done by a mere accounting entry as at present. Special colours of such symbol checks might be used for special periods, in relation to the special kind of work to be done with the loan. The governing factors might be the speeds of conversion of different raw materials into finished products and of average sales-turnover. Or in agriculture the credit might be valid only for a year or a growing season plus marketing season. Especially large amounts or long terms of credit might be limited to community or governmental use.

Since, for the great majority of people, the most important function of money is that of a medium of exchange, stamp scrip, which performs that function alone, could well be adopted pending the working out of the other forms. We do not need to wait until all the forms are worked out in complete detail, but could begin with the most important change without delay.

In all instances there would have to be a way of translating any given functional form of money into any of the other forms. All these modifications and devices are for the experts to work out. Those above mentioned are only suggestions.

The aim would be, of course, to have all the forms adopted eventually by the entire nation, and finally by the whole world. But each form could be tried out separately in a few communities first, provided the conditions of the trial were fair and it was continued long enough for adequate demonstration of its working and results. If the test warranted it, the area could then be gradually expanded until the validity of each new money-form is known with reasonable sureness.

One Criticism and Its Answer

A critic of these ideas might well say, for instance, that although the trust which people have in Mr. A because of his conduct for many years is an undoubted reality and asset for Mr. A, yet as an asset it depends upon Mr. A's having lived in that community and his continuing to live there. Suppose he wants to move elsewhere, ought he not to be able to "cash in" on that asset and take it with him to the new place? That is, ought not the symbol to have reality and value by itself? What if Mr. A's business keeps him always on the move?

The proposals above do not really present this difficulty. The means by which value is created or stored need not be the same as that by which it is transferred, yet each form could be translated by

appropriate devices into the others. The wise merchant's conduct gradually builds up a fund of individual and community trust in him, and that trust expresses itself to some degree in money tokens. These he can transfer to a new place. That part of the trust which does not express itself in money tokens cannot be immediately transferred to another place. Some of it may later find a transferable expression; some of it will remain permanently in the community. It will be part of the evidence, part of the foundation of past acts which have given all the people of that community a common faith in humanity.

That is the case at present and would continue to be so if changes in money were put into effect. Nobody can pump out of the community every bit of trust which his honest deeds have created. He should be glad to leave with the community a considerable part of that trust, for it goes to form in every community an environment of security for us and our children.

Our little daily acts grow like a coral reef. Trust is not, and cannot be made, a wholly unilateral affair. An attempt to make it so creates resentment and mistrust. Indeed a person's willingness to leave behind him some of the trust he has created, to "lose" some of it to the community, is itself one of his assets. He cannot act merely for and unto himself. The more richly and vigorously he has lived upon this basis, the less he loses when he moves to a new locality.

When he moves to a new town, he takes his character with him and it is perceived by the strangers there instantly, and the longer he stays there the

more completely his character is realized. So some of the trust which the first community had in him he carries wherever he goes, not in his pocket-book but in his personality. It cannot be stolen from him.

We would be unwise to try to separate ourselves entirely from the community in this matter of wealth or in any other matter. Nor should we try to express in tangible, transferable form all the trust which we feel towards others or which they feel towards us. If we were to do that, we would lose both inner and outer security and power, more important to our life than any tangible thing. Indeed, one of the great dangers of our present form of money is that it turns into individual fortunes the wealth created by the community, and then trust, good will, and moral health wither and decline. In this respect money has acted like private appropriation of community-created values in land, the effects of which were so clearly stated by Henry George.

Some Benefits of Separating Money's Functions

Since so many of the evil results of money have come from this combination of diverse functions in one instrument, it seems highly probable that the provision of a special instrument for each function would go far toward solving many of the troubles which now encompass us. The separation of functions with a particular medium for each would make it possible to see far more clearly the problems within the limits of each function and thus hasten further reforms. In addition to the moral benefits already

indicated, the reform would, I believe, promote the following economic improvements.

