THE ROLE OF PERSUASION IN ECONOMIC AFFAIRS[1])

By SIR DENNIS ROBERTSON

I want to speak, as I think you will expect me to, about some problems of the British economy; but instead of throwing at you a mass of facts and figures, which are hard to take in by ear, I propose to let what I have to say grow out of the theme which I have taken as my title—the Role of Persuasion in Economic Affairs. Let me put it in this way. There is a saying in England, and I dare say here, that there are two ways of getting a donkey to progress along a road,—by holding a carrot in front of his nose and by applying a stick to his behind. But experts say there is also a third way, of which we normally hear less, namely, by stroking his ears,—in other words by establishing a code by means of which the animal becomes aware of what is expected of him and behaves accordingly. For the first six years after the war we in England lived under a régime of which the leit-motiv was planning, regulation, prohibition; for the last three years we have lived under one of which the leit-motiv has been the restoration of incentive and the generation of enterprise. But in point of fact under both régimes immense reliance has also been quietly placed on the efficacy of this third force of a code of communication of looked-for behaviour.

It will be my theme that what I call Ear-stroking is a noble art, which has been developed in England to a pitch which may well be, and indeed is, the envy of some other countries. But also that it is an art which we must be careful not to overdo, lest it should prove incapable of responding to the excessive calls made upon it; so that there need be no cause for shame if we discover that in this connection or that it would be wiser to revert a little towards the cruder methods of the carrot, or even—with due repetition of the schoolmaster's formula that it hurts us more than it hurts him—of the stick.

We have in England two specially notable ear-strokers, the Bank of England and the Board of Trade. Indeed the Bank of England has good

[1]) An Address delivered before the Nationaløkonomisk Forening on September 15th, 1955. The substance of the address had already been delivered as the Earl Grey Memorial Lecture at King's College, in the University of Durham, on May 27th, 1955.

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claims to be regarded as the champion ear-stroker of all time. Historians have told the story of the way in which, not without reluctance and back-slidings, it came in the latter part of the nineteenth century to assume the ultimate responsibility for what happened in the markets for money and foreign exchange; and it is within the memory of the older among us how those somewhat indigestible morsels, the great joint-stock banking amalgamations, were brought fully within the orbit of its leadership. Long before 1939, working partly through the public semaphore of Bank Return and Bank Rate, but largely also through more private and intimate contacts, it had established a system of monetary control which worked at least as effectively as, and a good deal more flexibly than, others which were hedged about with legal regulations and powers. As you know, one of the central features of the whole system, the convention by which the joint-stock banks now keep continually in the form of cash or balance at the Bank of England an amount equal to eight per cent of their deposit liabilities, *is* still a convention and not a legal rule.

There followed a period of war and crisis, of legal changes, of altered objectives, some would say of virtual abdication of monetary control, over which I must skip to resume the story at the re-birth of monetary policy in November 1951. And from this point, in order to avoid prying into ineffable mysteries of the relationship between the Treasury and the Bank of England, I had better speak vaguely of "The Monetary Authorities".

The story falls into four phases:—a period of experimentation from November 1951 to the following March; a long phase of two and a half years of apparent stability and calm; a period of more intense activity beginning perhaps in the closing months of 1954 and reaching its climax with the rise in Bank Rate to four and a half per cent in February last: and finally, in response to a new threat this summer to Britain's balance of payments, an intensified "credit-squeeze" which is not yet two months old. It is not my intention to recount the story in all its technical detail but only to call attention to certain features of it which are of interest from the standpoint of my special theme.

The first phase was ushered in by a piece of ear-stroking which was admitted even by champions of that technique to be somewhat extreme. It was whispered into the ears of the astonished donkeys—in this case the joint-stock banks—that it was their manifest duty to contribute to the required tightening of monetary conditions by turning some £ 500 millions of their very short term assets into securities of slightly higher yield indeed but of longer maturity. This action was required in order to enable the Authorities to make use of a convention which for some time had ceased to be relevant,—a convention, namely, that the banks should always keep a sum equal to not less than roughly thirty per cent of their deposits in the form of very short term assets (including that eight per cent of cash). For it is only if this convention is working effectively that the Authorities can be sure that, if they try to check the growth of bank deposits by keeping the banks short of cash reserves, the banks will not strike back by turning some of these short term assets into cash instead of dutifully restricting their long-term investments or their advances. Thus the exceptional action of the Authorities in putting pressure on the banks to lop off at one fell swoop their overgrown surplus of short term assets could be defended on the ground that it was obviously of a cleaning-up or once for all character.

