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A CREDITABLE PERFORMANCE? SIR OSWALD STOLL AS BUSINESS STRATEGIST AND MONETARY HERETIC

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> *A man without credit is like a bird without wings; if he soars he falls to the ground and dies*
>
> (Stoll 1918, p. 2).

Major C. H. Douglas, Arthur Kitson and J. Taylor Peddie are often presented as the three most important early twentieth-century "monetary cranks."[1] It is not entirely clear as to why these three individuals are usually chosen as the top guns of monetary unorthodoxy, but perhaps their influence on the popular opinion of the day is one factor involved. Another factor is likely their influence in mainstream economics circles, as all three gave evidence to the Committee on Finance and Industry of 1930–31 in the UK, otherwise known as the Macmillan Committee. Major Douglas even received a semi-positive mention in J. M. Keynes's *General Theory of Employment, Interest and Money* (Keynes 1936, pp. 370–71), after appearing in a more significant way in the drafts (Dutton and King 1986, p. 277). Douglas has recently received some significant scholarly attention, especially in relation to the influence of social credit ideas in Europe and North America (see Hutchinson and Burkitt 1997), yet some other monetary heretics have been virtually ignored by historians.

One name that was listed in the final Macmillan Report as having provided a memorandum for the committee to consider (Macmillan 1931, p. 189), but who is never ever mentioned by economists writing today, is Sir Oswald Stoll (1866–1942).[2] Stoll can be regarded as a monetary heretic in the conventional sense of the term. He was the author of eight books on financial topics, including *The People's Credit* (1916a), *Freedom in Finance* (1918), *"Broadsheets" on National Finance* (1921), *National Credit and the Crisis* (with C. Graham Hardy, 1924a), and *National*

[1]The author is grateful to the relevant and rigorous comments and suggestions provided by two referees, who were sympathetic to the notion of investigating economic ideas outside the usual HET focus on professional economists.
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Productive Credit (1933). These books promoted Stoll's own enthusiastically presented yet over-simplified account of the capitalist financial system, and also provided remedies for rectifying various ongoing economic problems. They are comparable to, but are not in any way simply copies of, the various monetary schemes outlined by better-known writers outside of mainstream economics in this period such as Major Douglas and Arthur Kitson. They also contain similarities to the ideas of other "forgotten" monetary heretics like Silvio Gesell (Preparata and Elliott 2000, p. 9) and even to other non-orthodox thinkers on finance like H. D. Macleod (Skaggs 2003, p. 367) and John Law.

Stoll was a tireless campaigner for his economic views over a significant period of time, publishing numerous articles in newspapers and magazines on related topics whenever he could. Yet, even given such propaganda activities, Stoll's books are currently absent from the Google Scholar database, despite the Internet Archive recently registering 35 free downloads of *"Broadsheets" on National Finance* over a one-year period. But does this type of exclusion signify that his ideas about finance are of no interest to the historian of economics, even as examples of more or less deserved mainstream neglect? Many ideas of the past are regarded as flawed in contemporary terms, so this should not necessarily be a barrier to fruitful examination by historians. Providing an extra dimension of importance, Stoll differed from other monetary heretics in one significant respect, that of his profession. Major Douglas was an engineer by training, and he traced the origins of his own social credit ideas to experiencing the failure of engineering schemes due to lack of financing (Hutchinson and Burkitt 1997, pp. 10–11). This was a limited background from which to view financial relations in their entirety. Stoll on the other hand began his concern with monetary analysis from an arguably more relevant knowledge base.

Stoll was a businessman, and a very successful and well-known one in his day, as indicated by his receiving a knighthood in 1919. By profession he was a theatrical and entertainments impresario who also created film production and distribution companies, and whose legacy is still alive today through the Oswald Stoll Foundation, a charity based in London. He might reasonably be identified as one of the first multimedia magnates. Stoll started his business empire through theatrical acquisitions, including creating the Coliseum Theatre in London in 1904. He was a rather conservative individual in his political attitudes, yet there is a definite populist twist to his writings on finance. In fact his analysis of economics, despite showing many serious limitations and various unusual quirks, was not necessarily completely without merit.

Consequently, this article attempts to reconstruct Stoll's approach to finance as a case study of the views of a British businessman on economics in the inter-war period, by examining three areas of his life and work. Firstly, his writings on economics are examined in themselves, and in connection with his influence on policy-making of the day. Secondly, some elements of his business strategies are examined in so far as they shed additional illumination on his economic beliefs. And thirdly, some information on Stoll's life and contributions to the entertainments industry are provided as context.

In addition, it is revealing to compare Stoll's unorthodox ideas about finance with his more famous heretical cousins, in that Douglas started out as a guild socialist, whereas Stoll was a respected businessman. Hence a right-of-center monetary heretic can be compared to a left-of-center heretic, to see if their economic heresies united them over and above their divergent political beliefs. Finally, by examining the approach of a businessman towards economics, some understanding of how economic analysis operated in non-specialist circles in this period can be developed. Economics as promoted by economists is by far the dominant focus of historians of economics today, but economic discourse as promoted by businessmen is a fruitful additional avenue of analysis to pursue. After all, economics is supposed to be the theoretical expression of "the ordinary business of life" (Backhouse 2002).

FIGURE 1. A photo of the young Oswald Stoll courtesy of the Oswald Stoll Foundation.

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INTRODUCING OSWALD STOLL

Stoll was born in Australia in 1866, and moved with his mother to England at a young age. He soon left school to run a music hall and later a theatre company, which proved a definite success. Stoll then began a program of buying and constructing theatres, which eventually made him a wealthy individual and enabled him to indulge in philanthropic activities such as the creation of a center for disabled war veterans.