Some form of stamp scrip money, by separating the medium-of-exchange function from all the others, would make it much easier for the government or the Federal Reserve Bank System to control the quantity of currency and its speed of circulation. This together with a really constant standard unit measure of value, would stabilize prices of all commodities. Such an adjustment of price and cost factors would encourage general spending and thus simplify market problems. All the many problems of financial and other economic controls or interference by the government would become simpler and clearer. The national income would be increased. This in turn would ease taxation and problems of government finance.

The proposed separation of functions of money ought to make clearer and easier the problem of scaling down and transforming the present debt burdens, both private and public. In aiding the distribution of purchasing power, the proposed changes would help all consumers. This would help consumer co-operatives as well as all retail trade.

The easing of economic difficulties for the first nation which adopts any part of this proposal would result in easing its problems of foreign exchange. And if several nations adopted only stamp scrip, the problem of developing among them a uniform medium of exchange would be considerably simplified. The final step to a universal standard medium of exchange would be brought nearer. We could more

readily decide whether to abandon permanently the international gold standard.

The splitting of the several functions of money would alter and eventually simplify the investment problem. If, as many believe, one great cause of cyclical depressions is the over-investment of savings in capital goods, especially in productive plant, this tendency could probably be more readily controlled. The reform would seem likely eventually to clarify much economic theory.

If such a reformed system of money were adopted, it would probably then be much easier to solve the difficulties involved in having to express by a tangible unit of measure so subjective, subtle, and fluctuating a thing as value. We could then decide more surely the merits of proposals to use instead a unit measure of energy conversion.

After the functions of money were separated we could more surely evaluate many other proposals for money and banking reform. We could consider with more clarity and wisdom the question whether to limit the storage of value. The proposed separation of money functions would permit sound discrimination and therefore wise choices and decisions, and would make possible a control of results and a vastly sounder economic and moral situation.*

Probably this proposed money reform would distribute and decentralize economic power, thus

*See *The Freudian Wish and its Place in Ethics* by E. B. Holt, Henry Holt & Co., New York, 1929, Chap. III.

promoting both economic and social freedom and equality, two of the greatest ideals of western civilization. Incidentally it would bring us more widespread and more enduring economic security.

Large-scale machinery and big industry have been rapidly built up on a foundation of individual and group morality that was adapted to the far simpler and slower social processes of a rural and village civilization. The old moral foundation is unable to support the modern high-powered institutions, and is cracking under the strain. If people desire to maintain both big machinery and freedom and equality, they must strengthen their cultural and moral foundation. I believe that the proposed money reform would be an important preparation for the needed moral foundation.

The adoption of this reform would, I believe, make clear some social responsibilities that are now disguised, and help eliminate certain unconscious hypocrisies which are now prevalent.

A separate form of money, created to act only as a measurable symbol of trust and credit, and divorced from the other present functions of money, would do much to release people's minds from the confusion between symbol and reality in relation to mutual trust. The reality of that imponderable state of mind and feeling would become stronger. The increase in mutual trust would add to the people's confidence in their leaders and help in many public problems.

Like machinery, money has given man an exterior power of control over his fellows out of all proportion

to his inner powers—his self-control and wisdom. As stated earlier, this lack of proportion between inner and outer powers makes inevitable many immoral results from the use of money. It would be irresponsible and immoral of me to try to operate an airplane before I had developed understanding of its mechanisms and controls, before I had acquired skill in handling it, knew where I was going, and cared more for human life than for the thrill of flying. Without those preconditions, my trying to fly would involve grave danger to others as well as to myself. But the construction of the airplane might conceivably be simplified so that it would be self-balancing, and more nearly fool-proof. Then the skill required for its successful operation would be within my reach and conscious responsibility. My use of it then might involve little danger, and so not be immoral. Similarly, by correcting the form and functions of money, we may make it more nearly related to man's present inner power of self-control and wisdom. Such a change should strengthen his self-control.

Our social and moral relationships are largely expressed in economic modes. But since our economic language, money, is clumsy, inaccurate, inadequate, ambiguous, and variable, our morals are gravely hampered. If money could be corrected and improved, an immense load would be lifted from the entire human race. I am thoroughly optimistic about human nature. As soon as it is given proper environment and proper tools, economic, intellectual, and moral, the race will enter a new era of happy development, assuming that we escape nuclear war.