It is of interest from our point of view that while some observers felt that this action of the Authorities went a bit far and needed special justification, others thought that the principle might well have been pushed further. Why not, asked one of them, my clever young Cambridge colleague Mr. Johnson, save the Government some money by simply letting it be understood that forty per cent instead of thirty per cent in cash and other short term assets was now the done thing? The only answer I can suggest is one to which I shall several times have to recur, namely that if the standard of the done thing is set too far apart from what the enlightened self-interest of the persons concerned dictates, the done thing will not in the end be done.

During the long quiet phase of the New Monetary Policy between the spring of 1952 and the winter of 1954, sundry technical improvements were made in its working; but the situation remained dominated by an apparent determination to keep the rate at which the Government could float its Treasury Bills far below the resuscitated bank rate. The negative carrot of higher borrowing rates, that is to say, was applied in a certain measure to the general public, but not to the Government itself; nor to the bill-brokers who, under the English system, borrow from the banks and others in order to supply the Government with funds, though now and again one of them was given a tweak by the ear *pour encourager les autres,*—a not very happy new application of the technique of Informal Communication of Wishes. It is not surprising that to some observers the whole of the New Monetary Policy began to look rather unserious. It almost seemed as if the Old Lady of Threadneedle Street, like the Delphic priestess of old, was herself not too clear about the meaning of the signals she was emitting. Did she remember that in the old days bank rate was one of a pair of instruments worked in intricate conjunction, the other member of the pair being direct operation on the cash reserves of the banks, this in turn, to be fully effective, requiring that the negative carrot of high interest rates should on occasion be applied in full vigour to the dealers in bills?

It was not till the semi-crisis of sterling in February last that all these things came to pass; and when they *did* come to pass the results seemed for a time rather disappointing, as we shall see in a moment. Meanwhile it is of interest from our special point of view to note that they were accompanied by a measure of a wholly different character. This was the restoration of direct controls, both administrative and financial, on a particular class of credit transactions, namely those connected with the acquisition of goods by hire-purchase. This reversion to the use of the stick greatly shocked some of the enthusiasts for the restoration of the carrot, among whom in general I count myself. I am not altogether able to agree; there does not seem to me the same objection against singling out a whole class of transactions of this kind for special disciplinary treatment as there is against attempting to discriminate between individual industries or individual firms. In any case I think this is not a field in which the third method, the Informal Communication of Wishes, is likely to be very effective; to use a slang expression, there is not likely to be much change to be got out of the ears of the hire-purchase companies, great or small.

I said just now that the restoration of monetary policy in full vigour, with a four and a half per cent bank rate and Treasury Bill and other short rates to match, proved somewhat disappointing as a check to inflation; and we now have to consider why. One reason may prove, I fear, to be rather a deep-seated one, even if policies are directed aright. As a result mainly of the distortion produced in their balance-sheets by war finance, the banks' advances, which are of course the most lucrative of their assets, are even now only thirty to thirty-five per cent of their deposit liabilities, as against fifty-five per cent in the good old days of 1929; and it is natural enough that when the banks are put under pressure they should seek rather to reduce their Government securities, constituting say thirty-five per cent of their deposits as against fifteen per cent in 1929. This of course has tended in the right direction, producing a rise in longer term interest rates which, after some wobbling, the Treasury has not tried to resist: but the disinflationary effect is less direct than of a contraction of advances. But secondly, the "credit-squeeze" has been operated against a background of huge existing Government programmes of, in particular, housebuilding and electricity supply; large further projects of capital expenditure on transport, coal and atomic energy as well as educational, medical and other social purposes; enthusiastic adjurations to the business community to "invest in prosperity"; and last but not least an actual remission of taxation in the April budget. The result has been to create a high wind of monetary demand, making everything look profitable and nothing look risky, so that, as one critic has put it, the candidates for a curtailment of bank loans have failed to select themselves automatically in the way in which they used to do in periods of credit restriction.