Starting in Cardiff in the 1890s, Stoll opened a number of Empire music hall establishments across Wales that showcased family-focused entertainment. He then formed by merger the Stoll-Moss group in 1899, developing in tandem numerous theatres in many cities across Britain. In 1903 he even registered a revolving stage platform device for scenic displays with the US patents office. In 1918 he founded the Stoll Film Company Limited that between 1918 and 1926 distributed dozens of silent films across the UK and also overseas (Morris 2007). Stoll Picture Productions (formed in 1920) was the film production arm of Stoll's movie operation, which was one of the largest in the UK at this time (Jeremy 1986, p. 358). However difficulties developed in the second half of the 1920s regarding the distribution of Stoll films, which were part of more general structural problems within the British film industry (Barnett 2007, pp. 75–80), and by 1930 Stoll's production company was no longer active. Even so, Stoll's production record was impressive from both an economic and an artistic point of view. Also in the 1920s Stoll became passionate about producing ballet on stage, an interest that led to a personal link to Keynes via the ballerina Lydia Lopokova, Keynes's wife.

Stoll's theatrical empire was (at least initially) constructed by means of careful calculation of the extent of entertainment audiences. One source described Stoll standing outside Charing Cross Station in London making notes on the crowds passing through:

> He was, in fact, counting and calculating. … He was trying to assess the numbers from the southern suburbs and those up in Town for the day. … Would they be searching for some kind of entertainment? … an idea began to take shape in Stoll's mind. He would build the largest and most luxurious theatre ever seen right in the centre of London (Barker 1957, pp. 11–12).

This was at the beginning of the twentieth century, when demand studies in the entertainment sector were not a common occurrence. When it finally opened the Coliseum Theatre was a great success, attracting 67,000 people to the performances in its opening week, and Stoll was able to capitalize on this achievement by opening many other theatres across the UK in the years that followed. His various companies were operated by a small team of trusted lieutenants with regards to both the business and entertainment sides of the management operations (Jeremy 1986, p. 359), with Stoll himself being the general guiding force.

Alongside his business activities, Stoll had nurtured a long-standing amateur interest in the theory of finance and banking, which he deemed to have originated by chance early in his youth (Stoll 1933, p. 6). He became a member of the Alexander Hamilton Institute in New York in 1909, which in the first years of its existence issued various publications on business and finance.[3] Stoll's first book on economics was *The People's Credit* of 1916, which contained many of the themes that he would pursue across the 1920s and the 1930s. The impetus for the composition of a book on this topic was partly the consequences of the war, the financing of which had necessitated the UK obtaining large-scale loans. Stoll was concerned that this situation might have detrimental consequences for the British economy. The other main impetus for the ideas contained in the book was to assist in oiling the wheels of British commerce, as part of Stoll's overall aim of strengthening the British Empire as a trading unit.

In the introduction to *The People's Credit*, Stoll distinguished between three different types of economic analysis. Firstly, economics as economics, or the treating of land, labor and capital in relation to human wants. Secondly, economics as industry, wherein the former components became part of a system by which family and nation were furnished with goods. And thirdly, economics as business, wherein all the components of the previous two types of economics were employed in profit making (Stoll 1916a, pp. x–xi). Stoll was mostly concerned with this second type of economic analysis in his writings on finance, and with the third type in his business activities. The first type of analysis Stoll left to the professional economist.

CREDIT AS THE PROPERTY OF THE PEOPLE

Stoll's main financial idea, which he returned to again and again from the First World War to the Second, was that the credit of a nation belonged to the people of the nation as a whole, being based as it was on national property. He characterized national credit as the "Niagara Falls" of business life (Stoll 1918, p. 46). According to Stoll, this credit should be easily available to those to whom it belonged, accepting various necessary forms of management control (Stoll 1916a, p. 154). The property that Stoll viewed as the real basis of credit was what he termed productive property, or property that was maintained out of its own productiveness. For example it included railways, factories, means of transport, and agricultural land, but it excluded mansions and non-self-supporting office buildings. On other occasions he described this property as fixed productive capital (Stoll 1918, p. 60). Stoll suggested that the main owners of British credit were "the whole of the working classes," meaning both controllers and members of these majority groupings (Stoll 1916a, p. 165).

After the First World War Stoll perceived that the British economy was in need of significant resuscitation, and he identified national credit as the ideal means to achieve this aim. The early form of Stoll's finance-enabling scheme for generating economic prosperity went as follows. In order to access the partially dormant store of credit that Stoll had apparently identified, the title deeds of qualifying productive property would be necessary. Banks would then issue new credit to a level of half of the value of the specific property that was being offered as collateral. Stoll characterized this novel form of credit as production credit, since it was being issued solely for the purposes of expanding production, not to increase consumption. It was

[3]Today the Alexander Hamilton Institute assists business executives to manage their companies, for example with respect to advice on company law.

also being secured by productive property. Special valuation courts would sit in order to judge the monetary amounts in question, the value of the property required being set at a minimum of £200.

