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SAVING AND CIRCULATION REGULATION

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I.
What is saving?

The debate on the current economic difficulties has revealed considerable misconceptions regarding saving and its economic effects. Some of the misunderstandings have had ill-fated consequences for our economy and might give rise to even graver consequences. This article has been written in the hope that at least some of the misconceptions will be sorted out.

Some of the things I would like to mention may perhaps seem to be well known and commonplace. The misconceptions often stem from the fact that one looks at them much too superficially and in isolation of each other. They are considered to be self-evident. One forgets to take into account the social interconnections between them.

I. *Individual saving and national saving*

Individual saving and saving for society as a whole are two completely different concepts. An individual can save by constraining his purchases of goods. He will thereby improve his outstanding accounts in relation to other individuals and institutions. He may, for example, increase his bank deposits, and it is precisely through such an improvement of his outstanding accounts in relation to others that an individual saves.

However, this cannot by and large be applied to society as a whole. Saving for the entire society is not just a question of abstaining from consumption, but also of how the gain from constraining consumption can be preserved. Indeed, the latter is basically the main problem associated with saving for society as a whole. This has often overlooked.

The stock of bank deposits is, for example, not an expression of real saving for society as a whole. It is a purely superficial phenomenon in this regard. It is only a sum of outstanding accounts, and the outstanding accounts can to a large extent be created or liquidated through pure monetary measures.

Society as a whole can only invest the fruit of saving in real economic assets, such as plant and machinery on the one hand and firms' stock of finished goods on the other. However, in modern society increasing the stock of finished goods is of practically no importance as a means of increasing wealth and production. It is only of importance in underdeveloped societies that actually live from hand to mouth. In modern society, a reduction in consumption is only transformed into genuine saving if it occurs in tandem with a restructuring or expansion of plant and machinery. Productive forces must to a lesser extent than earlier be employed in the production of consumer goods and to a larger extent be employed in the production of tools, large and costly machinery, power plants and the like. And to be noted, the expanded production apparatus must in due time be employed. Only when these conditions are satisfied, will there be real saving in society.

This proposition is of unconditional validity for the world economy as a whole, and in general it also applies to each individual country. Admittedly, in order to obtain an entirely correct picture here, we must take into account a possible shift in a country's overall balance of payments. A country can increase or reduce its outstanding accounts with other countries in the same way that an individual can change his outstanding accounts with other individuals in a country. However, the most important factors that determine saving for society as a whole are nevertheless to be sought within the country itself. This applies, not least, to the current situation. It is these domestic factors that I here will bring forth.

2. The relationship between consumption and production

What is the relationship between the reduction in individuals' consumption and the productive measures that represent real saving?

Let us start from the situation that arises when several individuals constrain their consumption. The reason might be a fall in household income, or it may be that prices are falling so that purchases are postponed for speculative reasons. Other reasons may apply, but the motive behind the reduction in consumption is of no relevance here.

A reduction in consumption will have one of the following three effects. First, it may be that at the same time as some individuals reduce spending on consumption, others may increase consumption to the same extent. In that case, the result will be that some individuals will have improved their financial situation and others worsened their financial situation by the same margin, with no increase in saving and no erosion of real economic assets for society as a whole.

Second, it may be that other individuals do not increase consumption to the same extent, but that the overall economic conditions – the interaction between credit provision and firms' assessment of future prospects, etc. – have been such that a portion of existing worn machinery for the production of consumer goods has been scrapped so that the flow of finished consumer goods declined. Instead, the resulting idle labour and machinery were employed to produce larger plant and machinery. On the assumption that the production from these new plants and machinery could eventually be sold, this is a case where the conditions are in place for real saving for society as a whole to occur. Consumption and production have been adapted to each other so that the fruit of saving has been conserved from an economic viewpoint. Individuals' saving has enabled society to increase the stock of the real assets

that are needed to pave the way for increased wealth and higher living standards.

A third case is where some individuals reduce spending on consumption without a comparable increase in consumption by other individuals, and without the type of restructuring of production I mentioned above. To begin with, this will appear as an accumulation of consumer goods in shops and warehouses as unused, dead capital. In the second round this pressure feeds back through the production apparatus, stopping the system which was to maintain the flow of goods. The result is idle workers and unutilised machine capacity. Both consequences imply a destruction of society's productive values. Labour that is not used is forever lost, and much the same applies to machine power. Machinery depreciates even if it is not used. In this case, individuals who have reduced their spending on consumption may have improved their financial situation in relation to that of others, but this has only been possible through a destruction of values for a comparable amount.

