

## WORK, WAGES AND THE BANKS

WHEN in *Rerum Novarum* Pope Leo XIII taught that it was the 'great and principal duty' of every employer to give every one of his work-people a fair wage, he was, as he himself reminded the faithful, only enunciating a principle that had its foundation in natural justice. When he again, and Pope Pius XI after him, declared that a workman's wages must be sufficient to enable him to maintain himself, his wife, and his children in reasonable comfort, and to put by for a rainy day, they were making a declaration not only of Christian, but also of natural, rights.

Nearly thirty years after *Rerum Novarum* the Anglican Lambeth Conference recognised that a living wage should be the first charge upon industry. That was in 1920, when many industries were finding it difficult to keep alive, and others were already expiring, when many workers, far from being paid a living wage, were soon to become wageless, while the prospect of permanent employment for many others was rapidly diminishing.

During the war of 1914-1918 there had been phenomenal prosperity. The living wage seemed to have become a recognised right, and rates of pay were constantly raised to meet rising prices. But the high wages were in great part the result of a large and easy flow of money. Whereas the deposits of twenty-two British banks in 1914 amounted to £875,000,000, in 1919 they had reached the sum of £2,117,000,000. This huge increase was caused very largely by the wholesale purchase of War Loan by the banks themselves, and by their lending money, which soon came back to them as deposits, for the purchase of War Bonds. This meant that the banks were literally making money; they were putting into circulation on a large scale money of their own manufacture. It is hardly surprising to find that in the present war, the United States Treasury, according to *The Economist* of October 18th, 1941, has declined to allow the purchase of Defence Savings Bonds by the commercial banks, as 'a procedure which would merely swell bank deposits and help inflation.'

In England, in the 1920's, the return to normal peace-time industry was almost hopelessly retarded by the huge weight of inflated debt that four years of war had added to bank deposits. It must be remembered that fundamentally all bank deposits are 'debt.' The system by which banks grant credit, and so increase the amount of

'money' in circulation, by merely inflating the amount of actual money they hold, has been in vogue now for over a hundred years. Industry and commerce need credits for the production and distribution of commodities; and part of these credits filters through to the workers by way of wages. The workers, therefore, are indirectly dependent on the banks for their livelihood.

There is another sense in which work-people are dependent on the banks. The wages earned by the production of commodities at any one time will obviously not purchase those commodities. They have to be spent in the purchase of goods which have been produced in the past. It follows that before there can be further production, and consequently wage-earning, new credits must be granted. But it may be to the advantage of the banks to restrict credit, as it was in the years following the war of 1914-1918. At such times there is widespread unemployment and distress. There can be no doubt that Pope Pius XI was referring to the power exercised by the banking fraternity when in *Quadragesimo Anno* he spoke of 'the trustees and directors of invested funds, who administer them at their good pleasure.' He is still more explicit when he speaks of the power 'exercised by those who, because they hold and control money, are able also to govern credit and determine its allotment, for that reason supplying, so to speak, the life-blood to the entire economic body, and grasping, as it were, in their hands the very soul of production, so that no one dare breathe against their will.'

Banks in fact have no concern for production except in so far as it produces profit for themselves. They have in general no direct credit relations with the wage-earners. They will finance the speculative builder who produces workers' and middle-class dwellings, but not the workers themselves to enable them to become house-owners. The workers are compelled to borrow from building societies at a substantially higher rate of interest than that prevailing, and in consequence make a much larger repayment in the aggregate; unless they can qualify for a municipal loan. Yet it is quite common for banks to lend to the building societies themselves to re-lend at a higher rate to individual purchasers.

• This illustrates the consistent policy of banks in the granting of credit. The house-buyer who has only his wages to depend on for re-payment of a loan would take far too long to reimburse the bank. There is normally no such thing as a bank-loan for a long period. Speedy redemption of loans is the ordinary requirement. This makes it difficult for the average manufacturer or trader who depends on bank credit to look to the future with confidence. So urgent is the necessity for repaying the bank loan that he can rarely equip him-

self for accumulating the funds that might have freed him from the necessity of further borrowing. He is bound to rely on potential loans with the uncertainty of their being granted, and the employer's uncertainty is reflected in the uncertainty of employment.