No interest would be charged on the credit so issued, which would be repaid in installments over thirty years. In place of interest, the banks operating this system would charge a commission to cover the cost of the accounts in operation. This fee was fixed at 15% of the total credit issued, spread over the entire period of repayment (Stoll 1921, p. 105). Those who defaulted on repayments would have their property appropriated and liquidated to realize the amount outstanding. A series of new banks (or additional branches of the Bank of England) would be created to assist in operating the scheme, these banks acting to discount notes and bills of exchange of the member banks. They would also hold a reserve requirement for each commercial bank, their main function being analogous to that of the Federal Reserve banks in the USA (Stoll 1916a, p. 177). The geographical scope of this new banking system would be the entire British Empire. Stoll estimated in 1918 that a maximum of £4,500 million in production credit would be available through his scheme (Stoll 1918, p. 52), although not all of this amount would actually be granted.

Presumably, property that was already being used to secure loans would be exempt from re-use. Stoll acknowledged that the existing banks had sometimes accepted productive property as collateral, but he suggested that this was often seen as an undesirable form of security, given the difficulties of quickly realizing liquid funds from this source. Stoll's scheme would force the acceptance of all eligible property, although banks could refuse to grant an individual loan if the qualifying conditions had not been met. One such condition was that the productive property being used as security must remain employed in production, and another was that the credit being granted must be used for further developing the business that was based within the property in question (Stoll 1918, p. 29). A third was that a formal account of profit figures for the most recent five-year period of operation of the applicant must be supplied to the bank in question, and that these figures must exceed the annual amount that was due in loan repayments.

One method that Stoll employed to campaign for his credit scheme was to prepare a draft bill (the Industrial Loans Bill) outlining how his scheme would operate, so that policy-makers could transform this bill into legislation. He also published this draft bill in book form and sent it to various relevant parties. This document described itself as follows:

> A Bill to Provide for the granting of Production Loans through the agency of Banks by virtue of a specific right of participation in National Credit to be vested in property used for the purposes of Production, to provide for a Government guarantee in respect of such loans . . . (Stoll 1922, p. 107).

Stoll even gave his draft bill an official-sounding title—The Credit Act, 1916. The main principle of operation outlined in the bill was that

> It shall be the duty of every Bank . . . to make loans to persons entitled to Production Loans as of national right and therefore interest free (except in so far as interest may be compounded into a Treasury fee for a national guarantee) . . . (Stoll 1922, p. 108).

Stoll again linked the right to credit to being successfully engaged in productive industry, which he believed was only a fair recognition of capital investments that had previously been made (Stoll 1918, p. 43). The title of Stoll's third book *Freedom in Finance* aptly characterized his general attitude: freedom for businesses from excessive banking restrictions.

Stoll's scheme was open to criticism on a number of fronts. Forgoing variable interest might lead to the existing banks' reluctance to participate, although the creation of specialist banks to implement the scheme was mentioned. If all the formal conditions of securing a loan were met, then banks were obliged to offer one, but there was still scope for leeway in evaluating whether the conditions had actually been fulfilled. Although the valuation courts appraising the collateral would be independent from banks, the banks were involved in evaluating business profitability. Fixing the repayments period at thirty years was also unnecessarily inflexible, although this set period was later relaxed. There was little understanding of the cumulative effects of increased credit issue, or that creating a new tier of the British banking system might provoke institutional protest.

Moreover, implying that there was a people's right to credit, but then linking its receipt to productive property owned, created a contradiction at the heart of the scheme. Stoll was appealing to populist sentiment in order to support his credit proposals, but they would benefit only a small property-owning minority. It is true that Stoll conceived his scheme as being beneficial to workers indirectly, but its main aim was to assist industrial enterprises. Unlike Douglas' notion of social credit, which had a definite socialist backdrop, Stoll's production credit was primarily orientated towards business owners (Hutchinson and Burkitt 1997, p. 24). Finally, Stoll appeared oblivious to the various different types of credit. Production credit was best categorized as long-term investment credit, but he did not adequately distinguish this from other types of credit such as payment credit or commercial credit (Hilferding 1981, p. 91). Instead he viewed all loans simply as banking credit (Stoll 1918, p. 42).

In offering this scheme as a panacea for business problems, Stoll was employing a version of the needs of trade doctrine favored by the nineteenth-century Banking School. Here the banking system was conceived as enabling people with debts to obtain the funds that they required to facilitate trade, and hence to meet their debt repayments (Laidler 1999, pp. 18, 193). For example Stoll wrote in relation to a predicted crisis in June 1920 that

> Because we are in debt credit is being restricted. This is financial madness from the national standpoint. Credit may redeem debt as diamond cuts diamond. . . . World shortages of essentials created by the war are being intensified and perpetuated by misconception and misdirection of the true uses and principles of credit (Stoll 1920, p. 9).

The idea derived from the quantity theory of money that stabilizing the price level was a more important goal than facilitating trade was alien to Stoll's approach. In his view the level of credit should be determined mainly by demand. Perhaps the notion from the history of economics that came closest to the production credit scheme was that of the Land Bank, as proposed by unorthodox financial thinkers like John Law at the very beginning of the eighteenth century. In these earlier proposals, credit or paper currency was to be issued in relation to established holdings of land (Chown 1994, pp. 202–05). Law had suggested that expanding credit "has the same effect as if the quantity of money were increased, and is as good for trade" (Rist 1940, p. 56). Law's later experiments in inconvertible paper currency were part of the infamous history of speculative manias.

THE SEPARATION OF FINANCE AND INDUSTRY

Another major element of Stoll's economics was the question of the separation of finance and industry. He referred to the separate financial power that he was concerned with as (on various occasions) the money trust, the credit trust, the financial oligarchy, and the financial ring, drawing upon ideas expounded in Louis Brandeis' book *Other People's Money.* Stoll explained:

> The Money Trust becomes thereafter a wheel of fortune in the multiplication of wealth and power. Within its magic circle are the makers of securities, the means to hold, to sell, and to buy; control of money as it is made . . . control of credit; control of the direction industry shall take . . . control of buyers . . . control of borrowers . . . control of workers . . . control of the kinds of work to be done in particular countries . . . (Stoll 1918, p. 85).

