

THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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NOTES OF THE WEEK.

With reference to the Post Office's new High Value Packet service, about which we published an article on July 31 and supplementary particulars on August 14, we remarked on the latter date that this improvement in the system of defending bankers' property would probably result in stimulating greater ingenuity in attacking it. We have not had to wait long for evidence that this speculation was correct. In the *News-Chronicle* of September 5 there is a report headed "Another Mail Mystery"—"Big Sum In Notes Missing." Two registered packets containing "thousands of pounds worth of paper money" disappeared on their way from a London bank to its Northampton branches. This happened during the night of Monday, September 1; but it was not until after the lapse of three days that the Press got hold of the story, and even then the "authorities concerned declined to discuss the matter." The writer of the report understands that

"The two registered packages were collected from a London bank on Monday evening, and, with other parcels, taken to the General Post Office. Here they were placed in the usual registered bag with other packages, and carefully sealed. At midnight they were placed on the L.M.S. train at Euston, and when the bag arrived at Northampton Castle station it was found that although the seal was intact, the two packages were missing." (Our italics.)

Here is a curious affair. If this report is correct it means that the bank in question sent two high-value packets, by the ordinary registered-packet service, ignoring the H.V.P. service which the Post Office has specially introduced for this kind of packet at the request of the banks themselves and for the banks' exclusive use. We take leave to doubt the story, and to guess that, to borrow from the tennis-player's vernacular, somebody has colared the H.V.P. service. The principle of this service is, it will be remembered, checking packets from hand to hand throughout their itinerary; so it would seem that some voluntary checker has insinuated himself into the chain of scrutineers at

some point or other, and, being a stickler for thoroughness, has taken the packets home to conduct his examination without distraction. Perhaps the authorities have got rattled prematurely: if they wait, perhaps the packets will reappear on their journey to Northampton—the delay possibly being due to the unknown checker's having considered it his duty to take a record of the numbers of the notes before passing them on.

Since the above paragraph was written we have seen a report of another robbery. Apparently the thieves staged a quarrel on the platform of Dartford station between a man and a woman, and thereby decoyed porters and postmen away from some mail-bags which they were watching. On their return one bag was missing. It is said that this bag contained ordinary letters as well as bankers' high-value correspondence, and that it bore no mark to distinguish it from other bags. Yet this bag was chosen; and the others, in which there were no bankers' packets, left alone. There seems to be some mystery about what does actually happen to bankers' H.V.P. correspondence. We have been told that the innovation in the new service was not really hand-to-hand checking, but the checking of the high-value packets singly at every change of custody whereas other registered correspondence is checked in bulk by the process of checking the number of bags. But in each of the above two cases we are told that the bankers' correspondence was in the same bag as other correspondence; so we are at a loss to know how the two different kinds of correspondence can be carried out. Perhaps our correspondent who first wrote on the H.V.P. service in this journal can clear up the mystery. In the meantime, what is quite clear is that £3,500 of currency has been added to the general circulation without reducing the credit balance of any depositor. Whether the loss falls upon the banks concerned or upon insurance companies will make no difference to the shareholders in either institution, because their dividends are arbitrarily fixed at a point far below the realised profits—the "saving" going to reserves, which are of no use to any individual, and

represent the proceeds of robbery from the community. All that has happened has been that big thieves have been deprived of part of their haul by little thieves. The moral is that if Parliament had not licensed robbery on a large scale there would have been no unlicensed robbery on a small scale. It is poetic justice that these destroyers of legitimate enterprise should occasionally strike uncharted rocks of illegitimate enterprise. The disemployment of people comprehends the disemployment of genius, and in the final reckoning whatever has been saved by dispensing with it will have been lost again in fighting it.

Last week the French Government invited Mr. W. Randolph Hearst to betake himself from France into some other country. That is the sort of invitation which the Australian Government should have extended to Sir Otto Niemeyer and his collaborator, Professor Gregory, whose birth-name, by the way, is Guggenheim. The *News-Chronicle* in a lofty-sounding leading article remarks what a ridiculous figure the French Government cuts by making a gesture of this kind. It was Hearst who torpedoed the projected Anglo-French naval pact some time ago, having planted one of his journalistic spies in Paris to buy information in diplomatic circles, which he succeeded in doing. This American spy was naturally told to leave the country as soon as the nature of his work was made manifest in the Hearst newspapers. And equally naturally the prime instigator of the work, Hearst himself, has now been asked to keep out of France. Unless the *News-Chronicle* holds that the French Government made itself ridiculous by deporting Hearst's agent, it cannot call the deportation of Hearst ridiculous. What would have been ridiculous would have been for France to reject the Agent and accept the Principal. "Sure, I'm not worrying," Hearst is quoted as saying on his arrival in London. Nobody supposed he would worry. What should he worry about? Yet the *News-Chronicle* construes the French Government's act as an attempt to injure the man, inspired by revenge on the one hand and fear on the other; and on that assumption argues that the act was futile. It was not; it was a sensible precaution.

Hearst is still an avowed enemy of European navalism, and France is a notorious obstacle to the policy of disarming Europe which Hearst is backing in the interests of American economic world-supremacy. It will be remembered that it was Hearst who called upon the American delegates to the Naval Conference to pack up and come home, declaring that Mr. MacDonald was cheating them. His reason for electing to name only Mr. MacDonald is not clear, because he must have been aware that no country outside America wanted to take part in the Conference, and that they would all put obstacles in the path of America's policy. Probably he chose MacDonald because of the peace-and-brotherhood pageant in which the Premier and President Hoover had previously taken part in the United States.

In talking about French revenge, the *News-Chronicle* is running past the available evidence. Who is to say that France has any occasion for feeling revengeful? It is true enough that Hearst was able to prevent the ratification of the Anglo-French naval pact, but his exposure of this Anglo-French project has not altered the concrete considerations which inspired it. They still exist; and while they exist Hearst knows that frustration in one direction will only serve to stimulate concentration in another. The situation is parallel to that of the determination of the Anglo-Japanese Treaty

some years ago. It did not alter anything. The Treaty was simply a visible sign that the British and Japanese Governments considered their respective interests to be suited by an alliance. Very good: the taking down of the sign did not make the alliance unsuitable, and was therefore no guarantee that informal consultation and co-operation between the naval authorities of both countries would not proceed just the same—which in point of fact they have. When the King sent one of his sons some year or so ago on a visit to honour the Emperor of Japan everybody with half an eye could see that it meant: Long live the dead Treaty! So, whether Hearst is "worrying" or not, there is plenty of material in Europe to keep him guessing. So far as the French Government are concerned, they propose not to assist him to guess right: if he wants to fish for information let him go somewhere else. We notice that one newspaper published a picture showing Hearst in a London office some-where after this event examining a model of his Welsh castle. We also noticed an item in another paper saying that Mr. MacDonald had left Llossie-pipe saying that he was going for a ten days' motor tour, and that he declined to say where he was going. Perhaps he has gone to inspect Mr. Hearst's castle—which would explain why he started under sealed orders. It may be that Mr. Bernard Baruch, who was renting a Scottish estate some time ago, will also be one of the party.