If an objective assessment of the situation in the world today, it is clear that it is the latter alternative for the effects of saving which has been realised. Consumption has fallen dramatically throughout the world, but this "saving" has in no way led to an increase in the production of tools, machinery or the like. To the contrary, all means of production have declined. Productive forces have not been channelled in a new direction, but have been destroyed. "Saving" has become fictitious because there has been a lack of opportunities to invest in viable firms.

The foregoing remarks regarding personal consumption also apply to firms and institutions that seek to reduce spending. Each firm or institution that reduces spending also cuts back its own activity and that of others. Thereby, the contraction continues.

This applies to all countries, not least to Norway. When we have a farming population with the ability and willingness to produce meat, milk, cheese, eggs, etc. for the urban population, then for the urban population to constrain its consumption of these goods is not saving for society but a destruction of values. When our country has an educated population of teachers, scientists, artists, etc., spending reductions that lead to unemployment for these groups do not generate any saving for our country. When we have shoe factories, furniture factories, etc. that have machine capacity and skilled workers, there is no saving for our country, but a destruction of values when the population is induced to spend less on shoes, furniture, etc. *The fact that we "save" therefore means at this juncture that we destroy our productive forces.*

This contradiction is unavoidable in the current situation. We are facing an either-or situation. Either saving must stop or productive forces will continue to be paralysed. It is now impossible to boost production without ensuring that the produced goods are sold, that is to say actually consumed.

These things seem so self-evident and clear that it should be needless to draw attention to them. However, experience shows that it is absolutely necessary to do so. In newspaper articles and public debates, we see frequent examples of an utter lack of understanding of the situation. On occasion, some of our leading men even rise to proclaim that we must now "save more and produce more at the same time". Those who advocate this as a remedy in the *current* situation cannot have insight into the interaction between economic factors. Whether the meaning of the statement quoted is that the country's salvation lies in a sharp increase in exports combined with a radical constraining of imports, or that we should increase domestic production without consuming its fruits, the statement expresses a desire that lies beyond any economic reality.

3. *The tragedy lies in the system*

These observations do not, of course, imply any reproach of a firm or an individual that is operating under a tight budget and is "saving" to make ends meet. It would be irresponsible to encourage him to abstain from saving. He would soon lose his shirt if he attempted to do so. The tragedy lies in the system. It is the system that is designed so that a firm and an individual are forced in order to survive into the diabolical "saving race, where he, without wanting to, will stifle sales, destroy society's productive values and thereby aggravate our common difficulties. The reproach can be directed at those who are ultimately responsible for the parts of the system where the effects of "saving" have a pronounced impact, namely the monetary and credit system. They allow this meaningless game to continue as if nothing had occurred. So far, they have not even *raised* the question of how the social interaction between production and saving on the one hand and the monetary and credit system on the other is being expressed in the present situation. They have done nothing to examine without prejudice whether there may be new rational monetary and (technical) credit means that might stop the capital destruction that "saving" is now engendering.

Nor does it seem that we can hope for any help from those who are responsible for government finances. They allow fiscal management to be ruled by the prevailing tug-of-war mentality. Government leaders are groping blindly to strengthen the government's own budget without even raising the problem of an overall budget for the whole economy, that is to say the country's overall economic result. It is characteristic of the lack of planning that the Storting (Norwegian parliament) each year spends large amounts of money on costly government budget preparation and deliberations, while nothing, absolutely nothing, has been devoted to a study of the total balance sheet of the whole economy.

And nothing is being done to examine systematically the complex interplay between these two budgets: the government budget and the budget of the whole economy. For example, nothing has been done to identify the circumstances under which a strengthening of the government budget (by tightening spending or increasing taxes) could entail a destruction of the country's real assets and thereby a weakening of the budget of the whole economy.

The people have started to understand these things. *This* is probably the main reason behind the weakening of the government's authority that is now being so widely discussed.

This is not essentially a political question. None of the political parties has shown a genuine understanding of the economic core in this context, namely a rational organisation of purchasing power factors, that is to say, a monetary, credit and fiscal framework that does not force the individual to "save" to death society's productive forces. Neither the conservatives with their "save, save!" nor the labour party with their facile solution, i.e. allow the state in the usual way to sift off taxes or borrowed capital from sales, have shown that they understand the impact of their proposals on society's purchasing power.

