

CHAPTER V

IS THERE A REMEDY?

THE monetary policy, announced in Mr. Churchill's Budget, being the real source of our industrial troubles, it is impossible to recommend any truly satisfactory course except its reversal. Nevertheless, amongst the alternatives still open to the present British Government, some courses are better than others.

One course is to pursue the so-called "sound" policy vigorously, with the object of bringing about "the fundamental adjustments" in the orthodox way by further restricting credit and raising the bank rate in the autumn if necessary, thus intensifying unemployment and using every other weapon in our hands to force down money-wages, trusting in the belief that, when the process is finally complete, the cost-of-living will have fallen also, thus restoring average real wages to their former level. If this policy can be carried through it will be, in a sense, successful, though it will leave much injustice behind it on account of the inequality of the changes it will effect, the stronger groups gaining at the expense of the weaker. For the method of economic pressure, since it bears most hardly on the weaker industries, where wages are already relatively low, tends to increase the existing disparities between the wages of different industrial groups.

The question is how far public opinion will allow such a policy to go. It would be politically impossible for the British Government to admit that it was deliberately intensifying unemployment, even though the members of the Currency Committee were to supply them with an argument for it. On the other hand, it is possible for deflation to produce its