And, from my special point of view in this lecture, a further result, within the last two months, has been a recrudescense of ear-stroking on a spectacular scale. First it was the banks themselves, stroking the ears of their customers in a letter to the *Times* newspaper, and almost imploring them not to be unkind and come bothering for loans. Then it was the Chancellor, stroking—one might almost say cuffing—the ears of the banks and telling them it was their duty to effect a "positive and significant" reduction in their advances over the next few months. In response to this peremptory request, the banks, it is believed, have got together and agreed on the principles of a reduction of about ten per cent by the end of the year. As the same critic whom I quoted just now has put it, they have had to consent to act as planners for a Government which regards planning as impossible.

Well, for all I know things may have come to a pass when direct action of this kind was inevitable. But the lesson to be learnt, I think, is not that the revival of bank rate policy has been a mistake, nor that it has been pressed too far, but first that its full application was developed too slowly, and secondly that it has had to be used in an environment which other branches of Government policy have rendered resistant to its effective operation.

I must now say something about another very experienced ear-stroker, the Board of Trade, which has practised this art in numerous connections. One of these, the geographical distribution of industry, might be thought at first sight peculiarly suitable for its application. For it is often said that there are a number of industries which are "foot-loose" in the sense that there is no strong economic reason for their being conducted in one locality rather than another, the decision often being a matter of chance or fashion or—a slightly more economic factor—the preference of the entrepreneur's wife for metropolitan society. And if that be true, then here is a case where, if the Government has a policy to put across, the arts of explication and persuasion should be employed to the full to avoid unnecessary wastage of carrots or bruising with sticks. And employed these arts undoubtedly have been, in the interests of guiding industrial enterprise to certain selected parts of the country, known as Development Areas, in which unemployment had been specially heavy before the war,—the north-east coast of England, South Wales, the Glasgow region and so forth. Yet it seems doubtful if the policy would have made much headway if it had not been buttressed, under the Distribution of Industry Act of 1945, with pretty liberal helpings of statutory carrot. For a time too the Board of Trade found ready to its hand a heaven-sent statutory stick, with which the Act of 1945 had omitted to provide it; this was the general power of withholding building licences wielded by its friend the Ministry of Works. It is outside my purpose to debate at length the merits of this policy of attempting to steer the location of industry; my point is simply that it is a matter in which Persuasion unaided is not likely to be enough, because it seems that in most cases a definite increase in direct production costs is involved, which Society, if it thinks the objective worth while, must be prepared to meet.

Another prominent use by the Board of Trade of the art under study has been in the stimulation and direction of exports,—the jollying-along of industrialists, by what I once ventured to describe as "encouragements which are not quite promises, frowns which are not quite prohibitions, understandings which are not quite agreements" to sell their wares abroad rather than at home, and in this region of Abroad rather than that. I am not for a moment saying that in the difficult exhange situation which confronted us after the war this could have been dispensed with. I certainly would not maintain that sermonising has played no part in assisting some British industries—motor-cars and bicycles spring to the mind—to realise that there is only limited truth in the old belief that the cushion of a large home market is necessary in order to develop a profitable export trade. But I think there was a period when some breath and temper expended in these proceedings could have been saved if the nettle of currency alignment and firm domestic control had been earlier grasped; and that even now the objective should be to work back towards a situation in which the distribution of productive effort between making for home and making for foreign markets can safely be left to be determined by the relative size of carrot-bundles obtainable.

As regards the selection of export markets, again, I am not among those who have denied the existence, for Britain and other countries, of a specific "dollar problem", and we have had some nasty reminders in the last few weeks from the American Administration of the obstacles in the way of its solution. But how difficult in detail is the administration of a selective export policy! Is not an export activity which brings a big reduction of sterling balances in London better than one which brings only a small addition to dollar reserves, and if so what does "big" mean and what "small"? Is not the export to Australia of something which the Australians would otherwise indubitably buy in the United States just as good as an export to the United States? How blessed when the time comes—I am not pretending it has come yet—when such conundrums need not be asked, and the selection of markets can be left to ordeal by carrot!

In quite recent years, the most spectacular instances of reliance by the Board of Trade on the method of Communication of Wishes are perhaps those which have occurred in connection with the Monopolies and Restrictive Practices Acts of 1948 and 1953. Under these Acts, if the Monopolies Commission, an independent body, reports that certain practices followed by an industry are contrary to the public interest, the appropriate Minister may make an Order declaring these practices to be unlawful and requiring agreements which embody them to be brought to an end. Yet only in one case, and that the earliest in time, out of the nine which have so far arisen has such an Order been made. In all the other cases the Board—or where appropriate some other Department—has relied on the technique of discussing the matters at issue with the leaders of the industry concerned, and obtaining from them assurances that the desired change will be brought about.

