party; the adverse trade balance indicates that our prices are too high, and the way to bring them down is by dear money and the restriction of credit. When this medicine has done its work, there will no longer be any need to restrict foreign loans or to borrow abroad.

Now what does this mean in plain language? Our problem in Great Britain is to reduce money-wages and, through them, the cost of living, with the idea that, when the circle is complete, real wages will be as high, or nearly as high, as before. By what *modus operandi* does credit restriction attain this result?

In no other way than by the deliberate intensification of unemployment. The object of credit restriction, in such a case, is to withdraw from employers the financial means to employ labour at the existing level of prices and wages. The policy can only attain its end by intensifying unemployment without limit, until the workers are ready to accept the necessary reduction of money-wages under the pressure of hard facts.

This is the so-called "sound" policy, which is demanded as a result of the rash act of pegging sterling at a gold value, which it did not—measured in its purchasing power over British labour—possess as yet. It is a policy, nevertheless, from which any humane or judicious person must shrink. So far as I can judge, the Governor of the Bank of England shrinks from it. But what is he to do, swimming, with his boat burnt, between the devil and the deep sea? At present, it appears, he compromises. He applies the "sound" policy half-heartedly; he avoids calling things by their right names; and he hopes—this is his best chance—that something will turn up.

The Bank of England works with so much secrecy and so much concealment of important statistics that it is never easy to state with precision what it is doing. The credit restriction already in force has been effected in several ways which are partly interdependent. First, there is the embargo on