The most striking feature of the Bromley by-election last week was the number of people who voted for the "Unknown Candidate" by abstaining from voting for any of the known ones. The number of votes on the register was 73,785: the number of votes cast was 39,383; leaving a balance of 34,402 votes not given. Ignoring deaths, removals, absences on holidays and other causes of abstention we may provisionally set down the result as follows:

Conservatism	...	...	12,782
Liberalism	...	...	11,176
Fiscal Imperialism	...	...	9,483
Socialism	...	...	5,942
			39,383
			34,402
Indifferentism	...	...	73,785

Indifferentism thus wins the election. It is just under 5,000 votes short of having a clear majority over all the other "isms" combined, which means that only 2,500 more abstentions would have given it that majority. In that event there would have arisen an important point of constitutional law, namely, whether any Member could sit and vote in the House as representing Bromley. Even as matters stand Indifferentism is represented by 46.6 per cent. of the total electorate, and has almost two-and-three-quarter times the numerical strength of the winning (!) Conservatism. So there is a logical, if not legal, case for suggesting that the Member for Bromley should behave on the indifferentist principle, which means that he should abstain from attending the House. Bromley's use of its franchise rights has resulted in a gesture of self-disfranchisement. That is the moral of the election.

The 34,000 abstentions amount to a silent repudiation of a maleficent democratic system, and for that reason may be counted upon as evidence of a potential popular backing for a beneficent autocratic system. Up to the end of the war the mere mention of such an alternative would have evoked universal jeers. It would have seemed a contradiction in terms—something as mythical as Mrs. Harris. But to-day, although most people would still be incredulous, there exists an influential and ever-in-

creasing minority who are able not only to conceive of a beneficent autocracy but to describe its policy and to forecast, at least provisionally, its administrative methods. As a background to this positive knowledge there is the undoubted awakening of the public to the fact that they are already being governed by an autocracy. The present movement in the Labour Party to insist on the right to choose the next Labour Cabinet is an indication that suspicion of the spurious character of democratic institutions is alive in Socialist circles. Looking abroad, too, we notice that during some grave rioting about unemployment which took place in Budapest last week—requiring 15,000 soldiers and police to grapple with it—the mob sansacked business premises and private residences, "especially the residences of bank directors." This selective feature of the rioting was mentioned in the *Daily Sketch* and other papers.

The moral of these portents is that both consciously and intuitively people are realising that finance is the last enemy to be conquered; and, in our judgment, they are psychologically ready to follow any leaders who will undertake to bring the banks within the law, no matter what breaches with constitutional tradition may have to be effected during the process. In this connection it is significant that in Australia, where "sound financial laws" have been flouted and where, even as we write, the Federal Cabinet has already split on whether to accept Sir Otto Niemeyer's recommendations, voting had to be made compulsory. There may be a direct relation between political apathy and economic "lawlessness." It seems reasonable to suppose that a community which voluntarily goes to the poll in all its strength is much less prepared to take the law into its own hands than one which betrays indifference to the franchise. Whether abstention be imputed to inertia or positive disbelief in the efficacy of Parliament makes no difference—the essential spirit of the abstention is contained in the formula: *The vote will not get me what I want.* The logic of that feeling is this: that people must either acquiesce in renouncing what they want or else they must get it by some other than Parliamentary methods. A half-way step towards the second of these alternatives is illustrated by the Sydney unions' decision to "Call upon the Federal Government to repudiate external debts." In a strictly constitutional sense such a policy would at least require to be endorsed by another election; but the Sydney unions' demand is that it be adopted at once, without reference to the electorate, and without reference to the advice of constitutional lawyers.

As bearing upon this subject we can point to Mr. Tiptaft's reply (published elsewhere) to our comments of August 28 on his book, *Business or Bankruptcy*. He makes it clear that he objects to a financial dictatorship just as strongly as he objects to government through the present political machine. He would advocate, he says, a business dictatorship, by which he must mean a dictatorship by a body of men who have actual experience of the problems of organising the production and selling of goods and services. We do not oppose the idea. Speaking as ordinary British citizens we would sooner be dictated to by, let us say, the Executive of the Federation of British Industries than by the Court of Directors of the Bank of England—which is the position at the present time. The fact of the present dictatorship is as yet not fully realised by the public because it is exercised through the agency of Parliament. Our own charge against the politicians lies deeper than that they have failed to cope with industrial and commercial problems; it is that they have not discovered the cause of their failure, or, if they have, that they

are content to let that cause remain operative without telling the public a word about it. The cause is that the political Government does not control, nor is even consulted about, *credit-policy*. Mr. Tiptaft, who, we notice, is engaged in the business of manufacturing silverware, jewellery, medals, etc., will appreciate how vital is the question of where the control of credit ought to be if he will realise that *credit* is the die from which the commercial medallion is struck, and that *credit-policy* is the design of which the medallion takes the impress. In his business Mr. Tiptaft, as soon as his customer decides on buying a medallion of a given size and design, can go to the die-sinker and tell him to supply the necessary die. But in economic life the Bank of England and the clearing banks hold the exclusive right to design and manufacture the dies from which business activities (or better, inactivities) must take their pattern. No political Cabinet has the power to go to the Master Die-sinker, Mr. Montagu Norman, and place an order to its own specification. It has to take one of Mr. Norman's standard patterns. He has four: one which he considers suitable for Conservatives, one for Liberals, one for Socialists, and one (not catalogued, but available if necessary) for Communists. And this is the reason why Mr. Tiptaft, "in common with most intelligent people," is "utterly hopeless of efficiency" through politics—for the medals produced by all the three Party Firms continue to evoke universal disgust, and are manifestly fit for nothing but the melting-pot.

So when it is proposed to scrap our politicians and invite the F.B.I. to supply medals it is obvious that the value of the proposal depends on whether the F.B.I. (a) knows what sort of design will give satisfaction, and (b) is prepared to insist on being supplied with the corresponding die. Without a doubt this body of business men contains within itself the intellect and the influence necessary to fulfil both these conditions; but the trouble is that business men are so preoccupied with emergency-problems in industry, and so subject to the notion that Mr. Norman's stock variants of credit-administration are the only ones which will work, that they would shirk the responsibility of dictatorship even if Parliament passed a resolution offering it to them, as Mr. Tiptaft suggested in his book. At least, this is the only conclusion to be drawn from visible evidence at the moment. It is of course possible that a good deal more sound thinking and planning is going on behind the scenes than we are aware of, and that in due course the results will become perceptible. Let us hope so.

Mr. Tiptaft himself underlines our argument by his reference to the "absurd deflation policy which has been pursued for the past few years." Quite right, but supposing that in 1920, when it was inaugurated, there had been a Business Government in power; would that Government have realised the absurdity of the policy? Would the F.B.I., let us say, have taken the responsibility of ignoring the recommendations of the Cunliffe Committee on which the policy was founded? To be fair to the politicians we must concede that there was no evidence of opposition to it on the part of the business men in the country at the time it was announced by Sir Austen Chamberlain. Nor indeed did those Seers of the Press who are at present attempting to assume powers of dictatorship, say a word to put the country's trade on its feet again or efficacy of Deflation. So whoever claims to-day must bring better evidence of his competence than the mere fact that he shouted "Look out!" after it had been knocked down. As a matter of fact the only people who foresaw the catastrophe were a handful of independent students of the credit-system. In THE NEW AGE alone of all the news-

papers in the country was there a warning. It was not an ambiguous warning either; on the contrary it was dramatically explicit. Mr. A. R. Orage, the then editor, writing on the eve of the event, when the post-war boom was in full flood, champagne was the staple beverage of the Stock Exchange, and buyers were pressing money galore on perspiring producers, "implored" (that was his word) every one of his readers to stick tight to every penny he'd got—which of course also meant, to get hold of all the money he could. Mr. Orage, having grasped Major Douglas's analysis of the credit-system, was able to foresee that whereas at that moment possessors of money were at the mercy of possessors of goods, there was a time at hand when anybody with a pound to spend would have five sellers chasing him to tempt the pound away from him.