There is evidently something very attractive about this idea of voluntary amendment of ways in accordance with the will of the people as expressed by an impartial and respected body, and there is no reason to suppose that these assurances of good behaviour have not been given in good faith. Yet I do not think it is unduly cynical to doubt whether to rely permanently on the operation of an "honour system" over such a large, complicated and controversial field is not to put more on human nature than it is fitted to bear. "My attention", said the President of the Board, when these matters were debated some six months ago, "has not been called to widespread breaches of undertakings which have been given." One need not, I think, be a very truculent person to feel that that is not quite good enough. And now, following a general report by the Monopolies Commission on the practices described as "exclusive dealing" and "collective boycott", the Government has announced its intention to legislate on the following lines. Not only these but a number of other questionable practices are to be in turn called up for registration, and, subject to appeals by the trade associations which practice them—appeals which will no doubt be numerous and closely argued—are to be definitely banned. The whole subject is exceedingly difficult and complicated and it is too early to predict how the programme will work out. Enough to note that in this field there is projected, I think legitimately and wisely, a definite extension of the territory of the Stick at the expense of that of the Stroked Ear, though the stick apparently is to be of the merciful variety which is cut out of the hedge of the civil and not the criminal law.

None of these matters which I have so rapidly passed in review—the machinery of monetary control, the local distribution of industry, the destination of its products, the pricing activities of trade associations—is unimportant. But transcending all of them in general interest is the broad problem of the distribution of the national product between the several parties who cooperate to produce it, and more particularly the problem of the due magnitude of those two constituents of the national income on which emotional interest is chiefly concentrated,—the wage-bill and the flow of distributed dividends. Can our society be content to leave these things to the play of market forces, operating, in appropriate cases, for bargaining purposes through collective organisations? Or should it take a leaf out of the book of its earlier history, and assign a far more important role in these matters than it does at present to written law? Or, if that seems a retrograde step, is there anything to be looked for from a more intensive use than would have seemed possible fifty or a hundred years ago of what I have called the Third Force,—the force of persuasion and convention directed to averting provocative action and damping down inordinate claims?

Of these two selected streams, wages and dividends, let us look first at the smaller. No one doubts that the powers of persons organised into joint stock companies to carry on business and earn profits must be exercised within an elaborate framework of written company law; the question is whether their rights to distribute these profits among themselves should be limited either by legal action or by moral pressure. Since in most cases these persons have bound themselves by their articles of association not to declare higher rates of dividend than those recommended by their elected directors, the question resolves itself in practice into whether these directors shall be subjected either to legal or to moral pressure in this matter of the disposal of company profits. If the pressure is to be moral, its exercise can hardly, in a matter of such importance involving so many individuals, be entrusted to any subordinate organ of state; it must be exercised publicly by the Government of the day, as it was in England for some years after February 1948, during which period directors were under "request" from the Chancellor of the Exchequer not in any year, unless in the most exceptional circumstances, to declare dividends higher than in the previous year.

The arguments against adopting such a course as a normal procedure seem to be enormously strong. There seems little reason to think that normally the company director needs outside assistance in keeping the rapacity of his shareholders sufficiently in check to enable him to make due provision on their behalf for the expansion of their company. There is even reason in some cases to suspect the opposite,—namely that *vis inertiae* and considerations of ambition or prestige will lead to sums of money being "ploughed back into the business" which would have been better paid out in the expectation that, though some of them may be spent in riotous living, most of them will find their way into financing new and promising developments. If to the ear-stroking normally practised by directors on their shareholders there is to be added a further and not over-gentle official stroking of the ears of the directors themselves, there seems a real risk that one of the results will be a progressive ossification of the market for investable funds and a progressive distortion of the structure of the country's equipment of material capital. I am inclined to think that if this is what a democratic electorate wants, it had better have the courage to get it by legislation than abuse the method of moral suasion for the purpose; but I do not despair of its being brought to realise that it really wants no such thing.