Stoll recognized that the money trust had made a significant contribution to economic development in the past, and hence he was not advocating its break-up or outlawing. What he wanted was the legal right to enter the financial oligarchy when the means to do so had been acquired by individual traders "even in a small way" (Stoll 1918, p. 90). Most likely this meant that entry barriers to accessing the financial instruments used, such as the size of a trader's individual holdings, should be low. Hence by implication Stoll was critical of the closed-shop mentality of the money trust, accepting that some level of separation of finance from industry was inevitable.[4]

Stoll's analysis of the money trust was presented to policy-making circles in his evidence given to the Banking Amalgamation Committee at the House of Lords on 8 April 1918. The remit of this committee, which was chaired by Lord Colwyn, was to investigate whether bank amalgamations had prejudicially affected the interests of the industrial community. Stoll first presented a prepared statement on banking amalgamations that ran to thirteen printed pages. He was then questioned on various matters, including his own credit ideas.

One committee member asked if the German system of banking had been detrimental to German industrial interests. Stoll responded "no," as the German people were (he claimed) only workers for a financial oligarchy that was running the war (Stoll 1918, pp. 151–52). Further on Stoll was asked about German banks:

> Sir Arthur Haworth. You spoke just now about the practical alliance between four banks, I think you called them, and the State?

[4]There is little doubt that in some instances there was an element of anti-Semitism allied to the notion of "the money power" that was prevalent among some left-wing and also some right-wing circles at the beginning of the twentieth century, although in Stoll's case this link was not especially strong.

A. Yes. . . .
Q. I understand you to say that these four banks acquire practical control of the country by taking up shares in those companies which they assist?
A. Yes. But there is an official connection between the Imperial Bank and the government. . . . The Government appoints two Governors, I think . . . the vital connections are between the men with common interests.
Q. You mean that the directors of each of the banks in some cases are identical?
A. Yes, the directors, managers, financial advisers of the banks, and the cartels (Stoll 1918, pp. 152–53).[5]

Stoll's evaluation of the power of German banking institutions paralleled Rudolf Hilferding's claim in 1910 that six Berlin banks controlled the most important spheres of large-scale industry in Germany (Hilferding 1981, p. 368). It is unlikely that Stoll's evidence made any major impact on the recommendations of Banking Amalgamations Committee, but the fact of his formal invitation demonstrated that he had received some serious attention.

Stoll was not solely concerned with structural issues regarding the separation of finance and industry. He also believed that the money trust's method of operation had been detrimental to the workings of the British economy. Stoll wrote:

> Thus we have economic disorganization because of the banks' policy of too onerous financing of production . . . on the one hand, and, comparatively speaking, too easy financing of trading transactions . . . on the other; and this faulty adjustment between the financing respectively of industry and trade is primarily responsible for rises in prices during periods of boom, with consequent financial collapse and trade depression (Stoll 1924a, p. 28).

This financing mismatch between industry and trade was according to Stoll the primary cause of the sequence of boom and depression. This approach was quite different from Major Douglas's view that a non-synchronization between the distribution of income during production and actual output was the root cause of economic malaise (Hawtrey 1937, p. 293). Moreover, scarce credit and business stagnation enabled the financial community to assume control of the instruments of industry "at forced-sale prices" (Stoll 1921, p. 64).

Stoll's analysis of the separation of finance and industry even reached more popular outlets like *The New Age*, which was a weekly review of politics and the arts with a predominantly socialist (and social credit) bent.[6] The editorial declared in July 1920 that

> For some time the conflict, as we know, was between Capital and Labour. . . . The conflict to-day, as Sir Oswald Stoll clearly sees, is no longer predominantly between these two forces, but between the Money Power and Capital. And his appeals to the public are directed to focusing attention upon that issue (Orage 1920, p. 179).

[5]A few of Stoll's answers have been amalgamated in this particular exchange, but the correct meaning has been carefully maintained.
[6]Contributors included Ezra Pound and Major Douglas himself, and the editor was A. R. Orage.

Stoll himself warned that ongoing financial concentration was ‘‘the process of centralization of this world-power’’ (Stoll 1921, pp. 95–96). This type of populist account paralleled Hilferding’s analysis of the changes that had occurred within ‘‘classical’’ capitalism that produced the dominance of finance capital in Europe at the beginning of the twentieth century.

STOLL’S SOLUTION TO THE GREAT DEPRESSION

In addition to his evidence given to the Banking Amalgamation Committee, Stoll provided a memorandum of evidence to the Macmillan Committee in February 1930. This statement amounted to fifty-six printed pages, his later judgment on it being that ‘‘subsequent events have proved it to be overwhelmingly true’’ (Stoll 1933, p. 172). It is possible that Stoll’s invitation to submit a memorandum came via Keynes, although no evidence of this has been encountered. What is certainly true is that Keynes knew Stoll personally, as Lydia Lopokova wrote to Keynes on 9 May 1925 explaining that she had been informed ‘‘what a treasure we had in Sir Oss Stoll for his kindness’’ (Hill and Keynes 1989, pp. 319–20). Stoll had advanced significant sums of money (£10,000 at one point) for a production of a ballet version of *The Sleeping Beauty* in 1921, in which Lydia had performed an important dancing role. This production had failed financially and Stoll was forced to cancel the run. According to one of Keynes’ biographers, Stoll wanted to keep on friendly terms with Keynes (Skidelsky 1992, p. 177), possibly because Stoll hoped to disseminate his views on credit via Britain’s most famous economist.