But it is indeed *here* that we arrive at the strategic point where attempts to stop the pernicious effects of cyclical fluctuations must primarily be made.

In the following, I will outline some of the measures that could conceivably be implemented in this area.

II.
The principles of circulation regulation

4. *National and international factors in a country's economy*

Can we do anything ourselves, independently of other countries, in order to counter the current destructive economic developments? I think we can. Of course, we cannot create ideal conditions in all areas in one swoop, but we can rectify the worst.

Excessive emphasis is often placed on international conditions as the cause of the current economic difficulties. One is inclined to overlook domestic factors. In the final analysis, it is after all domestic factors that are the most important. The facts provide testimony.

Look, for example, at a country such as the Unites States of America. Not infrequently does one come across the opinion that international conditions have paralysed economic activity in the United States. But that cannot be the case. From a real economic viewpoint, it is the imports-exports situation that determines a country's dependence on other countries. The exports of the United States account for no more than one tenth of total economic activity in the US. Foreign trade is thus of an order that is absolutely negligible in relation to the scope of paralysis that has now spread through almost all industries and the labour market in the US. A weakening of foreign trade cannot explain this stagnation. There must have been certain *internal* destructive forces that were triggered during the unfolding of the crisis.

However, developments have in general been similar in most countries. It is thus likely that certain internal destructive forces have also been triggered in countries other than the US.

Norway does not constitute an exception. Admittedly, our exports account for a larger fraction of the domestic economy than in the US. Our exports, our shipping industry and our exports of whale oil account for around one third of our national income. But, in this context, we must remember that our exports

have *in fact not declined significantly.* It is utterly amazing that our exports have held up. The decline in the volume of exports in the years since 1930 can be roughly estimated at a mere 10 per cent, which pales by comparison to the intensity of the economic difficulties we are currently facing. In our country as well, there must have been certain internal destructive forces that were unleashed. There must be a domestic organisational failure that is the main reason behind our difficulties. This internal failure primarily lies in the faltering market mechanism that has led to a situation where saving is now having a destructive effect on capital.

We are thus distorting the entire problem if we complacently accept that the explanation lies in the current international difficulties. We must discuss the domestic situation and examine whether there are measures that can be taken here to attenuate the crisis. The following analysis seeks to identify such domestic measures.

5. The possibility of achieving something by monetary means

The experience of the period since the Great War has shown that it is not possible – as one had thought earlier – to regulate production activity in an economy simply by manipulating the discount rate. Nor have the measures that certain central bank systems, e.g. the Federal Reserve System, have applied to support the effects of the discount rate, namely the so-called "open market operations", proved to be sufficient. Not even instruments such as the Reconstruction Finance Corporation have been able effectively to stimulate production.

However, the conclusion thereof is not that *all* monetary policy measures are doomed to fail. It can be demonstrated that there is a particular shortcoming in the measures mentioned above, that explains why they have not succeeded, at least not in the first round. The shortcoming certainly lies in the difference

between what one can call the trade crisis and the liquidity crisis. The measures implemented in the United States and similar measures taken in other countries have only targeted the latter crisis. Funds are being provided to banks, but nothing has been done *directly* to promote trade. It was hoped that a more ample supply of credit would stimulate production *first*, and that this would in turn bring sufficient purchasing power to workers, white-collar employees and other consumers.

This has not materialised. The uneven distribution of purchasing power cannot be remedied in this way. Most entrepreneurs now find – rightly so – that they cannot increase production before there is evidence of demand returning to a more normal level. As a result, even firms with a large volume of liquid equity capital are holding back. They have a passive rather than an active approach to capital investment.

And the firms that might have the courage and initiative but little equity capital are being restrained because the banks' credit policies are ruled by a severe collateral panic. All conceivable types of guarantees are required. This gives rise to the paradoxical situation which is so characteristic of a certain stage of depression: Banks are relatively well endowed with capital, but lending is nevertheless tightened because banks find that the loan applicants are not "creditworthy". Creditworthiness has ceased to exist precisely because of the trade crisis. And it cannot be revived without *first* resolving the trade crisis.

This explains why the recently implemented monetary measures, which only seek to resolve the liquidity crisis, have not been successful. But this also implies that more rational measures that address both the trade crisis and the liquidity crisis are likely to provide some measure of success. The proposal I shall present below is designed to this end.