Mr. Orage's advice cut clean across the prevailing policy of business men, which was to multiply factory-capacity in preparation for a world-boom and amass a reserve of output to sell at the expected boom-prices. Some of our readers took his advice; but they would not have paid any attention to it had they not previously been made aware, both by him and Major Douglas, of the general principles which proved the forecasted change in the situation to be mathematically inevitable. One reader once told us how he startled all his business friends when he suddenly decided to cut all the expected profit off the prices of his existing stocks and sell them off at a time when his friends were pursuing the policy of accumulating stocks. By doing this he got in enough money to wipe out the bank overdraft on which he had been working, and thereafter bought as he sold on a restricted scale. So when the sea of commerce was lashed into frenzy by the hurricane of loan-repayments his sails were tightly furlled and his little craft rode the waves on a saucily even keel. He knew that the announcement by Sir Austen Chamberlain of the Government's determination to put a stop to inflation meant that Deflation was at hand. For he understood—that only a very few people understand even to-day—that the mere arrest of inflation is an act of deflation. That is to say, the banks' refusal to increase overdrafts produces exactly the same results as if they demand heavy repayments—the only difference being that the depressant effect on prices takes place less quickly. This happens because, under the accepted rules of costing production, there is no way in which producers can recover all their costs unless additional bankers' loan-credit comes into the market to supplement the community's money-resources. Directly the banks cease to increase their loan accommodation, industry as a whole is bound to sustain a loss. Thereafter the banker has little to do but sit and watch the industrialists go and complete the debacle themselves. They split apart into competing units, each seeking to plant the loss on some other. And although at first only the more astute of them do this, their very success produces effects which awaken the others to their danger. In a short time everybody is cutting prices simultaneously; whereupon there is no stopping the development of the process. It will be seen, then, that the banker has only to give the process a start, and the rest is completed by the panic-stricken acts of the business community. This is one reason why there has been such an enormous fall in price-values since 1921 compared with the total reduction in bank accommodation in the same period.

Here is a comparative statement showing the position of the Big Five banks in 1921 (the peak year of inflation) and in 1928 (the latest year of which we have figures before us at the moment) in

respect of the three key categories of finance.

	Deposits £	Advances and Discounts £	Investments. £
1921 ...	1,975 mill.	1,280 mill.	376 mill.
1928 ...	1,768 mill.	1,181 mill.	247 mill.

Decrease 207 mill. 99 mill. 129 mill.

It will be remarked, incidentally, how closely the total fall in Advances, Discounts and Investments approximates to the total fall in Deposits, thus illustrating Mr. McKenna's statement that the withdrawal of their loans and the selling of their investments by the banks *destroys* Deposits—for the same reason that their loans and purchases *create* Deposits. But our main point is that the devastation that has overtaken British industrial enterprises since 1921 has been brought about in consequence of a withdrawal of not more than about £200 millions, or, say, 10 per cent. of the Deposits of the boom year.

Since this deflationary process has been going on all over the world the cause of the fall in world-prices does not need any further looking for. It is alluded to as a natural phenomenon by bankers and statesmen everywhere, and not a word is said to suggest that it was, and can be, avoided by human effort. The nearest approach they make to an explanation is to point out that *some* prices have fallen by reason of bumper harvests and other prodigalities of nature which have caused what they are pleased to call "over-production." But what they ought to explain is why it is that, even if the fall in the world-level of *all* prices was due to increased production, the fall should cause loss to the producers. Taking the case of wheat for example, it may happen that a world harvest exceeds the requirements of the human race for that season—in which case there would be true over-production, and some sellers would obviously be unable to sell all their crop. But in such a case if the banks assisted them to hold over this true surplus until next season—as they are now doing to help hold false surpluses of many other things off a hungry world-market—there would be no necessity for them to sell in a panic. After all, the money cost of any harvest is a definite sum, and the requirement of the grower is to recover that sum plus his profit. If he now gets double the yield he expected to get, and the price drops to one-half, he is no worse off than before, provided he sells the whole crop. If there were no other elements than these in the problem there would be no difficulty in forming an international organisation of wheat growers who could total the costs of all the growers, estimate the world yield, and fix a price which would guarantee a profit. If the yield was more than the world could consume the price could be fixed so that the growers got their expected revenue in full against delivery of what the world could consume, or if not the organisation could borrow credit to carry the surplus, meanwhile arranging to sow a less acreage. There clearly ought not to be such a thing as, say, a 10 per cent. *extra* (not *over*-) production causing something like a 50 per cent. slump in price. There are two snags in this hypothetical plan for protecting producers: the one is political—the banks will not have it: the other is mathematical—the world cannot put up the money required to buy at the required price. The reason why the bankers will not have it is because if the principle of costing and pricing the world-yield of every kind of commodity the world's populations use were carried out, the mathematical snag would be revealed and measured without possibility of contradiction.

Let us stop to look at the case of Australia in this connection. Her total exports in good years were

worth, i.e., could fetch, £140,000,000. Last year they could fetch £98,000,000. This year they are estimated to be able to fetch £90,000,000. Her harvests are rather better than usual: more land is under wheat. These statements we quote from an article of Mr. Brailsford's in *The New Leader* of August 29 in which he discusses Sir Otto Niemeyer's demands on Australia. He points out that whereas her exports will fetch £50,000,000 less than in former years "the City will draw its £30,000,000 in interest just the same." This is one way to look at the matter, and it is legitimate for him to point out that as a consequence Australia will be left with a balance of only £60,000,000 to use for social services as against £110,000,000 a year or two ago. But we should place only minor emphasis on that point. Our charge against the City—meaning the financiers in general—is not its levying of interest on loans to Australia, but its making the existence of these loans an occasion for imposing on her a financial policy which is calculated to prevent her paying off the loans, and even to force her into further borrowing. Australian costs are too high and must come down, says Sir Otto Niemeyer. Yes, but why? Not in order that Britain shall buy more of her produce and pay her a larger aggregate sum, but that Britain shall buy the same quantity and pay her a less aggregate sum. To generalise: the world-price level of consumable commodities determines wage-levels, so the economies which are enforced on all predominantly agricultural countries are translated into cheaper costs in all predominantly industrial countries. To what end? Certainly not that these cheaper costs shall result in greater consumption of other commodities into whose prices they enter, but that the cheaper prices may again allow of a further reduction of wages. The task set the agricultural countries is therefore to cheapen their products without increasing the quantity. To do this requires them either to reduce the wages of the workers or to import machines and materials and sack some of the workers. Whichever country does this most drastically secures the bankers' favour and is accommodated with loans (which are sent in the form of machines, etc., and not money), and this favour lasts just until some other agricultural community goes one better at the same game of retrenchment, whereupon all the sacrifices of the first country go for nothing. That is the prospect which confronts Australia. An international loan under present monetary conditions means nothing more than that one country hires so much material and machinery from another. No money passes. (Vide Mr. McKenna.) It has to pay for the hire by selling goods to the lending country (directly or indirectly) because it must get a credit in terms of the lending country's currency. To the extent that it succeeds, it reduces the trade activities of the creditor country. So whoever receives the "interest" in terms of money inside the creditor country does so at the sacrifice of other people in the same country. The bankers' part in the game is first of all to create and issue credit to manufacturers of the machinery. This creates new deposits. The machinery is exported. Then the banker prints bonds representing the value of the machinery. He sells these to the public for money, and having got it applies it to the cancellation of his loan. This destroys deposits equal to the new ones created. Thus the total amount of money in the country is exactly the same after the "loan" as before. To see what this leads to, suppose a case where Britain exports a cotton-spinning plant to India costing, say, £20,000. Worked with cheap labour out there it might conceivably cost this country that sum *annually* in lost markets for cotton goods for as long as the machine lasted. Yet the bankers in both countries—both members of the same trust—desult upon this transaction without troubling to consult any of the parties whose interests are going to