It is true that in quite recent years there has been a special influence which might well have tempted directors to over-distribution. This is the inadequancy of statutory depreciation allowances, in a period of rapidly rising prices, to cover anything like the true cost of replacement of fixed capital assets, and the consequent emergence as nominal "profits", subject to heavy taxation as such, of sums which are really in the nature of current costs. In general, directors have manfully stood up to this situation by allocating large slices of these paper "profits" to reserve; but in trades, notably the shipping trade, in which the situation is particularly acute, they have not always felt able to stand up to it completely. Thus the Chairman of the Cunard Company, in his spirited reply to the pressure for increased dividends exercised by a vociferous (and apparently peculiarly inaccurate) shareholder, has recently claimed or confessed—whichever way you like to put it—that, while the cost of shipbuilding is four times what it was before the war, he is only making provision for the replacement of his fleet on the basis of a doubled cost, that being "the utmost the trade of these days will permit".

In such circumstances it is perhaps arguable that the Cunard shareholders should receive no dividends at all, since there are no true profits out of which a dividend can be paid; but a society which is permitting its Government to take away half these imaginary profits in taxation is scarcely in a strong position for arguing on these lines. Furthermore it can perhaps be argued that if, in such circumstances, the shareholders are not economically or morally entitled to a dividend, they *would be* economically and morally entitled to demand the closure of what is *prima facie* an unprofitable enterprise, and the return of what can be salvaged of their money capital for re-investment in some more profitable, and therefore more economically justifiable, direction. The whole situation, that is to say, in these trades, while if there is no further inflation it may right itself in time, is for the present rather deeply diseased and awry. It is hard to believe that the right solution is for all the liner companies in the world (and a good many other businesses as well) to go into liquidation. But if we resist this conclusion, I think we should also be slow to admit that this abnormal situation furnishes a sufficient reason for abandoning the normal rule that dividend policy is a matter best left by society to directors, acting within the framework of a strict company law under the eyes of bodies of shareholders who may fairly be exhorted in general terms to be neither sluggish nor predatory but should not be subjected to more specific acts of official chivvying or cajolery.

I have left to the last the most important question of all. What place is there for my Third Force in controlling the size of the biggest element of the money national income,—that national wage-bill which in the United Kingdom by 1954 had risen by nine-tenths since 1946 and more than trebled since 1938, the money figures representing increases in real terms of one quarter and nearly two-fifths respectively?[1]) This is a vast subject, and if I am to say anything sensible about it in ten minutes I must be allowed to take certain things for granted. One is that over a certain range of industries a floor will continue to be put under wages with the aid of the sanctions of the criminal law. Another is that no attempt will in fact be made in peace time to compel the submission of wage disputes to arbitration, or to enforce by law the awards of arbitration tribunals to which recourse has been voluntarily had. A third is that, in the event of disputes occurring, the skilled ear-stroking ministrations of the indefatigable officials and outside parties who plod cheerfully along the corridors between closed roomfuls of obstinate disputants will continue to be readily available, and will often be successful, so far at any rate as a face-saving agreement which appears to give something to everybody is a criterion of success.

Assuming the maintenance of the present framework in these respects, it is nevertheless arguable that something more should be attempted. It has for instance been argued in an interesting pamphlet published by the Fabian Society[2]) that the Government of the day should formulate far more explicitly than it has ever hitherto done the wages policy which it believes that negotiating bodies should pursue, and even that, not content with issuing pronouncements of this kind, it should set up some kind of National Wages Board empowered to "supervise" all collective agreements arrived at, with a view to seeing that they conform to the policy thus expounded, and authorised also itself to "initiate enquires with a view to proposing necessary reforms of existing wage structures". The General Council of the Trades Union Congress, so this writer argues, cannot be expected to evolve into a truly federal organ, itself initiating and conducting an unified wage policy; but it *could* be expected to participate in the formulation of such a policy by the Government, and to acquiesce in the application of the policy by the proposed National Wages Board. And, says the author, "the course of industrial relations in this country does suggest that [the Board's] moral authority might well be adequate to fulfil its purposes".

Such a result, if it could be achieved, would indeed be a proud feather in the cap of the Third Force in Economic Affairs. But to most people, I think, it seems unlikely that it *will* be achieved, or that either Government or General Council will move far in this direction beyond those general exhortations towards moderation in wage demands which have been sprinkled fairly liberally over the last few years. We must not, indeed, unduly belittle the part played by these exhortations. There does seem reason to

[1]) As measured by item "Wages" in the official Blue Book, Table 2. The corresponding increases in real terms of the total of interest and dividends distributed by companies and public corporations were one tenth since 1945 and *minus* more than a quarter since 1938.