It is obvious that it is to the bankers' interest to keep industry dependent on its direct loans. The disastrous effects that their methods of control may have both on employers and work-people are visualised by Pope Pius XI in *Quadragesimo Anno*, and the methods themselves clearly condemned. He says that if 'the business does not make enough money to pay the workman a just wage, either because it is overwhelmed with unjust burdens, or because it is compelled to sell its products at an unjustly low price, those who thus injure it are guilty of grievous wrong; for it is they who deprive the working-men of the just wage, and force them to accept lower terms.' And if trade unions can, happily, insist on the just wage, they cannot, unfortunately, prevent their members losing their jobs through the inability of an individual employer to pay it.

When, moreover, the Pope refers to a business being compelled to sell its products at an unjustly low price, he no doubt has in mind the general effect of credit restriction. If there is less money in circulation for the purchase of commodities than there was when they were produced, it follows that they will not fetch the prices they were intended to fetch. The manufacturer will then either have to forgo part of his profit or, in a severe slump, have to sell at a loss.

And again, since profit is the motive of the granting of credit by the banks, it will often be given abroad where, partly because labour is cheap, manufacturers can supply goods to ourselves at prices far below those at which our own manufacturers can produce. Large-scale loans have been made abroad ever since the *laissez-faire* policy of the Manchester school gave its blessing to the maxim of every man for himself, and left the hindmost to be picked up by the devil.

Were the workers not financed by their wages, most of them would have no finances at all. The majority of employers and higher wage-earners usually have some financial reserves; but the workers rarely have accumulated savings on which to draw. Even though 'it may be truly said that it is only by the labour of working-men that States grow rich' (*Rerum Novarum*), they are forced in times of economic stress, whether general or personal, to fall back on State assistance. They are compelled to take advantage of social services. It is true that nowadays these are partly financed by the workers' own contributions. But without Government subsidies no contributory scheme could remain solvent, especially in a financial and economic crisis such as that which commenced some years before the present war,

and in which, as Pope Pius XI wrote in 1932, 'the whole of humanity is held bound . . . so fast, that the more it struggles, the harder appears the task of loosening its bonds' (*Caritate Christi Compulsi*). The direct monetary benefits paid to workers under pensions schemes, health insurance, unemployment insurance (loosely but not inappropriately called 'the dole'), have to-day been added to by enormous food subsidies, which although paid to producers are in effect consumer-subsidies, since they are part of the price that the consumer would have to pay and, in fact, does pay indirectly through taxation.

It is fully in accord with papal teaching that Governments should aid the workers, at least until a more equitable economic system makes them more independent. Pope Leo XIII remarked in *Rerum Novarum* that 'the richer class have many ways of shielding themselves, and stand less in need of help from the State; whereas those who are badly off have no resources of their own to fall back upon, and must chiefly depend upon the assistance of the State. And it is for this reason that wage-earners, who are undoubtedly among the weak and necessitous, should be specially cared for and protected by the Government.' In *Graves de Communi* Pope Leo speaks of charitable organisations having been formed and extended 'under the guidance of the Church' for the relief of the poor, including actually 'country banks<sup>1</sup> for making loans,' obviously of a different calibre to the Big Five.

That is not to say that the interests of the 'lower' classes are to be considered before those of the 'higher,' whom the same encyclical declares to be 'of equal importance to the preservation and development of the State.' But commonsense demands that, apart from charitable activities, the authority that furnishes any credits in the form of social services for the purchase of commodities should furnish also the credits necessary for their production. That does not exclude the possibility of businesses being financed from savings or private loans at a risk; it only implies the prohibition of credit by bank-inflated money. Justice, too, dictates that this vital economic function of the supply of credit should not be used by private bodies for gain and for the securing of economic control, but by the Government for the good of the nation as a whole.