be affected by it. They trap investors into buying claims which can only be satisfied at the cost of unemployment. As financing is conducted to-day it would pay this country on balance to wipe out Australia's debts; and all Sir Otto Niemeyer's activities in Australia to perpetuate the service of the debt are bonded, not to safeguard the interests of British bondholders but to obscure the fact that the debt is illusory and that its repudiation need not cost anybody a penny.

Some hour or so after writing the foregoing we read a newspaper cutting in which it appears that Mr. Hughes, the former Prime Minister of Australia, has written in the Sydney *Daily Guardian* of September 5 that the policy of Sir Otto Niemeyer is "a policy of stagnation and despair," and that:—

"It is a plot to make us concentrate on the cheapest possible production of raw material for British industry so that Great Britain may be able to compete in the markets of the world. . . . What Sir Otto did not mention was that Great Britain has many times lent money to nations who have defaulted. She lent money freely to dairy interests in Soviet Russia, Latvia, Estonia and Argentina in order to depress the price of Australian and New Zealand butter on the British markets." (Our italics.)

This quotation appears in a Reuter cable in *The Times* of September 6. The cable continues:—

"Mr. Hughes goes on to say that a reduction in the present standards of living would bring ruin to such industries as dairying, dried fruit and sugar, the surplus of which is sold at world prices *only because of the higher charge to the Australian consumer.*"

On this reasoning Sir Otto Niemeyer's demand that Australia's *internal* costs must come down ought to mean that her *export* prices will go up; but what Sir Otto really intends is that internal prices shall stay up while internal costs and export prices are reduced—which involves robbing the Australian consumer to subsidise the British producer. An incidental (and, it may be, in the ultimate event, a grave) consideration is that the Italian Government has an interest in the Australian sugar position by reason of the fact that Italian subjects are dependent for a living in the plantations. There have already been diplomatic exchanges between Italy and Australia over disturbances arising from the jealousy of Australian-born workers there against what they consider to be alien competition for their own jobs; and if the condition of the industry begins to decline any distance towards "ruin" the relations between the two countries are almost certain to be disturbed to a really dangerous degree. Our Foreign Office should watch this possibility.

But our general challenge to Mr. Hughes is this:—*What does he suggest that Australia should do about it?* Depose Mr. Scullin and give Mr. Hughes a blank cheque to fill in after he has "seen about it"? No thanks!—and we hope that the Australian politicians will have learned enough from Sir Otto's visit to realise that this is not good enough. If all that the Australian Government proposes to do is to try and find the easiest posture in which to receive a and the best cushion to use to soften the impending, and the best cushion to use to soften the impending, then any Government is as good or bad as any other for the purpose. Mr. Hughes has shown himself capable of talking back. But does he want to hit back?

We print elsewhere a speech by Mr. Owen D. Young, the author of the Young Plan. The import of this speech is as grave as if France or Germany were suddenly to issue military-mobilisation orders. It means that the United States is preparing an act of external economic expansion which the rest of the world dare not let succeed, and must resist, if necessary, by brute force. We have italicised the key passages of the speech.

Current Political Economy.

In the *New Leader* Prof. J. A. Hobson has been given permission to reply to the shadow of Major Douglas. It is clear, says Professor Hobson, that the amount of purchasing power distributed in the course of production must be sufficient to purchase the goods produced, since everything in cost was once paid for as service. This, although Professor Hobson is not a Marxian, is good Marxism; it is the obverse of the statement that labour is the source of all wealth. Professor Hobson's explanation of the fact that so few of the goods produced are purchased is (a) that there is too much saving, due to the rich having too much income to spare, and (b) that demand fluctuates between commodities, though he does not mention any of which there is a shortage. His contention that wages, salaries, and dividends, given a true costing system, would be capable of purchasing the whole product, is, of course, true, but only if the period of production is regarded as eternity to eternity. It is not true for any particular section of eternity. When, in a laissez-faire system, the money issued to consumers is in excess of the commodities immediately on offer, the money depreciates in value. An excessive amount of money is collected for the commodities sold, and the money is not subsequently available to balance those costs of further commodities, which are spread over a period of years.

When a new factory is created the plant is put into cost at the rate of one-fifth to one-twentieth per year, according to its estimated life. Professor Hobson's theory implies that there is a fund somewhere with which consumers can meet this cost when it appears in prices. This is, of course, not the case. In any period after capitalisation has begun industry, to be solvent, has to have money receipts in excess of its money payments. "Reorganisation" consists mainly of the writing off of costs which are uncollectable in prices. There would be more sense in adding to the consumer's fund than clipping away the producer's costs in this nihilist manner.

It is true that incomes are not justly distributed. It is foolish to pay millions to a few men because their grandfathers bought land in London while Durham and Glamorgan miners starve. But that is not the economic question. It is a human question, a question of justice, not of science. The scientific question is whether the world is in a mess

- (a) because there is too much producing-power in relation to the consuming-power, or
(b) because there is too little consuming-power in relation to the producing-power.

The oversaving theory, if one believes at all in capitalisation by saving, is equivalent to the machine-wrecking theory; or, rather, it is birth-control applied to machinery. If one accept, as the common-sense alternative, capitalisation by credit, in order not to withdraw consumer purchasing-power, then true over-capitalisation can occur only beyond the point at which production is automatic, and all men have the freedom of the market with a sufficient income. For the purpose of deciding how purchasing-power is to be shared once it is sufficient to transfer the increasing product to the consumer, we shall no doubt be able to get together. But the necessary development of the distributing system is undoubtedly the manœuvring of credit for distributive purposes.

By coincidence, at the time Professor Hobson's article appeared in the *New Leader* Mr. G. D. H. Cole's review of Professor Hobson's "Rationalisation and Unemployment" was being set in type for

the *Observer*. Mr. Cole, after setting out very fairly Professor Hobson's thesis, said in criticism:

"... it is hardly the whole truth. We are certainly saving a much smaller proportion of our national income than before the war; but that has not prevented unemployment."

That disposes of the oversaving theory. But Mr. Cole's subsequent positive contribution causes one, in view of Mr. Cole's previous attitude to the A + B question, to rub one's eyes:

"The root of the trouble lies rather in a deficiency of total income in relation to productive power than in a wrong distribution of income between saving and spending. The trouble is our income depends on actual production, and not on capacity to produce."