6. Coordination between the treasury and the monetary institutions

Both the trade crisis and the liquidity crisis are the result of destructive forces that arise when *everyone* tries to do the same thing, e.g. when all consumers and firms seek to "save" or all banks seek to tighten collateral requirements and increase the liquidity of their funds. In order to break this vicious cycle, it is necessary that *one* does the opposite of the others, the opposite both as regards trade and liquidity.

No firm, bank or individual has the power to do so. Only *one* entity has the power – and also the duty – to do so, namely the state.

The state can accomplish this by a rational, balanced coordination between the treasury and the monetary institutions, a coordination that aims at regulating the mass of means of payment in consumption and production so that the conditions are in place to sell the stock of goods that we now know we can actually produce.

It may appear heretic to advance this line of thinking. Traditionally, we are after all accustomed to the principle that state finances and the management of the monetary system should be kept separate. This principle was indeed appropriate under the stable conditions prevailing prior to the Great War. But it is no longer appropriate. The problems are different as a result of the revolutionary advances in the technical means of production, and as a result of the distortion of the money and credit mechanism during the war and thereafter. This distortion has led to a situation where the money and credit mechanism is now having effects that are entirely different from those observed earlier, and which in many respects are the exact opposite of the intended effects of the monetary and credit system. Against this background,

cold-bloodedness is now required in order to implement reforms without quivering.

Circulation regulation implies a transfer of purchasing power from certain periods to others or from certain areas of economic life to others. Through its *tax policy*, the state has an instrument to carry out such a transfer.

If the transfer is to be effective, it must be undertaken so that one does not take with one hand what one gives with the other. In a period of depression there is, for example, little help to be found in the state taking purchasing power from some consumers and giving to others. What the state must do during a depression is to collect less tax from taxpayers (including customs duties, etc.) in total than it uses on expenditures. For the sake of brevity, I will refer to this difference as the circulation difference.

This difference plays a decisive role in the dynamics of cyclical fluctuations. It is this difference which channels new purchasing power to consumption. By adjusting it, the state thus has a means of regulating monetary circulation in society and can thereby counter the destructive effect of saving on capital.

First, this means the state should *reduce taxes* during a depression.

Second, it means that during a depression the state should not be seized by panic when assessing expenditures. The state must continue as usual to assess each expenditure item prudently based on its national return. No expenditure item must be cut unless it can be demonstrated that the reduction constitutes genuine savings for the country's economy as a whole.

The government budget as drawn up at present does not sufficiently reflect this. This implies a considerable risk in a period of depression. The Storting should therefore require that any far-reaching saving proposal be accompanied

by a *benefit calculation* which, with the highest degree of accuracy possible, summarises the effects of the proposal on the various components of the national economy and shows the real values that would be gained for the country as a whole. The same requirement should apply to proposals to increase government activity as a means to remedy the crisis.

If the Storting, after a thorough assessment of these national considerations, finds that total expenditures should be reduced then the tax reductions for the year – if it is a depression year – must be even higher. It is not the tax reductions per se, but the fact that tax revenues are smaller than total government expenditures that implies a channelling of new purchasing power to consumption.

The circulation difference will manifest itself as a *cyclical item* in the central government budget. This difference must not be covered by borrowed funds that in the ordinary way are siphoned from sales. That would again imply that one is taking with one hand what one is giving with the other. The state must finance the difference in a way that truly generates new liquidity reserves. The state will be able to provide such new liquidity reserves if it acts as though it is representing the economy as a whole, i.e. that it uses the economic resources that are available in contrast to state economic resources in a narrower sense. The deficit in the present depression does not consist of real values, but nominal values. And the latter can and should be mobilised by the state; not by an uncontrolled issue of notes, but by legitimate and carefully planned financial transactions. Below, I will briefly describe the technical framework.

During periods of expansion, the state must destroy liquidity reserves. Tax revenues must then be higher than expenditures. The circulation difference will then be negative. The cyclical item will consequently be a revenue item in the central government budget rather than an expenditure item.

Rational rules for the cyclical item and its treatment under various given situations will create a mechanism that works in *both* directions, i.e. it can both stimulate trade during a depression and curb activity during an upturn. This is an important point. It would be irresponsible at this juncture to trigger a movement that could not with certainty be reined in if the impact proved to be too large.

