

instance, constitute probably the greater part of profits and they will certainly not be spent on consumers' goods. What has happened is that a vast quantity of consumers' goods has been produced, but that—so far—there is no claim for many of these goods because the recipients of profit cannot themselves spend all the money they have earned on consumers' goods.

What happens next? The owners of these "saved" consumers' goods now start to distribute them by paying wages to people in the investment goods industries—i.e., by creating goods that cannot be consumed.

Therefore, as long as all savings (and that means predominantly profits) are used in the employment of people who are prepared to eat up those savings *but do not add to the surplus already in existence*, everything produced will be sold and a happy state of affairs exists as described in your pamphlet, Part V—viz., "the more people who produce things for which there is a sale, the bigger is the demand for everything else, and therefore the more employment there is. It is a sort of two-way transport system in which the inward and outward traffic balance each other."

But it should be clear from the foregoing that this two-way transport system does only work if the savings of the people are completely and regularly invested in capital goods industries. But what is happening in effect? An entrepreneur who is in business for profit will only order new machines, increase his factory buildings, buy new patents, &c., if he thinks he will be able to sell the more goods so produced at a profit in the future. Now, we have seen

that the only way for this to happen is that he himself creates the demand for his products first by investing his profits and putting people to work. But the entrepreneur cannot possibly look at things from this round-about angle. He only notices that, if other entrepreneurs for some reason or other have reduced investment, demand is going back and there is no sense in him investing money in new machinery that will produce more unsaleable goods. He therefore reduces production rather—reduces his own profits—reduces the savings of society by which investment alone can be kept going—reduces employment—and then wonders what is wrong with the Government.

What is the moral of the story? Unemployment can only be cured if activities in the investment goods industries are made entirely independent of profit anticipations of entrepreneurs. Let the State build bridges and roads and public parks, machines, railways and air and motor transport, and the people employed in all these State-fostered industries will consume everything that is produced. In fact, production will never be able to keep up with the always increasing demand.

Have you ever reflected why there is that general impression of prosperity during wartime? Here you have the solution. Investment industries—i.e., industries not producing consumers' goods—are run independently of entrepreneurs' profit anticipations in the consumers' goods industries. The two departments of social production are separated and the problem of "Is Unemployment Curable" has changed into "Is Absenteeism Curable."