It is not to be supposed, however, that any economic reform can be effective except as a factor in the re-Christianising of society. A soul-less economics that does not consider human rights and duties,

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<sup>1</sup> Also known as 'land banks.' They are a kind of village co-operative bank for farmers. The farmers' 'credit unions' now being formed in the U.S.A. seem to be similar.

nor have regard to the play of free-will in social relationships, has no place in the Christian scheme, and is explicitly condemned by the encyclicals. Pope Leo XIII, writing as far back as 1878, deplored the fact that 'the very Author and Redeemer of mankind has been forced slowly and gradually to withdraw from the scheme of studies at universities, colleges, and high schools, as well as from all the practical working of public life' (*Quod Apostolici Muneris*). In *Graves de Communi* he said: 'It is the opinion of some, which is caught up by the masses, that "the social question," as they call it, is merely economic. The precise opposite is the truth, that it is first of all moral and religious, and for that reason its solution is to be expected mainly from the moral law and the pronouncements of religion.' Pope Pius XI reiterates this in *Quadragesimo Anno*, where he says that 'though economic science and moral discipline are guided each by its own principles in its own sphere, it is false that the two orders are so distinct and alien that the former in no way depends on the latter.' He emphasises that the economic life must be inspired by the Christian spirit 'from which multitudes engaged in industry in every country have unhappily departed.'

Credit reform can be effective only as part of a larger social reform that will remedy also the evils arising from mass-production and Big Business. A Government credit scheme can only be a just one, and therefore successful, if it turn social services into credits to enable working-men to set up in business for themselves. The encyclicals again and again stress the necessity of this. 'The law should favour ownership, and its policy should be to induce as many as possible of the humbler class to become owners' (*Rerum Novarum*). The only form of labour 'which gives the working-man a title to its fruits is that which a man exercises as his own master, and by which some new form or new value is produced' (*Quadragesimo Anno*). Both encyclicals insist that the working-man has a right as father of a family to become the owner of lucrative property, so that he 'by the prudent management of the same may be enabled to bear the family burden with greater ease and security' (*Quadragesimo Anno*).

The Popes, further, have stressed that the most necessary, and therefore valuable, form of production is 'in the inexhaustible fertility of the earth' (*Rerum Novarum*). Pope Leo, the master economist, pointed out a truth that most so-called economists overlook, 'that all human subsistence is derived either from labour on one's own land, or from some toil, some calling which is paid for either in the produce of the land itself, or in that which is exchanged for what the land brings forth.' The land, therefore, is necessarily the

most credit-worthy industry in every country, a truth that it is convenient for a credit system that looks for immediate and mass-produced profits to ignore. Small landholdings, too, make for greater individual security. As Pius XI teaches, 'the agricultural classes . . . find in their occupation the means of obtaining honestly and justly what is needful for their maintenance' (*Quadragesimo Anno*). Leo XIII showed that if work-people can be encouraged to look forward to obtaining a share in the land, 'the gulf between vast wealth and sheer poverty will be bridged over,' and there will also be a 'greater abundance of the fruits of the earth' (*Rerum Novarum*). The same encyclical teaches that the working-man should be enabled to invest savings in land and that his 'little estate thus purchased should be as completely at his full disposal as are the wages he receives for his labour.' It goes on to state that a man has a right to possess 'that portion of nature's field which he cultivates.' And the Pope asks: 'Is it just that the fruit of a man's own sweat and labour should be possessed and enjoyed by any one else?'

In order that the worker may acquire and enjoy property of his own there must be no banking monopoly that periodically deprives him of the means of earning; that deprives him of his savings when through unemployment he is forced to draw on them; and that can, if he has already acquired property, deprive him of it when he is unable to meet the repayments on his loan. The natural right of the workman to a fair wage must be Christianised. He has no guarantee of a living without credit reform; to which must be added the restoration of the small business and a return to the land.

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## ECONOMICS AND REFORM

THE Brains Trust once set the following question: Would the nation be better governed by men of science and great thinkers rather than by professional politicians? The problem is of paramount importance in these days when civilisation, as we know it, totters on the brink of destruction and when thinking men of every party and creed are endeavouring to find a sure basis for post-war reconstruction. According to Professor C. E. M. Joad, the man of science is certainly not fitted to guide the destinies of his country. In his specialised capacity he is as methodical and as efficient as the worker bee, but out of his laboratory he appears as stupid as the insect