But what policy measures did Stoll recommend in his memorandum submitted to the Macmillan Committee? His solution to the British economic morass as he found it in 1930 was (characteristically) the issuing of production credit. He recommended

> . . . loans of interest-free credit to the amount of 50% of the value of all productive plant or fixed capital. The loans would be secured by a first charge on the property in respect of which the credit was created . . . (Stoll 1933, p. 205).

The government, through the financial channels of the Bank of England, would ultimately provide the guarantee for this new credit. According to Stoll, the expansion of production that would result from the issuing of this cheap credit would ‘‘multiply’’ (his term) the resulting level of products and trade, in a manner that would produce prosperity in the UK, raise national income, and also increase demand for British goods from overseas. He explicitly recognized that this scheme corresponded to the limited nationalization of production credit and to the nationalization of the Bank of England (Stoll 1933, p. 198), although he came out against the nationalization of all private banks as a whole.

In the 1930s Stoll recognized (at least in principle) the inflationary dangers of his credit scheme. He argued in response that the consequences of the scheme would also provide the remedy:

> The new credit will avoid inflation by raising now unwanted products to the status of wealth to be converted into productive capital, thus creating means to provide products in abundance for the increased purchasing (and paying) power that

> prosperity will promote, through increased and general velocity of circulation of the new credit through banking accounts (Stoll 1933, pp. 208–09).

This paragraph was not totally transparent, but the elements involved were that the underconsumption (or unwanted products) issue would be overcome through greater financial liquidity, and that increasing the velocity of circulation would act to promote prosperity through enabling sales, which in turn would encourage the creation of additional capital. In terms of the simple equation of exchange ($MV = PT$), increasing the supply of money (M) through credit would lead to an increased volume of trade (T), given that industrial production was below full capacity. A virtuous circle would be started that, once initiated, would accelerate and assure the move towards economic prosperity.

Another key element of the scheme was the mechanism by which the newly created production credit would be controlled. Stoll explained that

> The plan calls for an advisory board to consist of experts in agriculture, industry, commerce, transport, finance, and economics chosen from Great Britain, the Dominions, and the Crown Colonies. . . . Their function would be . . . the avoidance of any excess of credit . . . being made in any direction already adequately supplied (Stoll 1933, p. 225).

Thus this advisory board would select the projects that were chosen to receive the production credit, and reject those projects that were deemed unworthy. The criteria for this selection process were not outlined in detail, but it is apparent that some type of "national need" principle was being implied. This single advisory board would surely be very busy, as the number of credit applications would probably be large.

In terms of its influence on Macmillan Committee members, Stoll's submitted memorandum appears to have made little impact, as he was not called to give any evidence in person. But some parts of the final Macmillan Report did suggest remedies that were not totally dissimilar to Stoll's underlying position. For example the Report suggested that in the context of the stagnating British economy of the early 1930s:

> . . . the effect of abundant credit on the long-term market will be to bring about an increase of actual new enterprises. The repercussions of this on business confidence . . . may then be expected to break the vicious circle (Macmillan 1931, p. 104).

This was Stoll's analysis of the potential power of production credit in a nutshell. Other witnesses such as Arthur Kitson had also advocated a remedy of increased national credit in verbal evidence presented to the Macmillan Committee (Kitson 1931, p. 349). Even so, Taylor Peddie complained that the Macmillan Report had concentrated too much on international finance, and not enough on the domestic credit situation (Peddie 1932, p. 117).

THE RECEPTION OF STOLL'S IDEAS

Stoll's enthusiastic dissemination of his own ideas on credit began as early as the First World War. In February 1918 a British Treasury official reported receiving various financial proposals from Stoll during the war, including a draft of the Industrial Loans Bill. It was judged in one memorandum that his proposals would involve an immediate addition to the cash liabilities of the commercial banks of around £5,000,000,000. The Treasury commentator continued:

> This being so, among all sorts of other results, such as the complete destruction for several years of the earning powers of the banks ... the inevitable outcome of the opening of these free credits would be an immense expansion of the legal tender currency of the country. From this would flow the usual consequences of inflation, such as soaring prices, suspension of specie payments etc (National Archives T 172/419B, pp. 1–2).

Stoll's proposals were described in the Treasury at this time as "one of the most extreme forms of inflationism" and as "inflationism gone mad."

Stoll's 1918 book *Freedom in Finance* was reviewed in the *Economic Journal* in 1920 by Henry Higgs, as one of five books by businessmen examined in a review article. Higgs selected as Stoll's underlying idea the notion that the funds deposited in private banks were not their own, and hence the resultant credit created by these deposits should be socialized (Higgs 1920, p. 515). Higgs' evaluation was that Stoll's advocacy of greater elasticity of credit was open to the standard objections made against soft money, i.e. the possibility of the creation of financial bubbles that must eventually burst. Higgs concluded his review by pointing out that businessmen naturally desired cheap credit, as for them it was a necessity of economic life. The implication was that a businessman's desire for credit was best evaluated by bankers, not by a general committee.

