

new issues which probably retards the normal rate of the circulation of money; then in March the bank-rate was raised; more recently market-rate was worked up nearer to bank-rate; lastly—and far the most important of all—the Bank has manœuvred its assets and liabilities in such a way as to reduce the amount of cash available to the Clearing Banks as a basis for credit. This last is the essential instrument of credit restriction. Failing direct information, the best reflection of the amount of this restriction is to be found in the deposits of the Clearing Banks. The tendency of these to fall indicates some significant degree of restriction. Owing, however, to seasonal fluctuations and to the artificial character of the end-June returns, it is not yet possible to estimate with accuracy how much restriction has taken place in the last three months. So far as one can judge, the amount of direct restriction is not yet considerable. But no one can say how much more restriction may become necessary if we continue on our present lines.

Nevertheless, even these limited measures are responsible, in my opinion, for an important part of the recent intensification of unemployment. Credit restriction is an incredibly powerful instrument, and even a little of it goes a long way—especially in circumstances where the opposite course is called for. The policy of deliberately intensifying unemployment with a view to forcing wage reductions is already partly in force, and the tragedy of our situation lies in the fact that, from the misguided standpoint which has been officially adopted, this course is theoretically justifiable. No section of labour will readily accept lower wages merely in response to sentimental speeches, however genuine, by Mr. Baldwin. We are depending for the reduction of wages on the pressure of unemployment and of strikes and lock-outs; and in order to make sure of this result we are deliberately intensifying the unemployment.

The Bank of England is *compelled* to curtail credit by all the rules of the Gold Standard game. It is acting conscien-