If we understand that the stimuli of the defects and pressures of money have warped man's characters, and that the substitution of better stimuli can again cause sound growth, we renew our faith in the possibilities of peacefully improving our social and economic systems.

Maybe No Immediate Adoption

While we continue on our present level of economic development, it is not likely that such changes will be adopted. The failure of the earlier attempt to adopt stamp scrip in Alberta indicates this improbability. But when another big depression comes, there is a fair chance of stamp scrip being more widely used, and perhaps permanently continued. Even though an idea has to wait before its adoption, it is wise to discuss it and thus help promote its ultimate adoption. And all social changes are taking place rapidly now.

The use of stamp scrip might be begun even now in communities where the proportion of unemployed is high. It would thus help with the problems created by automation and high birth rate. This would lift much of the burden of unemployment from local governments. People are more likely to change their ideas and habits during periods of general insecurity than at any other time. Often such changes, like the tendency to violence, are regressions. But the change here advocated would be a progression and would do much to end insecurity.

Benefits of Clear Understanding

In any case, if people get a clearer idea of the

defects of money and its influence upon them, they have taken the first step toward freedom from those bad effects. A person who knows much about a complex and dangerous instrument and its effects on him is less apt to be hurt by it than one who is ignorant of its parts and working.

INDEX

- ACCOUNTING, 25
 Acquisitive instinct, 36
 Africa, North, 41
 Agriculture, 22
 Air-planes, 4
 Akkadia, 41
 Alberta, 67
 Alexander, 41
 Algiers, 41
 America, Americans, 4, 53
 Arabia, 41
 Arabic numerals, 49
 Argentine, 6
 Art, 17
 Association of factories, 6, 7
 Assyria, 41
 Austria, 53
- BABYLON, 41
 Bankers, banking, 14, 30, 33, 40, 57, 59, 64
 Bankruptcy, 8, 29
 Barter, 11
 Bavaria, 8, 53
 Buddhist monks, 42
- CAPITALISM, 30
 Capital punishment, 20
 Caste, 20
 Cement mixers, 4
 Centralization, 4
 Character, 61, 62
 Chemical fertilizers, 41
 Church ministers, and priests are afraid to criticize wars and injustices, 42
- Cities, 4, 11
 Civilization, 11, 36, 44, 47, 51
 Clothing fashions, 4
 Coal mine, 8
 Commerce, 11, 12
 Community, 9, 19, 20, 45
 Consumer Co-operatives, 63
 Corruption, 43
 Credit, 28
 Crime, 4
 Cross, 24
 Currency, 7
- DEBT, 9, 10, 28, 29
 Deflation, 8
 Democracy, 45
 Devaluation, 29
 Differential and integral calculus, symbols of, 49
 Disciplines, industrial, scientific and religious, 3, 36
 Doles, 8, 9
 Douglas, Justice William, 6, 42
- ECONOMIC DEPRESSION, 6, 7, 28
 Economic system, 37
 Economists, 14
 Education, 4
 Electric light, 4

Employees, 26, 36
Employers, cut wages and not profits, 34; set money above human values, 34
Employment, 29
Ethiopia, 41
Exchange of goods, 17
Exploitation, 34

FAMILY LIFE, 4, 20
Farm machinery, 41
Farmers, 41-42
Finance, 25
Fisher, Prof. Irving, 53, 55, 56
Fluctuations, 7
Forests, loss of, 40-41
Fox, George, 48
Franciscans, 42

GANDHI, gives up his personal property and money, 42
George, Henry, 18, 62
German Government, put an end to Wara, 9
Germans, Germany, 7, 8, 9
Gesell, Silvio, 6, 7
Gold, 58
Greece, Greeks, 3, 4, 5
Greek numerals, 49
Gresham's law, 56

HEBECKER, HERR, 8, 9

IMPERIALISM, 47
Industrial discipline, 35
Industrialization, 4
Industry, 22, 65
Inflation, 7, 56
Information, sources of, 45
Insurance companies, 33

Interest, 30
International gold standard, 64
Italy, 41

JAILS, 8

KELLER, HELEN, 17
Kenya, 41
Keynes, J. M., approved of the idea behind stamp scrip, 53, 56