[2]) *A policy for Wages:* by Allan Flanders (July 1950).

think that the White Paper on Personal Incomes, Costs and Prices issued in February 1948, and the very vigorous manifesto issued by the General Council after the devaluation of sterling in 1949, did something to check for a time the pace of the wage advance. On the other hand the advance was no more than delayed, and by the end of 1950 was again in full swing; and according to one expert[1]) at no time did the awards of the National Arbitration Tribunal exhibit any direct effect of the prescriptions of the White Paper.

I think therefore there is some wishful thinking among those who pin their faith to what has been called Organised Voluntaryism[2]) for the solution of the problem of the wage level in a full employment society. But so there is also, in my opinion, among those who reject it in high confidence that that problem is well on its way to solution without its aid. Among these, apparently, is the expert whom I have just quoted, Professor Phelps Brown. "There is no presumption from our general knowledge of collective bargaining" he wrote in 1952,[3]) "that low unemployment of itself gives the unions superior bargaining power... The idea of full employment must not be indentified with the inflationary conditions of recent years." I wonder; I cannot help thinking that another expert, my Cambridge colleague Mr. Stanley Dennison, writing in the same Journal two years earlier,[4]) had struck a more realistic note. "The need for a 'wages policy' arises because of the determination to keep unemployment down to a minimum which is lower than ever before experienced for any length of time except during war. If this is put as the first objective of policy, to which all other aims must in some measure be subordinated, then it would seem impossible to formulate a satisfactory policy for wages which will at one and the same time maintain stability and also allow that flexibility which is the mechanism of economic change." "It may be", he concludes, "that we shall be driven ... to make the choice between maximum employment with precarious stability and a good deal of rigidity on the one hand, and a less ambitious objective of employment with more assured stability and some flexibility on the other."

Since these words were written, the unemployment percentage in Great Britain, after rising from one and a half to just over two, has fallen to below one. The number of unfilled vacancies registered at the employment exchanges has risen to be well over twice the number of registered unemployed. The pressure for wage advances has gathered momentum, and though

[1]) Prof. E. H. Phelps Brown, Lloyds Bank Review, Feb. 1952, p. 25.

[2]) "It sounds" said a highly placed Board of Trade official "like an occupational disease of Church organists".

[3]) Loc. cit. p. 22.

[4]) Lloyds Bank Review, April 1950, pp. 35—7.

at the Trade Union Congress lately some extremist motions were satisfactorily defeated, some very large claims were still outstanding and there is no present sign of their being withdrawn or modified. My own belief is that some revision of policy objectives on the lines suggested by Mr. Dennison is overdue. It is not pleasant to recommend courses of action which will result in anybody's livelihood being rendered even a little less secure; but I do not think economists ought to be deterred from doing so by consciousness of the relative security of their own positions, still less by wholly unmerited taunts that what they want to restore is the distress and disorganisation of the 1930s.

The British community has every reason to be grateful to those Trade Union leaders who, like the late Arthur Deakin, have exposed themselves to obloquy and risked their position and their old friendships by vigorous stroking of the ears of their fellow-members of the manual working class. It has less reason to be grateful to those intellectuals who, by belittling the role of monetary discipline and disparaging the old mechanism of the positive and negative carrot, have helped to create the conditions in which the preachers of moderation have such a hard row to hoe.

It seems to me that what Society has the right to expect from the leaders of Trade Unionism is a redoubling of those efforts in which some of them have evidently not been backward in the last few months to create more orderly conditions than at present everywhere prevail in the machinery for forging wage agreements, and to hammer in the importance of agreements once arrived at being loyally observed. It has not the right to place upon them the major responsibility for the content of those agreements. For, to quote Mr. Dennison once more, "the prevention of inflation is not the duty of trade unions but of Government. If Government wishes to retain free collective bargaining, together with other free institutions, then it must create the conditions in which that system can fulfil its proper functions without a continous threat to stability and social order".

Now let me try to sum up what I have been trying to say in this talk. Persuasiveness and persuadability are valuable things; but, like most valuable things, limited in supply. It is the duty of Society to create a framework of monetary law and administration, and to operate a régime of incentives and disincentives, which will prevent these precious qualities of persuasiveness and persuadability from being wastefully squandered through being set tasks which it is outside their compass to perform.