Mr. Cole proceeds to observe that a balance between production and purchasing power is possible alongside both under-production and under-consumption.

"Such a stabilisation of industrial depression is a feature of our present plight."

Much light has entered the mind of Mr. Cole since he lectured on the absurdity of the A + B theorem. But why does he hesitate at the cross-roads? In his final paragraph he states that

"Even if Mr. Hobson has not solved the problem—who has?—he has certainly directed the attention of his contemporaries upon the points which most need fuller investigation."

Mr. Cole knows that this statement is rubbish. His own criticisms of Professor Hobson's book demonstrate that Professor Hobson, in Mr. Cole's opinion, has missed the point entirely. The attention of contemporaries to the things which need full investigation was drawn by Major Douglas in *THE NEW AGE* eleven years ago, when Mr. Cole was both a reader and a contributor. As Professor Hobson's article on Douglas (without mention) in the *New Leader* shows, Professor Hobson's design is to direct his contemporaries away from the points which need investigation. Mr. Cole has a good enough head and a strong enough heart to come out into the open with the implications of his

"deficiency of total income in relation to productive power,"

and to say what he means. The implications are that increased production can be stimulated only by endowing the consumer with the power of attracting commodities; by, in other words, the distribution of incomes in excess of those distributed as part of cost, since the distribution of these has produced the deficiency.

The object of rationalisation is to reduce the A (remuneration) payments to nothing; the object of reorganisation (writing down capital, etc.) is to reduce the B (interest, overheads, etc.) payments to nothing. It is obvious, as Mr. Cole sees, that this can lead only to the suspension of consumption, and hence of production. When the members of the I.L.P. have to discuss the question of Social Credit with Professor Hobson, it is to be hoped that Mr. Cole will be present. Both will then be expert advisers only, and not leaders, the right of decision as regards policy being retained by the members. Professor Hobson is a born stabiliser. He has been writing books in favour of stabilisation of one thing and another, from the production of gold to saving, for a generation. Mr. Cole is a born expander. So in spite of his eleven years in the wilderness he may stand for Socialised Credit yet.

BEN WILSON.

"The proposed visit of the Prince of Wales to Argentina as 'Commissioner Extraordinary of Empire Trade' is arousing great interest in the United States. The influence of any foreign Power in Latin America is looked upon with jealous eyes at Washington, and regarded almost as an infringement of the Monroe Doctrine."—*Newcastle Journal*, August 19.

Drama.

The Far-Off Hills: Everyman.

Reading the play-bill, one recalls how many critics have alleged that the Irish Players depend on a few stars. Mr. Lennox Robinson's "The Far-Off Hills" is performed by a company which does not include Sinclair, Morgan, Sara Allgood, or Maire O'Neill. It would not be true to say that when the half-gods go the gods arrive, since those who have gone are gods; but it is true that the old gods make way for the new. The Irish Theatre lives, and the actors of this play, some of them regular members of the team, some transfers, and others almost newcomers, enter into the game in the best playboy spirit. In Natalie Moya, who, in spite of some adverse criticism, gave a good performance as long ago as Sierra's "Cradle Song," the Irish team has a successor to Kathleen O'Regan, of whom Miss Moya's rich, musical, voice is reminiscent. Here she plays the grown-up daughter of a middle-aged Irishman, who, in addition to being a widower, is awaiting the growth of a cataract to operation stage. She has decided to enter a convent when she can; but she puts all possible obstacles in the way of doing so, in spite of the readiness of her father and two younger sisters to help her to escape from her Puritan dominion. In the end she marries a young Irish business man with American experience and the good Ulster name of Kennedy, who, on top of his cinema and charabanc plans, promises her the town to boss in place of the limited scope of her family. Whether the townspeople will consider the marriage so happy an event as the audience does is beside the point.

The two younger sisters are excellently played by Joyce Chancellor and Maureen O'Moor, the scene between the sisters and Susie Tynan, in which they try to persuade her to marry their helpless father so as to free Marian to marry Christ, being partly lost in the audience's laughter. Susie Tynan, who might in other circumstances have fallen to Maire O'Neill, was vigorously and well taken by Kathleen Drago, one of the transfers, while the Irish widower is magnificently done by O'Donovan, who is probably glad of a change from straight-leads to character.

Mr. Lennox Robinson's stagecraft is first-class. His devices for getting characters on and off, for holding up action by suspense—exemplified here in Kennedy's announcement of his engagement to Marian—are excellent. Nobody, in addition, has portrayed the Irish small shop-keeper class so well as he. In doing this, unfortunately, he has allowed his work to be as lacking in values as the minds of his characters, in common with small shop-keepers everywhere. Consequently, in spite of the excellence of the work, and even its satirical power—"The Whiteheaded Boy," for instance—Robinson's work does not come within the province of serious drama. The major play invariably has an oversoul, the search for the identity of which is the source of the artistic or even sociological controversy it arouses. O'Casey's slum-folk plays have not. Robinson shares one grave technical fault with O'Casey, the Irish fault of introducing characters irrelevant to the theme and the action, as if, having conceived them, they must find them places at table. The last two characters on the programme, Harold Mahony and Una O'Connor, played respectively by Tony Quinn and Una O'Connor, nearly ruin a good play. They certainly come near to destroying its continuity. As the servant-maid who loved often but not for long, Una O'Connor, with only a few lines, performed a miracle. Her capacity for revealing far more than

the lines tell, which gives her very great command of pathos, the actress served the author better than he deserved. But she could not make the part mean anything in the play as a whole, and her appearance in the last act is merely a disturbance. With Harold Mahony the actor did not do so much as might have been done; but the maximum would not have prevented the audience from agreeing with the character when he called himself a wet blanket. Unless Mr. Quinn and the producer can draw far more comedy out of Harold Mahony, his appearances ought to be curtailed to the least necessary for the sake of the other lines. These strictures notwithstanding, the play and the acting guarantee a gay, enjoyable, evening.

Charlot's Masquerade: Cambridge.

The new Cambridge is a fine example of modern theatre design, decoration, lighting, and comfort, which not only justifies the building of new theatres in London, but emphasises the necessity for pulling down some of the old ones. "Charlot's Masquerade" is much superior to the general run of revues, but appears to be even too much influenced by Mr. Cochran's. It also suffers from a failure of decision whether to appeal only to intelligent and "sophisticated" people—such as would appreciate the theatre building—or to bid for popularity. Some of the sketches are magnificent, while others merely require shortening to become so. In "The New Education," for example, the dialogue in the country-vicarage after more years of talkie-education is too long; the street-musician announcing her piece in the manner of the B.B.C. is perfect; while the parody of the negro spirituals in a Mayfair flat, one of the best things ever done in revue, could be longer. This was not only original, but given with perfect rhythm. "Tempus Fugit" should be cut out; as the incongruity lacks point. The contrast between hotel servants' manners in England and abroad is not original. But it is well enough done to remain in the programme. "Skating Shoes" is first-class, the impersonations of Tallulah Bankhead, Lady Tree, and Mr. Cochran being magnificent. The impersonations of Hannen S. and Edgar W. are also well done, but they have been done so much, apart from what the originals do for themselves, that the public might fairly be given a rest from them. "Holly-wood," as the audience might suppose it and as it is, also earns a place among the best things done in revue, along with "Amazing Disclosures," in which the stage guys the Press. Besides first-class sketches there are ballets which include Anton Dolin and Dora Vadimova. Yet some excellent sketch-writing, production, and performances do not succeed in creating the perfect revue. The lyrics are wretched, and hardly a piece of the music, including even the finale, is not reminiscent of some older tune. Such faults detract as seriously from the effect of the good work as worn cogs in a machine.