I have discussed the general principles of circulation regulation. Finally, I will discuss its technical implementation.

III.
The technical implementation of circulation regulation

7. The German "Notverordnung" of September 1932

The German "Notverordnung" [Emergency decree] of September 1932 is a system that primarily aims at producing precisely the effects I have cited as necessary in the current situation. It may thus be of interest to take a look at the practical formulation of the German scheme.

The scheme is quite characteristically designated as "Verordnung des Reichspräsidenten zur Belebung der Wirtschaft. – Teil I: Entlastung der Wirtschaft" [Presidential decree on the stimulation of the economy. – Part I: Relief of the economy]. It comprises sales tax, income tax, land tax and rail traffic tax.

Any person who pays such taxes that fall due in the period between 1 October 1932 and 30 September 1933 will benefit from a *tax refund* of 40 per cent

(100 per cent for traffic tax). The refund is designed so that the taxpayer pays the entire tax, but receives “tax certificates” (“Steuergutscheine”) for the refunded amount. The tax certificates can be used as a means of payment for paying taxes to the Reich spread over five years from 1 April 1934 to 31 March 1939, albeit not for the payment of income tax.

The tax certificate is in the name of the *bearer.* It is issued in denominations of RM 10, 20, 50, 100, 200, 1000, 10 000 and 20 000 (with certain special terms for small denominations of RM 10 and 20). Every certificate includes a main talon that states the nominal principal amount and five-year coupons that correspond to the five fiscal years during which the amount is to be used as means of payment to the state.

In addition, a *premium* is paid to firms that in a quarter in the period between 1 October 1932 and 30 September 1933 employ more workers than the average in the quarter June-July-August 1932. The premium is RM 100 per extra worker employed per quarter, and the premium is paid out in the form of the tax certificate mentioned above.

This system is estimated to entail the issue of tax certificates for a total of around RM 2.2 billion, i.e. 1.5 billion in tax refunds and 0.7 billion in premiums for employing extra workers. This transaction in the amount of 2.2 billion is considered the second largest issue that has taken place in Germany.

The bearer of the tax certificate is permitted to sell them, discount them in banks or use them as collateral for overdraft facilities. Moreover, the tax certificates can also be used as collateral for the issue of trade bills that can be rediscounted in the Reichsbank.

The tax certificates are instruments that can be traded on all German stock exchanges. The publication of a prospectus is not required in this connection.

In the settlement of the tax certificates (when the certificates are used as means of payment vis-à-vis the state), an amount is added ("Auf-Geld"), which comes to 4 per cent per annum. The certificates are thus interest-bearing instruments. The interest income earned by the bearer of the tax certificates is exempt from tax.

Upon request, the public treasurers *exchange* low-denomination tax certificates in return for high-denomination certificates.

In connection with the issue of tax certificates, state support to municipalities is increased, steps are initiated for introducing a 40-hour work week, and a number of other measures designed to strengthen the country's economy.

If one studies this system, one finds that it has precisely the effects that we should be striving to produce, as I have argued above. First, a circulation difference is created in the form of tax reductions of sizeable amounts, implying an increase in the purchasing power for consumption. Second, new liquidity reserves are created owing to the rules that stipulate that the tax certificates can be used for the issue of trade bills that can be rediscounted in the Reichsbank.

I would consider it to be a major step in the right direction should a similar system be implemented in Norway, albeit preferably a system where the validity of the tax certificates as a means of payment vis-à-vis the state is spread over 10-15 years.

8. A system of Treasury bills

If the approach is to be a long-term one and particularly if the aim is to establish a counter-cyclical mechanism that works in both directions, I believe

it would be appropriate to design a system that is slightly different from that implemented in Germany. In my view, it would more rational to introduce a system of Treasury bills, carefully adapted to the cyclical item in the central government budget that I discussed under point 6. The system might be formulated approximately as follows:

I. A law is adopted on Treasury bills. The bills can be discounted in Norges Bank (the central bank) subject to certain rules, to be further specified. The discount ability is not designed to force notes into circulation in the amount equivalent to the bills issued. The discount ability right shall only be exercised when there is eventually a genuine need for new notes, which cannot be satisfied by other means. The most important aspect is that the possibility of discounting exists. In this case, as in so many other areas of the monetary system, the best way of *avoiding* doing something is to provide an easy *access* for doing it if it should prove necessary.

