

**THE
INTELLIGENT MAN'S GUIDE
THROUGH WORLD
CHAOS**

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**THE
INTELLIGENT MAN'S
GUIDE THROUGH
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PREFACE

THIS BOOK is an attempt, within the compass of a single volume, to give the intelligent and open-minded citizen, who wants to understand how the world has got into its present plight but possesses no special economic training, the means of unravelling in his own mind the tangle of world economic affairs. It does not profess or attempt to be a systematic treatise on Economics, or Economic History, or Money and Banking, or any other of the problems which it sets out to discuss. Anyone who wants a formal and academic treatment of these questions must go elsewhere ; and he will readily find plenty of text-books to give him such help as text-books are designed to give. But the trouble about text-books is that they are mostly written to help students to "get up" a subject, and not to enable ordinary men and women to arrive at a better knowledge of the workaday world. If my book were to be regarded as a book on Economics, written for students of that depressing subject, it would have to be condemned for a thousand faults of omission, disproportion, wrong emphasis, and at some points over-simplification of complicated questions. For it seems sometimes as if the object of the theoretical economists were to make their subject as difficult as possible in order to frighten off the amateurs.

As I am not writing for economic students, but for all intelligent people who can be persuaded to read my book, I have tried throughout to be as simple as possible, and have left out all abstruse and difficult discussions that are not absolutely vital to an understanding of *immediate* problems. I have been able to do this the more easily, because I believe that the understanding of present-day economic problems is not really so hard a matter as it is often made out to be. Even the money problem, which frightens off so many potential enquirers, is in fact largely a matter of plain commonsense ; and most of it can be understood by

anyone who is prepared to take a little trouble, if only it is presented without jargon, and with as few technical terms as possible. It may be difficult enough to decide what ought to be done about money ; but there is no real reason why this vital problem should not be intelligently discussed by ordinary people.

Indeed, at the present day it is of the first importance that this and similar problems of national and world economic policy should be intelligently discussed. For the only alternative is that they will be discussed without intelligence. They cannot be avoided, or left to the experts as matters too technical for the intelligent voter to trouble his head about. In Great Britain, the General Election of 1931 turned largely on such economic issues as the "balance of trade," the dangers of "inflation," the effects of going off the "gold standard," and the case for and against tariffs. Everyone had to have views about these questions—or to act as if he had views about them. Similarly, in the United States to-day Congress is busy balancing—or failing to balance—the Budget, passing laws for the reform of banking and the raising of the price-level, and trying to find someone or something to blame for America's economic prostration. The German and French elections have both turned mainly on economic issues ; and in every country, great or small, the world slump has forced these questions into the forefront of political controversy. No one can escape them, or fail to realise that they are of close concern to him personally as well as to the world as a whole. This book is an attempt to set intelligent people thinking more clearly about them, in the hope that if people think more clearly Governments will act more courageously and intelligently than they have done hitherto.

I begin, then, by trying to describe the world slump, and to lay bare its more obvious causes. But it soon becomes plain that the slump cannot be understood except in relation to the state of the world before it set in—and that means to the world as it was in the years immediately after the war. For the war left behind consequences which have a

very direct bearing on the troubles of to-day—reparations, war debts, re-drawings of political and economic frontiers, profound disturbances and dislocations in the economic system of every belligerent country. Ever since 1918, most countries have been trying—and failing—to get back to pre-war conditions. Only Russia, for good or ill, has been trying to build up an economic system radically new and different. We shall have to ask, then, what was this pre-war system to which the nations have been striving to return, and how it grew up, and drew country after country within its orbit, in the course of the nineteenth century. We shall have to describe its growth, and to outline its salient characteristics, in order to see whether its restoration is really something to be desired, or practicable even if it is desired.

We shall find that in this pre-war world, as in the world of to-day, two things—money and prices—largely governed men's economic doings; and we shall have to study the behaviour of these things, in order both to find out how far they are responsible for the world's misfortunes, and to discover what can be done to make them behave less disastrously and erratically in the future. We shall have to ask how far unemployment and trade depression are mere consequences of the misbehaviour of money and prices, or arise from more deeply-rooted causes in the economic system itself. This will lead on to a discussion of the reasons why nations seem to alternate between boom and slump, prosperity and depression, and of the various attempts which they have made to protect themselves from the "economic blizzard" by tariffs and other devices designed to remedy world troubles by national means. Consideration of tariffs will lead on to the whole problem of taxation and national expenditure, of the effects of the nations' attempts to "economise," and of the huge burden of debts, national and international, by which the world is weighed down more and more heavily as prices continue to fall.

At this stage, the time will have come to look away from the nations which are striving to rebuild their shattered economic systems on the old foundations to the Russian

attempt to create a totally new economic system as a model for the world to imitate. We shall try to find out how this Russian system actually works, and with what successes and failures the Russians have met in the carrying out of their famous "Five Year Plan." The study of what has been happening in Russia will prepare the way for a discussion of the fundamental economic controversy of the modern world—the cleavage between Capitalism and Socialism as rival economic systems. We shall try to see what revolutions the various schools of Socialists and other advocates of radical change want to introduce into the world's economic affairs, and to estimate the chances of capitalist recovery as the alternative to a conversion of the world from Capitalist to Socialist ideas.