The influence of Major Douglas's economic ideas on some famous British writers such as T. S. Eliot has recently been outlined (Trexler 2007), but what about Stoll's wider reach? As already noted, Stoll's ideas were sometimes reported in popular publications such as *The New Age*, and his credit proposals were (after a little confusion) clearly distinguished from those of Arthur Kitson. It was admitted that although their respective criticisms of the existing economic situation followed similar lines, their aims were widely different (Orage 1921, p. 39). The fundamental difference was that Stoll supported the gold standard in a very traditional form, whereas Kitson strongly opposed it. In fact Stoll was so taken with the symbolic significance of precious metal that he sometimes paid actors with gold sovereigns in his theatres (Jeremy 1986, p. 357).

Perhaps the mainstream economist who was closest (in a very loose sense) to elements of Stoll's analysis of the importance of credit to the economy in some situations was R. G. Hawtrey. In 1925 Hawtrey argued that increased public expenditure would produce additional employment only if the extra government spending was financed (at least in part) by the creation of bank credits, in order to supply cash balances to those engaged in the newly-created enterprises (Hawtrey 1925, p. 43). Hawtrey's remedy in the 1930s for a persistent depression—monetary expansion—came out of his notion of a "credit deadlock," or a position where reducing interest rates would fail to stimulate additional borrowing (Hawtrey 1938, pp. 250–53). Hawtrey stressed that

> The original contention that the public works themselves give additional employment is radically fallacious. When employment is improved, this is the result of some reaction on credit, and the true remedy for unemployment is to be found in a direct regulation of credit on sound lines (Hawtrey 1925, p. 48).

Hawtrey did not mention Stoll explicitly in any of his writings, but Major Douglas's social credit ideas were the focus on an entire chapter of Hawtrey's later book *Capital and Employment* (Hawtrey 1937).

STOLL AS BUSINESS STRATEGIST

The question naturally arises of how Stoll's financial ideas connected to the strategies he pursued as a businessman in the entertainments industry. A "great gift" for managerial insight and his "psychological acumen" has been credited as earning Stoll an immense fortune (Denny 2008, p. 2). In developing his musical hall business in the early 1890s, Stoll had introduced various managerial innovations such as the two-performance nightly system and the transfer of celebrities from the "legitimate" to the variety stage. Later in the 1900s, his purpose-built theatres contained various architectural innovations, such as the ability to change from circus to theatrical presentations and dedicated spaces for associated entertainments such as bars and tearooms. In addition Stoll's pre-war programs showcased a broad spectrum of performance talent aimed at the widest possible market, and his judgment of the public taste was hailed as "genius." However no direct connection to his credit theories can here be discerned.

A more plausible link can be made between Stoll's credit nationalism and his experiences in the British film industry after 1918. Subsequent to entering the film business at the end of the war as a distributor, as music halls included films in their programs, Stoll had formed a partnership with the Goldwyn Corporation of Hollywood for reciprocal cooperation in the release of a series of Stoll-Goldwyn Star Pictures (Wood 1987, p. 8). In May 1919 it was being proudly reported that the "name of Stoll and the virtues of Goldwyn Pictures are known through all the trade." However, this relationship turned sour towards the end of 1919 when Goldwyn controversially used a clause in their contract to delay Stoll's access to some of their recent film output (Bernerd 1919, p. 1). Stoll was incensed by what he saw as an anti-British maneuver designed to inflate the price, and an American embargo followed: the agreement was subsequently terminated. As a direct result of this impediment, the new strategy for competing with American films that Stoll employed was to implement the production of a program of films made by Stoll Picture Productions under the banner of "Eminent British Authors," which attempted to utilize the natural advantages found in the UK economy.

The works of internationally famous British novelists were adapted for the screen using picturesque European locations, both of which (it was believed) were easier for British filmmakers to employ than their American counterparts. By the use of locations (as opposed to English studios) the cost advantages of plentiful sunlight in Hollywood could be partially mitigated (Cameron 2003, p. 116).[7] The publicity advantages of this cross-media strategy were emphasized in advertising and through an in-house journal called *Stoll's Editorial News*, which was aimed primarily at the

[7]For example, the 1920 Stoll film adaptation of A. E. W. Mason's famous detective novel *At the Villa Rose* was partially shot on location in Monte Carlo.

film distribution circuit but which reached a wider audience.[8] Stoll also attempted to develop the market for British films both regionally within the UK and internationally within the Empire.

This explicitly nationalist strategy for developing a film production program was a direct complement to the idea that production credit should be issued only to British businesses. In another context entirely, Stoll had expressed exasperation that British credit was being diverted to foster overseas industry, for example in purchasing maritime rights of the river Danube, and he believed that UK-based industry was being simultaneously starved of credit (Stoll 1921, p. 85). Stoll's film production program was thus his personal contribution to augmenting UK commercial potential in an international market.

A basic problem that faced the British film industry throughout the 1920s was the greater economies of scale that were available to American producers compared to their British counterparts. Stoll commented in 1925 that

> The policy of producing a few British pictures this company tried with unsatisfactory results. Then . . . it tried the policy of producing a large number, with results still more unsatisfactory. Neither policy has succeeded, because . . . British pictures are a mere drop in the ocean compared with the numbers of non-British pictures that flow into this country with all their costs covered in their home market (Stoll 1925, p. 19).

Stoll frequently warned of the dangers of US domination of the British market, and he suggested that a significant number of British films were produced but not booked or sold (either across the UK or internationally), this constituting a stock of unrealized value for the companies that had financed them. This was due to films being prevented from reaching the screen by forces favoring the preferential exhibition of non-British films.[9] Stoll also complained in 1924 that recent changes to the sterling/dollar exchange rate had led to British artistic talent favoring American employers, as being paid in dollars was a more lucrative prospect than it had been previously (Stoll 1924b, p. 4).[10]

What was required was government action designed to assist British films. One concrete proposal favored by Stoll was the idea of a license duty that would have to be paid if British exhibitors wanted to show only American films, this duty then being directed to the support of UK-produced films. This method would avoid the negative reactions associated with a ban on all-American exhibition, and would facilitate the maintenance of a continuous flow of British films that had much of their costs recovered in the home market.