II. The state deposits the bills as collateral for loans furnished by the country's banks. The bills are designed to serve as a kind of "accommodation" bonds. Hence the state retains the ownership to them. Only to the extent it becomes necessary to discount the bills in Norges Bank will the bills change hands. Whether it should formally be the banks or the state that discounts the Treasury bills is a matter of a practical nature. The most rational arrangement would be for the state itself to discount the bills so that the item could be excluded from banks' accounts. However, it is possible that such a reform in our banking practice would be so out of line with customary concepts that banks should be allowed to rediscount the bills. Irrespective, the system must be designed so that a bank that discounts a bill is not given a stamp of inferiority. The practice of rediscounting that has now gained ground in our country is highly regrettable. Rediscounting is now wrongly considered as an adverse phenomenon. As a consequence, most banks seek to refrain from

doing so. In fact, our banking system lacks the healthy balancing component that a rediscounting system should provide. As a result, the 50-60 million in Treasury bills currently outstanding have not been able to provide banks with the liquidity reserves that it should have.

III. The loans that the state would raise against the deposit of the Treasury bills should be almost immediately redeemable by banks, possible with some small limitations that are deemed practical. Basically, these loans will constitute a strong liquidity reserve for the banks. As a result, the interest rate on these loans could be set at a very moderate level. The low interest on these loans implies that no new real values are created, but only a stock of means of circulation in order to trade the real values that actually exist.

IV. The state revenues generated should be used *to reduce taxes* – foremost direct income and wealth tax and then to avoid introducing new taxes, e.g. the currently proposed sales tax.

V. If the measures are to be sufficiently effective, local government taxes should also be included in the system. Through the secured loans provided by the Treasury bills, the state should take over a certain share of local government taxes, either a fixed percentage of all local government taxes or perhaps by using a special reduction table. Such an arrangement should not be introduced on the grounds that it is more appropriate for the state to bear the expenditure burden rather than the municipalities, but because the state – and only the state – has the means to organise this system so that it does not become expenditure but *income* for society as a whole.

Such a system must be accompanied by more thorough state control of local government borrowing (control which also includes small loans). Perhaps such control should be broadened to include a more comprehensive rationalisation of local government finances in their

entirety. The tax reductions cited above could in that case pave the way for an ultimate reorganisation of local government finances.

VI. The credit received by the state against security in Treasury bills should not be drawn on by the state in large single amounts. It should be drawn on little by little so that the indirect effects of the state's *use* of the money is given time to unfold. These indirect effects will, among other things, strengthen the position of the banks as their deposits increase. Lending generates deposits! At the same time, new borrowers will start to queue up as they become creditworthy thanks to the stimulus generated by increased sales of goods and the profitability gains among firms provided by the tax reductions. All in all, this will contribute to countering the unnatural contraction that now prevails.

VII. When times have definitively improved, the moment will come for the state to withdraw from the game. The funds that will be required to settle the debt must then be raised through a cyclically determined *tax increase*, an increase in both state taxes and local government taxes. If the economy starts overheating after a period, perhaps the taxes should be raised to the extent that they more than cover the loans that were secured by the Treasury bills. The state must not use the excess income on state expenditures or channel it to banks, but simply "sterilise" by holding it as sight deposits in Norges Bank.

9. *A cyclical council and national accounts*

Every effort should be made to ensure that any decision to increase or reduce state and local government taxes be based on an expert assessment. To the furthest extent possible, political rope pulling should be avoided in this context.

It might be an idea to establish a cyclical council to make such decisions, a council that could operate with an independent status similar to that of the

Supreme Court. The council should comprise members who do not represent a political party, but a particular field of *expertise:* business, banking or economics. Membership should be permanent so that members are completely free from any financial ties to business, banking or particular institutions.

In connection with the establishment of such a cyclical council, an overall financial plan should be drawn up in order to provide an exhaustive picture not only of state activity, but also of the interaction between government and municipal budgets and other economic fundamentals. Such an overview will serve as an overall national accounting system. Only with such accounts will there be a basis for assessing the real economic weight of the arguments thrown into the economic debate.

Such an accounting system will, for example, provide a means of measuring the magnitude of the destruction of capital destruction, which is now being driven by voluntary and forced "saving". I believe that it will not take long before circulation regulation designed to halt capital destruction will be recognised as an obligation of the state that is just as imperative as the obligation to ensure the rule of law.