This, broadly, is the structure of the book which follows. It makes no claim to finality, or to a monopoly of wisdom ; for it is written in the midst of a world crisis which is compelling every reasonable man to alter many of his ideas, and at a time when only fools can feel absolutely sure of their own rightness. I can claim for it neither completeness or impartiality—for who can either know everything or believe nothing? But I do claim to have been honest in stating facts and looking for causes, and to have set down nothing simply because it is what I should like to believe. I have tried to be objective, if not impartial ; and above all, I have done my best to tell as plain and straightforward a tale as the tangle of present affairs will allow.

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A SHORT BOOK-LIST

* Elementary.

† Difficult.

A. BOOKS ABOUT THE CRISIS

- SIR A. SALTER *Recovery* Bell 1932
A. LOVEDAY *Britain and World Trade* Longman 1931
G. D. H. COLE *British Trade and Industry, Past and Future* Macmillan 1932; *Economic Tracts for the Times* Macmillan 1932
*F. W. PETHICK LAWRENCE *This Gold Crisis* Gollancz 1931
*F. W. HIRST *Wall Street and Lombard Street* Macmillan 1931
P. EINZIG *The World Economic Crisis* Macmillan 1931
J. H. RICHARDSON *Economic Disarmament* Allen & Unwin 1931
SIR J. C. STAMP *Papers on Gold and the Price-Level* P. S. King 1931
LEAGUE OF NATIONS *The Course and Phases of the World Economic Depression* League of Nations, revised 1932; *The Agricultural Crisis*, 2 vols. League of Nations, 1931-2

B. ECONOMIC HISTORY

- F. A. OGG *Economic Development of Modern Europe* Macmillan 1917 and later editions
M. M. KNIGHT, H. E. BARNES and F. FLÜGEL *Economic History of Europe in Modern Times* Allen & Unwin n.d.
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*A. VIALATE *Economic Imperialism during the Last Fifty Years* Macmillan 1923
*R. S. LAMBERT *Economic Imperialism* Longman 1928
L. S. WOOLF *Empire and Commerce in Africa* Allen & Unwin n.d.
L. FISCHER *Oil Imperialism* Allen & Unwin 1926
†H. FREIS *Europe, the World's Banker* Yale University Press 1930
A. L. BOWLEY *The Economic Consequences of the War* Thornton Butterworth 1930

C: ECONOMIC THEORY

- *J. A. HOBSON *The Science of Wealth Thornton Butterworth n.d.*
 †*Wealth and Life Macmillan 1929*
 G. CASSEL *Fundamental Thoughts in Economics T. F. Unwin 1925*
 KARL MARX *Capital Translation by E. and C. Paul Allen & Unwin 1928*
 A. MARSHALL *Principles of Economics Macmillan, revised 1925*
 *G. D. H. COLE *The Economic System Longman 1927*
 [There are, of course, countless text-books—e.g. *Todd's *Science of Prices*, Seligman's *Principles of Economics*, Taussig's *Principles of Economics*, Cassel's *Theory of Social Economy*]

D: PRICES

- SIR W. T. LAYTON *An Introduction to the Study of Prices Macmillan revised 1920*
 J. A. TODD *The Fall of Prices Oxford University Press 1931*
 †J. W. ANGELL *Theory of International Prices Harvard University Press 1926*

E: MONEY AND BANKING

- *R. A. LEHFELDT *Money Oxford University Press 1926*
 *W. LEAF *Banking Thornton Butterworth n.d.*
 E. A. GOLDENWEISER *The Federal Reserve System in Operation McGraw 1925*
 J. M. KEYNES *Tract on Monetary Reform Macmillan 1923* ;
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 *R. G. HAWTREY *The Gold Standard in Theory and Practice Longman 1927* ; †*Currency and Credit Longman, revised 1928*
 T. E. GREGORY *The Gold Standard and its Future Methuen 1932* ; *Foreign Exchange Oxford University Press 1921*
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F. UNEMPLOYMENT AND INDUSTRIAL FLUCTUATIONS

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G. FOREIGN TRADE AND TARIFFS

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H. PUBLIC FINANCE AND TAXATION

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 *G. D. H. COLE and R. S. POSTGATE *War Debts and Reparations New Statesman 1932*

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- D. WARRINER *Combines and Rationalisation in Germany* *King 1931*
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- *W. MEAKIN *The New Industrial Revolution* *Gollancz 1928*
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J. RUSSIA

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- G. T. GRINKO *The Five Year Plan* *Lawrence n.d.*
- *H. J. LASKI *Communism* *Thornton Butterworth n.d.*

K. SOCIALISM

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- *S. and B. WEBB *The Decay of Capitalist Civilisation* *Fabian Society*

[See also Cole, *Next Ten Years* (Section I), Laski, *Communism* (Section J), Marx, *Capital* (Section C)]

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