Richard III.: New.

Richard III. has long been known as the actor's King. He framed his face to all occasions, and thus offered opportunity to an actor to display the whole range of his powers in one evening. That is all very well for the one actor playing Richard, but what are the other thirty-odd actors for, excluding halberdiers, priests, monks, nuns, courtiers, aldermen, citizens, etc.? Mr. Baliol Holloway is a good Shakespeare actor. I still consider his Othello the best I have seen, and his Hamlet as good as any. His Shakespearean invasion of the West End, in big theatre, is praiseworthy. His use of Holst and Vaughan Williams for accompanying music makes one wish him well. But why on earth did he choose from all of Shakespeare's works, so poor a play? So good an actor should not be misled by the nineteenth century critics into supposing that Richard III. was worth doing even if those critics had misled

some other actors into longing to do it. The accounts of Richard given by Thomas More and Holinshed are more interesting than that of Shakespeare, who is probably thoroughly ashamed both of the play and of his motives for writing it. In "Macbeth" Shakespeare created a tragedy of genius on the theme of ambition. Richard, whose portrait by Shakespeare is of next to no human importance, can well be spared.

PAUL BANKS.

Music.

That superb poet and brilliant critic, C. M. Grieve, of whom in these latter days we see so regrettably little in THE NEW AGE, recently had a very interesting article on Scottish music in the Glasgow edition of the *Daily Express*. It is a curious fact that the two people whose opinions and writings on music are among the most vivid, vital, and profoundly perceptive, are non-musicians—C. M. Grieve in Scotland, and the gifted French artist and engraver, Lucien Mainsieux in France, to whose admirable criticism in that uniquely excellent periodical, *Vient de Paraître*, I have alluded more than once in this place. In the course of his article entitled "Has Scotland No More Music?" Mr. Grieve deplors the lack of any composers in Scotland who while making full use of latter-day developments, which are in all the air around us so to speak, present an artistic and musical physiognomy which is essentially and peculiarly Scottish, with the one exception of that fine artist, using the word in its wide Continental application, Francis George Scott. No one with the most superficial acquaintance with Francis George Scott's work can question his importance, the vivid racy-of-the-soil tang of his work, nor the complete mastery with which, taking full advantage of contemporary expansions of the musical vocabulary, he uses this to express a thoroughly Scottish personality in thoroughly Scottish terms.

The only point whereon I venture to differ from Mr. Grieve is that he speaks of Francis George Scott as being the *only* man of whom this can be said.

I have recently had the opportunity of becoming more closely acquainted with the work of Erik Chisholm, and the result of this acquaintance is to convince me that here again is a very complete, distinct and well-defined musical and artistic personality—thoroughly Scottish and, as far as a non-Scott can judge, expressing itself in thoroughly Scottish terms, while having freely assimilated what modern European practice can teach him in the way of harmonic vocabulary. And, indeed, what to my mind is so remarkable about Erik Chisholm is the very individual aspect to the ear (forgive, dear readers, this bull!) of his harmony—more especially in these days when most of the music written by our "modern" composers sounds like most of the other music written by any of them. Erik Chisholm has achieved the remarkable feat of a harmony so personal that it arrives at first on the ear with quite a strange and disconcerting effect, but it is not long before the admirable essential logic and the fine sense of direction through it reveal themselves to an intelligent hearer.

As a general rule, I confess myself to be one to whom "nationalism" in music is utterly meaningless when not actively repellent—the sort of thing with which de Falla and Bartok are associated turns me into a raving maniac I fear, and the monstrous and inflated reputation of the work of these two composers is to me merely a symptom of the utter lack of appreciation of essential values which is so horribly typical of this unlovely demagogue-rant-ridden age.

And at first on meeting with Erik Chisholm's

work, I was inclined to fear I was in merely for a Bartok *epigonus*, but this fear quickly disappeared, as I discovered the very real originality of his work, and I count it as high praise of it that I, who am usually by turns revolted and infuriated by "nationalism," found myself quickly being won over by the force, sincerity, the purity of spirit, the personally expressive, and *Echt* quality of this music.

As I have remarked elsewhere, the work of this young man—he is only twenty-six—is so good that this alone is sufficient to ensure his being carefully kept out of London programmes, to say nothing of the fact that—most happily for him—he lacks the sign and seal (some would say the mark of the beast) of our "recognised" institutions of music, at which Mr. Grieve is wont to tilt with a vigour that warms one's heart to see.

KAIKHOSRU SORABJI.

The Films.

Escape.

This film, based on the Galsworthy play, is noteworthy as the first fruit of the alliance, both technical and financial, between Associated Talking Pictures and the Radio-Keith-Orpheum Corporation of America. It is also the first Anglo-American co-operatively produced picture to materialise. Its principal merit is its true and distinctive English atmosphere; indeed, "Escape" is the most English picture yet shown, and its scenes of rural beauty serve as a reminder how greatly the natural beauty and the architectural variety of this country have been neglected by producers lacking the wit to see the opportunities which encumber their doorsteps. As a drama it fails because of insistence on the officer—and-gentleman and public school codes. The theme of the homicide by accident who breaks out of Dartmoor and whose escape is abetted by nearly all and sundry whom he encounters provides rich material for tense drama as well as propaganda. But both Galsworthy and Basil Dean, the producer, stand too much on the order of gentility; the impression is inevitable that Captain Matt Denant receives aid and sympathy not because his odds are so heavily against him or because his helpers cannot bear the idea of a fellow human being in captivity, but because he is so palpably a gentleman, an ex-officer, and an old public school boy. And that takes away the whole flesh and blood. Gerald du Maurier, as Matt Denant, accentuates this fleshlessness by being the perfect gentleman throughout, and the keynote is struck in the penultimate scene in which he delivers himself up rather than that the "padre" should tell a lie. Such an ending may be good Ethel Dell, but it does not represent the action of a desperate man willing to take any risk rather than endure the remainder of a relatively short term of imprisonment. For the rest, "Escape" is most competently acted by a remarkably strong cast, which includes Edna Best, Mabel Poulton, Madeleine Carroll, Margaret Ney, Jean Cadell, Gordon Harker, Horace Hodges, Felix Aylmer, and Lewis Casson, while most of the small part players bear names well known to West End audiences. One of these small parts is played by Ann Casson, who should at once be given a major role. Galsworthy's dialogue is, of course, admirable, and it was a pleasure to listen to English for a change. The date of the presentation of the film, which was privately shown at the Palace at the end of last month, has not yet been announced.

Two Bad Films.