LABOUR UNIONS, 36
Land mortgages, 18
Loudermilk, W. C., 41

MACHINERY, MACHINES, 4, 5, 31, 51, 65
Malayan rubber plantation, 23
Man, is affected by his physical environment, 5
Mercantalism, 27
Mesopotamia, 41
Middle classes, of all the nations along with their small enterprises would be destroyed by the present kind of money, 40
Militarism, 47

Money, 5, 7, 9, 12; its defects, 6; as medium of exchange, 6, 13, 15; as a great and difficult tool, 11-14; its functions, 15-27; as a measure of value, 15-18; as a store of value, 18-22; as a big idol, 20-22; creates triumph of industrial civilization, 22; as a transferer of value, 22-23; as a symbol of trust, 23-27; combines three functions of exchange, measure and store,

27; as a symbol of credit, 29; makes possible great secrecy, 29; its rental or lending, 30; its functions, 31; who controls —controls our institutions, 33; its values are subject to law of diminishing returns, 34; its general harmful effects, 35-48; harms economic relationships, 35-37; defective—causes social ills, 37-39; its defects threaten the future, 39-42; its effect on spiritual values, 42-45; harms democracy, 45; and war, 46-48; is one influence promoting materialism and ego-centric divisiveness, 48; some of its defects can be removed, 49; improvements in —tool, 52; transfer of its functions, 57-60; some benefits of separating its functions, 62-67
Monopoly, 39, 40
Moral foundation, 65
Moratorium, 29
Morocco, 41
Motor cars, 4

NATIONAL DEBTS, 28
National flag, 31
National income, 63
Near East, 41
New Republic, *The*, 8
New York Times, 33
Niebuhr, Reinhold, 44
Nile, 41
Non-violence, 46

OWNERSHIP, concentration of, 39

PALESTINE, 41
Parrish, W. W., 53
Persia, 41
Phalanx, Greek military formation, 3
Plato, 11
Plough, 3, 4, 32
Population, urban and rural, 22
Productive processes, 35
Public opinion, 45

RAILWAYS, 4
Reichsmarks, 8
Religion, 20
Roman empire, 41
Roman numerals, 49
Romans, 3

SCHOOL BUSES, 4
Schwanenkirchen, gained prosperity by Wara, 8, 9
Science, 29
Sewing machine, 4
Ships, 4
Sicily, 41
Simmel, 29
Social changes, 4
Socialists, 48
Soil erosion, 40, 42
Soviet republic, 34
Stamp scrip, 53-59, 63, 67; two villages revived by the introduction of, 8-10; opinions of two economists on, 10, 55-57
Stamp tax, 9
Suburbs, 4
Suicides, 8
Sumeria, 4
Symbols, 30, 31; carriers of energy psychologically, 23,

- 31, 32; their behaviour, 31;
cause action, 32; those
skilled in manipulating our
—control our thinking and
life, 33; improvements in,
49-50
Syria, 41
- TAMERLANE, 41
Tax, tax problem, 4, 10
Technology, 19
Timm, Hans, 7
Tools, 5, 51; tangibles and in-
tangibles, 3; some of their
effects, 3-5; affect distribu-
tion and use of time, 4; im-
provements in, 49-52
Tractors, 4, 41
Trust, 19, 61, 62; young man
must earn people's, 24;
is sensitive, subtle affair,
26
Tunisia, 41
- UGANDA, 41
Unemployment, 55, 67
United States, 9, 18, 40, 45, 53
Ur, 4
- VILLAGE CIVILIZATION, 65
Violence, 4, 46, 47
- WAR, 46-48
Wara, 7, 8, 9, 10; its true story,
6-10; nobody wished to hold
—and—kept on circulating,
9
Wara Exchange Association, 7,
8
Wara stamp scrip, 6-8
Wealthy people, 4
Weishaar, W., 53
Westernization, 33; its ideal is
economic and social reform
and equality, 65
Western music, 49
Wheel, 3, 5
Whitehead, A. N., 11, 50
Woergl, Wara worked beauti-
fully in, 9-10
World war, I, 7
- ZERO SIGN, 49



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