Stoll's strategic arguments for maintaining the British film industry included elements taken from the writings of some classical economists. He remarked at

[8] *Stoll's Editorial News* contained a great deal of coverage of Stoll's various film programs, but his policy views on general economics topics were published in national newspapers like *The Times*.

[9] For an account of a different perspective on this issue see Barnett (2007, p. 84). Juliet Rhys Williams, who later became a well-known economist and a proponent of the idea of a negative income tax, argued in 1925 that it was the poor quality of British films that was hindering their access to the US market.

[10] Stoll was referring to the decline of sterling against the dollar that had occurred during 1924, from \$4.70 to around \$4.30, this being caused by various political uncertainties (Skidelsky 1992, p. 189).

a company Annual General Meeting in 1926 that there were many reasons impelling a British government to maintain home-produced films:

> . . . one reason would suffice to bring the British film industry within the scope of the words of the great economist, John Stuart Mill, who . . . wrote: "The proposition that the consumer is a competent judge of the commodity can be admitted only with numerous abatements and exceptions. . . . If the commodity be one in the quality of which society has much at stake, the balance of advantage may be in favour of some mode or degree of intervention . . . " (Stoll 1926, p. 25).

Stoll included motion pictures within such strategically important commodities, the quality of which had to be maintained through government assistance. This conception of the need for protection dovetailed with his belief in the desirability of government-sponsored production credit for British industry. Overall Stoll was a tireless campaigner for British films throughout the 1920s and he backed up his words with significant business funding. However his main adversary here was not "the money trust" or banking restrictions, but the impenetrable structure of the US film distribution market.

EVALUATING STOLL'S HERESIES

In evaluating Stoll's economic analysis, comparison with other monetary heretics is enlightening. Major Douglas's writings have been characterized as revealing a continued shift of argument and false clarity (Dutton and King 1986, p. 261), which might be convincing to an amateur, but which when subject to professional dissection, would collapse in terms of intellectual rigor. In Stoll's case there were some consistent themes running through his work, but there was also a refusal to engage with the recognized authorities on the matters discussed. For example Stoll did mention Keynes's financial writings on at least one occasion, but there was little actual engagement with Keynes's underlying theoretical framework(s).

One possible reason for this was the implicit assumption that Stoll was making, that entrepreneurs knew more about "economics as business" than professional economists did. For Stoll "economics as economics" had limited relevance to the everyday dealings of the businessman, providing evidence for the notion that non-professional audiences interpret scientific knowledge in relation to their own concrete experiences. Stoll's tripartite division of the subject into economics as economics, as industry, and as business was one way that a non-professional could demarcate the writings of economists, and re-frame the policy agenda to suit his or her own individual needs (Wynne 1991, pp. 115–16). In relation to the charge of false clarity, the foundation and especially the consequences of Stoll's production credit idea were poorly theorized, despite possessing popular appeal.

One study concluded that, by highlighting the dangers of deficient purchasing power, Douglas had served some role in rendering public opinion receptive to Keynes's analysis (Dutton and King 1986, p. 279). In Stoll's case, the dangers of deficient credit supply were recognized by many economists in the early 1930s as an important factor in their explanation of the great depression. For example in the Report of the Committee of Economists presented in the UK in October 1930 the subject of cheap credit received some definite attention.[11] It was acknowledged that

> The amount of home investment ... would be increased if the terms on which borrowers can be accommodated were made easier. ... The most general effect in this direction would be produced by a credit policy on the part of the Bank of England to make bank-credit as cheap and abundant as possible (Howson and Winch 1977, p. 199)

Hawtrey admitted that in 1930 the problem was deflation, and hence he accepted that Douglas's remedy was less inappropriate than it had been some years previously (Hawtrey 1937, p. 309). The same evaluation can be applied to Stoll's analysis of the importance of credit, which might have appeared wide of the mark in 1918 or in the mid-1920s, but which came much closer to prescribing some elements of the truth in the early 1930s.

Monetary heretics can be popular due to their ability to impress peer groups with an apparent understanding of economics, and for raising false hopes that there might be simple solutions to complex problems (Clark 1987, p. 503). In Stoll's case these two factors were applicable but this was not the whole story. Stoll's errors were in part the errors of a businessman concerned only with increasing the capacity for his own company's success. He had a limited conception of the function of banks in selecting projects to fund, and he demonstrated little interest in placing himself in their shoes. The other element at work in Stoll's case was a cultural one, a concern to protect and promote British values and to "keep the control of British industry in British hands" (Stoll 1918, p. 61), a desire that was clearly present in his film production strategy.

Moreover, if Stoll is included under the underconsumptionist umbrella, then his uniqueness becomes even more apparent. Underconsumptionist ideas were popular within working class organizations in the 1930s such as trade unions, whose members were looking for an explanation of economic depression that sidestepped excessive wage levels (Bleaney 1976, p. 206). Stoll's version of insufficient purchasing power came from the opposite side of the industrial spectrum, a position that has received less attention from scholars, but was not necessarily less influential amongst popular opinion of the day.