Will Rogers is a professional American humorist than whom I find no type of human being more profoundly depressing, with the possible

the male American ballad singer of the "crooning troubadour" species. I accept as a fact that Mr. Rogers is a highly paid and extremely popular entertainer in his own country, without being able to proffer any explanation. In "So This is London" (Marble Arch Pavilion) he draws his way through a film suitable only to a sub-human mentality, and incidentally full of insults to England, a country to which the Fox Film Company, who are responsible for the production, look for much of their profits. The dialogue was largely unintelligible, an advantage in view of the poverty-stricken vocabulary of such of the speech as could be understood, while a young woman supposed to be English was as unmistakably Yankee as Mr. Rogers himself. This film is an insult to an educated English audience. The same can be said of its companion in the programme, "Cheer Up and Smile," a piece of inanity concerning itself with the uninteresting love affairs of an uninteresting boy and girl, and in which that talented, if uneven, actress Baclanova was wasted in endeavouring, without success, to breathe life into a Middle West conception of a French vamp. Two such films in one evening and at the same theatre are more than any human being should be asked to endure, unless he is voluntarily qualifying for martyrdom.

Welcome Danger: Tussaud's.

Harold Lloyd's first talkie is very good fun, but he has done better work in silent pictures, notably "Speedy." The film, which runs for about two hours, is also too long, and since there are numerous repetitive passages, cutting should not be too difficult. The mixture of farce and under-world drama is not entirely convincing, but it would be pedantic to ask Mr. Lloyd to mirror the world of reality; he has his screen being in a whimsical unduly American, and in Barbara Kent he has the most charming of partners.

DAVID OCKHAM.

Economic War.

[Address by Mr. Owen D. Young, author of the Young Plan, to the National Electric Light Association, San Francisco, June 19, 1930.]

The absence of the Secretary of Commerce of the United States has created a vacancy on this program which no one in the industry can fill. Your President, Mr. Sloan, with that persuasive coercion which has made him so successful, has summoned me from the ranks to occupy the time, but not to fill the place.

Contrary to the usual custom, it is necessary for me, first, to say what I shall not talk about. That provides ample material for a speech in itself. I do not intend to speak on the specific controversies which are now raging in the public utility field. It is not because I have no views on such controversial questions, or because I am unwilling to express them at the proper time either to the members of this industry or to the people as a whole. I prefer not to state them now for two reasons. First of all, most of these controversies are in process of investigation by public bodies especially authorised to deal with them. The evidence is not in and findings have not been made. Under such circumstances, it would be an unwarranted presumption on my part to volunteer testimony, opinion, or advice. Then, too, there is another reason. It is because a wide radio chain has been set up for the purpose of broadcasting the speech of the Secretary of Commerce. Because of my intimate relationship to the radio art and industry, and particularly to broadcasting, I do not feel that I should discuss controversial problems of the utilities on the air.

And so I shall speak to-night about some of the basic economic problems of America. I cannot claim that they are free from controversy—nothing but axioms and platitudes are.

The problem of our American surplus is my subject. How are we to deal with it most effectively in the economic interest of all the people of the United States? It is our most vital and immediate economic question. I shall speak of the principles involved, rather than of specific measures, and so endeavour to keep myself in the field of economic

discussion and out of the area of immediate political controversy.

What surpluses have we to deal with?

First, and most conspicuous of all, is our agricultural surplus. The proper handling of that problem has a direct bearing on and one may say is the key to farm relief.

Second, we have our raw material surplus outside the field of agriculture, such as our minerals.

Third, we have our industrial surplus, which means more manufactured goods than our people can consume. This surplus is not so large or so uncontrollable as our agricultural surplus. It is more readily financed and lends itself to more orderly marketing. Nevertheless, it is a factor of growing importance in American industry and has a substantial relationship to unemployment.

Fourth, we have an exportable surplus of services, such as technical information, managerial and manufacturing experience, banking, insurance and other services, which can be rendered to other nations without diminishing our usable supply at home.

Fifth, we have our surplus of earnings over expenditures. They are our savings, which have been constantly increasing, and which we wish to enlarge. Now I am not prepared to say that this surplus of savings is more than we can use at home. The question which we have to ask ourselves with reference to savings is whether some part of them at least can be more usefully employed in the general interest of America outside of the United States than they can be at home.

All of the above questions are not unrelated to the tariff. Again, I mean a tariff policy as distinguished from a tariff bill.

You may well ask, why speak about such questions here? Because no industry so quickly reflects the general prosperity of the country as the power and light industry of the United States. You sell not a commodity, but a service. Your service is used by industry only when plants are busy and men are at work. Idle men and idle plants take none. It is used at home largely in the proportion of men's capacity to pay, and when earning power is reduced, consuming capacity for electricity is diminished. You are interested in unemployment if for no other reason than because its paralysing blight compels curtailment in your service and impairs your opportunity for growth.

And while I speak of growth, let me say that it is one of the inspiring things about the electrical industry that its prosperity is seldom measured in terms of curtailment—it is only reflected in lack of growth. Want of growth to you is more painful than declining volume to other industries. You exemplify the zest of youth, always to grow and develop, while many other industries have become accustomed to the ups and downs of age. When they are enervated by decline, their ambition is not so much to grow as to restore the health of youth. In the enthusiasm of your youth and growth, you have scorned the doctors which older people must resort—but one day you, too, will have to take account of the economic diseases which affect the nation as a whole or face the problem, not of diminished growth but of retrogression. So perhaps it is not inappropriate to speak of some of the basic economic problems of America, even to this convention of the electric light and power industry.

Now, returning to the problem of the American surplus and what to do with it. Let me first say that it is one problem and not a series of problems, whether the surplus is in wheat, cotton, copper, oil, automobiles, or unemployed plants and men. It is one problem from the standpoint of large principle and general policy. We must first of all decide what our national policy is to be with regard to our surplus, and not until that is done can we hope to establish measures of effective relief for our surpluses in any particular field. One reason why our thinking has been confused and our efforts have not been fruitful in dealing with a particular problem such as farm relief, is because we have not established a consistent national policy. We attempt to develop a specific measure for farm relief and then we find that our efforts are neutralised by other national policies or activities entirely inconsistent with it. Let us take this problem of farm relief. There is no longer any mystery in anyone's mind as to what the problem is. There is confusion only as to how to deal with it. Our agricultural problem arises from the fact that in many of our important lines we produce more than we can consume. Consumption cannot be materially increased. Thin figures require not more wheat but less. Short skirts require not more textiles more wheat but less. Short skirts require not more textiles but less. Diets require not more meat but less—and what are we to do with the surplus? The production of that surplus cannot be closely controlled. It lies not only in the hands of the farmer who plants, but in the hands of that Providence which brings the rain and the sun and the

wind at proper or improper intervals. No intelligence of human beings is large enough to adjust our agricultural production to consumption in our domestic markets. Well, what shall we do with our surplus of wheat or cotton, or what you please? We must get rid of it. There are only two ways. Either we must burn it at home or sell it abroad. If America starts to burn surplus wheat when people are hungry elsewhere in the world, that fire will start a conflagration which we cannot stop. If America burns surplus cotton when men are underclothed elsewhere in the world, that fire will start a conflagration which we cannot stop. There is no way out except to market this surplus where men are hungry and where men are underclothed.

