

THE RAKE'S PROGRESS

I once knew an Armenian gentleman named McPherson, who was crossed in love. He sought out his successful rival, and lent him ten thousand dollars "without security—on his note of hand alone." A year later McPherson had added to that kindness in two ways; he had taken the other man's wife off his hands, and had given him a steady job at fourteen dollars a week in his office.

McPherson used to charge a nominal interest on the money he lent. It looked at first sight between 3 and 4 per cent. Besides, as he often explained, the borrower did not have to pay it at all; the burden could be shifted (by a simple transaction), from the present to the future. McPherson never took any harsh steps; all you had to do was to keep on signing scraps of paper just so long as your capital lasted. And every time you signed a new document, McPherson would hand you out real money with a sunny smile.

But a careful examination of these scraps of paper would reveal a singular phenomenon. What looked in the beginning like $3\frac{1}{2}$ per cent., and was really about 11, soon began to look like 15, when it was really 40, and then like 35, when it was really 80.

McPherson disapproved of the principle of usury; he sympathized with the hardship of the man who had to pay interest, and he always preferred to add the interest to the capital. The only noticeable point was that the man who began by wanting one hundred dollars on the security of ten thousand soon found that he wanted a thousand to discharge the same liability as the hundred once satisfied. McPherson used to say that this enlarged the man's mind; it taught him to "think imperially."

The upshot of all these transactions was simply that McPherson got the money, because these were only minute transactions, infinitesimal incidents in a vast system of exchange. If we enlarge the scope of our considerations to national finances, we shall find strong similarities, but one big difference.

Suppose a small nation begins to borrow, and fails to use the money as a means of increasing income. Here the case is parallel, because the transaction is still on too small a scale to upset the balance of wealth of the world to any serious extent. But when borrowing becomes universal, conditions are altogether different.

The financial transactions of the last three years have not really been borrowing at all in any proper sense of the term. There has been nothing constructive about it. The world has been squandering its capital. The lives and the labor of men everywhere have been lost. The actual wealth of nature has been misapplied to purposes of pure destruction, and none of this lost wealth can ever be regained.

It was all very well for Henry the Fifth to invade France and recoup his losses by tribute and ransom. That is now impossible, since the enemy is bankrupt even before he is defeated. The question remains: What has happened to the borrowed money? The answer is plain: It has been lost. It is simple jugglery to make it appear otherwise.

It will be noticed in particular how very easily we have learned to "think imperially." England was quite shocked by the first loan of some dozen

million dollars; a year later she is quite reconciled to the idea of spending thirty million every day. The United States decides to sit in the game in no piking spirit, and calls not for seven million, or even seven hundred million, but for seven thousand million. That, it may be remarked, is about fourteen years' income of the whole British Empire.

But now we see a very great difference between these transactions and those of my good friend, McPherson. However much the borrower paid him, a dollar was at least a dollar, because the outside exchange remained steady. Dollars are nothing but chips. The wealth of the world has been steadily squandered; the amount of goods which we are getting for our seven billion dollars could have been bought for three million three years ago. That process will continue so long as the unproductive expenditure of the world's real capital continues.

The rate of interest constantly increases as the amount of money borrowed increases. But how is the interest to be paid? Only in two ways; firstly by taxation; secondly, by borrowing more money. But the second process only means increased taxation later on. Nothing replaces the wealth which has been squandered, and nothing ever can. All attempts to get away from that fact are mere intellectual cocaine.

One may say something worse. Nations seem to get delusions of grandeur when they begin to think in billions, instead of millions—it is a sort of general paralysis of the insane, and is only too likely to terminate in a similar manner.

Once finance becomes unsound, a vicious circle is soon created. When a man has to pay forty dollars for what used to cost twenty, he has to get more money somehow—and what is money? What is a dollar? It is fine to get \$35 or \$40 on a \$1,000 Bond. But suppose that in a year or so that is the price of a packet of cigarettes?

Economy is all very well, but it means nothing to that immense class of the community which already lives from hand to mouth. Therefore wages must go up; that further increases the cost of production, which again makes it necessary to increase wages still further. One arrives at a condition of inflation which can only spell the words everlasting smash.

Already twenty years ago the dollar was dangerously watered. It was the price of a beefsteak both in El Paso and in Juarez; but the El Paso dollar, as a dollar, could be exchanged for two Mexican dollars. At that time I already saw the danger and said, "If ever the United States gets into war, the dollar will at once fall to fifty cents." It would have already done so if the rest of the world had not fallen into the soup ahead of her.

The economic process is continuing, though at present masked by the financial expedients of the bankers. Men are being killed; labor is being diverted to unproductive ends; the wealth of the world is being destroyed; the land itself is being rendered sterile. We should face the situation. We should raise the needed money in a straightforward manner, by direct taxation; not by a camouflage which represents a loss as a profit.

No matter how many billion dollars we borrow, no matter how many we steal, we do not thereby increase the production of necessities. It is pos-