How then is it best to categorize Stoll's economic writings? Some terms taken from the literature are relevant, such as businessman's economics or Do-It-Yourself (DIY) economics, both of which refer to economic ideas that unqualified people believe as self-evident, but which are accepted as being false by most trained professionals. It has been suggested that the fallacies of DIY economics originated in mistaken generalizations from quite limited experiences (Kay 2003). This type of dismissal of amateur economics as totally erroneous is more problematic that it might initially

[11]This committee included Keynes as selector, together with A. C. Pigou, Josiah Stamp, and Lionel Robbins.

seem, since some ideas, which were held by professional economists in the past, are today thought inaccurate. Stoll's writings can be categorized as DIY economics in the sense of being homemade and insular, but they were not completely erroneous. Stoll did base elements of his financial ideas on his own experiences, but whether the rather wide range of companies that he was involved with could be described as inward looking, is debatable. More appropriately, businessman's economics might be characterized as articulating the self-interest of companies within specific industrial sectors (at least as their managing directors conceived of it), against that of the economy as a whole. In Stoll's case his DIY economics also articulated a type of Empire-inspired business nationalism that pined for a return to the past symbols of British success such as the gold standard.

A separate evaluation has to be made regarding Stoll's ideas as a business strategist. He was a very successful and long-standing businessman who reached the heights of his particular industry, despite the lack of implemented policy proposals to emanate from his general economics writings. The question thus arises: was this success achieved by means of his ideas on business economics or in spite of them? Here the evaluation becomes a more complicated matter, as it depends in part on the reasons for the success of Stoll's various business ventures.[12]

In the specific case of the film industry considered previously, Stoll placed some of the blame for the lack of British film companies that could compete internationally at the door of the UK government, and he advocated protectionist policies to rectify the situation. These policy proposals were conceived as part of his more general analysis of finance in a relatively coherent way, for example with respect to his support for the gold standard as a fixed measure of value, and hence Stoll was usually consistent across both his economic writings and his business strategies. But his policy proposals for the film industry were frequently ignored and thus the ultimate test of their suitability was rarely made.

The commercial success of Stoll's theatrical empire over a number of decades was unquestionable, and this was obtained without any scheme of government-backed production credit to support it. It was also achieved before Stoll had first outlined his credit scheme in 1916. Stoll appeared not to encounter any insurmountable obstacles in obtaining the necessary financial backing to initiate his various filmmaking enterprises, despite the fact that they were less successful than his theatrical companies, although he did have the advantage by 1918 of already being recognized as an established entertainments mogul. Stoll Picture Productions was initially financed in 1920 by issuing 400,000 £1 shares, but was amalgamated into the Stoll Theatres Corporation in 1928 (Company House 233200, G1). Although this film company was small by Hollywood standards, there was never any attempt to leverage its expansion through banking credit. Moreover, Stoll never complained that his theatrical empire had suffered damaging actions from anything that might be termed "the money trust," and in his daily business affairs he was more concerned with influencing

[12]Thorstein Veblen suggested that the captains of industry sometimes used credit strategically, to engineer business takeovers and industrial reorganizations (Veblen 1904, pp. 121–23). Although Stoll was certainly one such captain, his general account of the role of credit was not outwardly tailored to this function, and there is little doubt that this conception was sincerely presented.

government policies and with competing with overseas rivals, rather than with outmaneuvering banking cartels.

Indeed an amateur politician looking in on Stoll's entertainments empire from outside might have identified Stoll himself as a significant member of "the business trust," with his national chain of theatres, frequent access to national newspapers, and contacts among the British ruling elite. At its root, Stoll's right-of-center populism was really a quasi-nationalist approach that had little in common with the guild socialism of people like Major Douglas. But this does not make it any less worthy of academic analysis.

CONCLUSION

It is easy in hindsight to judge Stoll's notion of production credit as the epitome of monetary crankiness, as highly inflationary, and as monumentally impracticable. Yet a few of the specific themes that Stoll investigated throughout his writings on finance were lasting ones, even if his proposed credit scheme was indeed unrealistic. H. D. Macleod's conception of credit expansion (when it was fruitfully employed by entrepreneurs) as an engine of economic growth comes closest to the general tone of Stoll's underlying argument from a theoretical perspective (Skaggs 2003, pp. 368–73).

In a much more recent article, it was explained why the loan market might be characterized by credit rationing even in equilibrium (Stiglitz and Weiss 1981, p. 393). Imperfect information about loan risk led banks to deny credit to borrowers who were indistinguishable from those who were granted loans, since only the statistical distribution of risk among the population was known (Freixas and Rochet 1997, p. 141). Stoll's concern for securing productive collateral might not be relevant as more wealthy borrowers were likely to be less risk averse. The law of supply and demand was not applicable to the loan market and consequently "unemployment and credit rationing are not phantasms" (Stiglitz and Weiss 1981, pp. 402, 409).[13]

The linking of unemployment and restricted credit was a feature of business reality that Stoll would have readily recognized. As outlined more recently, downward shocks to credit supply can generate prolonged depressions (Bernanke and Blinder 1988, p. 437). Stoll's error can be seen as failing to comprehend the inherent risks involved in issuing credit, or to assuming that the hypothesized production loan council would always possess the necessary knowledge regarding the creditworthiness of those applying for loans. Despite this error, Stoll was correct in identifying the manner that the financial system provided credit as one of the root causes of involuntary unemployment, and the need for positive actions in this sphere in order to overcome some types of stagnant economy situation. The intuitive understanding of financial relations amongst businessmen is not always totally wide of the mark.

[13]Stiglitz and Weiss also introduced the problems of adverse selection and moral hazard into the credit-facilitating equation.

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