Now take the surplus of our mines and factories. We cannot overlook the fact that in 1927 we produced 51 per cent. of the world's copper, 72 per cent. of its oil, and 43 per cent. of its pig iron. The output per man in our factories has been rapidly increasing since 1919. Using that year as 100, the increase for all industries combined in the United States shows 1926 at 138, 1927 at 140, 1928 at 147, 1929 at 152, and the end is not by any means reached. In many industries, and especially those in which surpluses exist for export, the increase has been much more rapid in percentage. In the electrical manufacturing industry it is in excess of 164, and in the automotive industry it is approximately 200. It is therefore clear that as our production per man increases in our factories, and goes beyond the power of our consumption, we must export that surplus or have corresponding unemployment in those industries. As I have said before, that surplus is more easily controlled. We may reduce it to nothing, and if it cannot be marketed outside of the United States it will be so reduced. The method, however, of reducing the surplus of our mines and factories is to let some part of them lie idle, and worst of all to let the men who have been employed in that production remain idle. In a word, we have merely translated this surplus into other terms, a surplus of mining and manufacturing facilities which are idle on our hands, and a surplus of labour which is likewise idle. The idleness of men who wish to work is the most dangerous surplus which can exist in any country. Its paralysing blight reaches not into our economics alone, but goes much further. We must learn how to deal with this kind of surplus. It is the same problem as our agricultural surplus, but it should be easier to deal with. It is ridiculous to speak of unemployment as a necessary condition of human society. It is nothing more than a maladjustment of its machinery. It is a blot on our intelligence. It is a drain on our sympathy. It is a promoter of charity which affects disadvantageously both those who give and those who receive. Some day we shall learn to do better, but we must learn it soon. It is easier to deal with, as I have said, than an agricultural surplus, because that is represented by specific articles, whereas unemployed labour may be turned to new channels and new kinds of production. It has not yet been crystallised into goods. Technological unemployment must be taken up by the creation of new industries. Seasonal unemployment may be remedied by setting up complementary seasonal jobs or by larger inventories in the period of smaller sales. Cyclical unemployment may be alleviated by the methods in which the President has so courageously shown the way, and in which this industry is so effectively co-operating.

But some part of this surplus of labour should be used for the purpose of creating an exportable surplus of goods and services. If we can make automobiles advantageously for other people, if we can make radio sets, if we can make typewriters, if we can make electrical equipment, then we have direct avenues through which we can market a certain amount of our labour surplus and our plant capacity outside of the United States. This will be of advantage to us and to those who buy our goods. Just as we must market our wheat and cotton and meat where people are hungry and are underclothed, so we must learn to market this surplus of our mines and factories, this surplus of labour and plant capacity, where men elsewhere need the goods which we can profitably make for them.

How can we market these surpluses, both agricultural and industrial? The method is well known. Those who need our goods are the potential buyers. One cultivates his potential buyers. He does not rebuff them. He seeks their friendship and their good will. If they need credit he extends it. If they have goods which he can take in exchange without curtailing the business of his own country, he makes it a point to take them. Is that the attitude of America to-day toward her potential customers? Are we creating good will or bad will in the countries where they live? Are we interesting ourselves in their welfare? Are we concerned about their living standards? Are we extending them credits through our financial machinery? Are we improve their condition? Are we making friends, and so

creating an attitude of mind, a spirit of relationship which will convert potential customers into actual ones? I venture the prediction that we must do so if we are to conserve our own economic structure, not as a matter of charity to others, but of self-interest for ourselves. The people of America, and particularly the farmers with their agricultural surplus and the wage earners with unemployment, must learn that the solution of their problem lies, not in a narrow isolation of America from the rest of the world, not in an insulation of our economic structure, but in the broadening of our interests, the extension of our aid, the development of our credit machinery, the improvement of the economic conditions of other folks in order that they may buy what we so badly need to sell.

(To be continued.)

Social Credit in Australia.

LETTER FROM A VETERAN AUSTRALIAN PROPAGANDIST.

For the past fortnight I've been itching to answer your most welcome letter. The fates forbade, and I've had to possess my soul in what patience I could muster thank

First, your kind and ever so welcome budget the article, you most heartily. As to "Purpose" the article, "Money, Life, and Time," has struck a new vein for our propaganda, and one I imagine that may prove richer in further working. I like the phrase "Life masters Time," and the use of the term "Luciferic." To a reader of Milton its meaning is definite. The editorial, "In the Human Interest," too, I read with pleasure and profit The article, "Common Sense," called to mind that verse:

"I hearing get, who had but ears,
And sight, who had but eyes before,
I moments live, who lived but years,
And truth discern, who knew but learning's lore."

And also this:—
"I have but few companions on the shore;
They scorn the strand who sail upon the sea;
Yet oft I think the ocean they've sailed o'er
Is deeper known upon the strand to me"
Culture is at a big discount in Australia. Was it not Orage said: "She (Australia) may have found her feet, but she hasn't found her head." She's found neither!

I have quite forgotten what I may have told you about the effect the articles in *The Australian Accountant* and *Secretary* had up here, but I may say the ordinary suppliers were soon sold and a second lot sent for! "Have you wrote me to call and see him, and I asked: 'Yes—up at the club heard the articles spoken of?' " "Yes—up at the club we've had great discussions about them; subscribes to *Freedom* the subject, and intends to master it; I've had six sets going and has bought the pamphlets. I've had the copies would the rounds. An M.P. to whom I lent the price and asked me to part with them, so he paid me the price and asked me to I would write the contents up or down, so that it would suit for a 40 min. speech, as he was to speak to the address in reply Another to whom I loaned them, an important member of a big firm, refused to give them back. "No! I want to use them, I lent them to Mr. read (a director), and he says they're fine and true; may say I've secured, say, six converts through them; and the work still goes on. A large butter-exporter told me, "they're the finest things on the subject I've ever read of." He's bought pamphlets, and reads *Freedom*. An official in the Education Dept. is another. And there are others of a tuition firm is another. And there are others who are too important for me to mention. Another Agency and Auctioneers is another. Another others who are too important for Douglas's books in thing, it has caused requests for Douglas's books in libraries. I've yet to have the impressions of a responsible who have them and are reading them. A responsible Marxian leader is greatly impressed, and has passed them on to others to read.

The Editor of *The Australian Accountant and Secretary* had an excellent article in the April issue, "Back to Prosperity," still reacting to my teaching; and two long letters (favourable) appeared. Still it moves! I must pass over a number of minor things, letters, articles, and one or two lectures, to the three events stand out. In April Sir John (a banker and "economist") wrote an article, "The Artificiality of Paper Money." The President of the Town Planning Association (a commercialist) sent it on. Would I answer it? he undertakes to publish in *Building and Manufacturing*, a trade journal co-operating with them politically in order that they may co-operating with them every manufacturer, contractor, and builder subscribes (i.e., in Queensland). Well, I wrote

LETTERS TO THE EDITOR.

A BUSINESS DICTATORSHIP.

Sir,—With reference to your comments on my book, "Business or Bankruptcy," in your issue of August 28, you are under a wrong impression.

I emphatically do not want a financial dictatorship, which in many cases (as, for instance, the absurd deflation policy which has been pursued for the past few years) is diametrically opposed to business interest.

I certainly would be prepared to advocate a business dictatorship because, in common with most intelligent people, I am utterly hopeless of efficiency through the present political machine.

NORMAN TIPTAFT.

[We refer to this letter in our Notes.—Ed.]

MR. VOWLES AND MR. WELLS.

Sir,—I have derived much amusement from Miss Southgate's letter in your issue of the 28th August. It is so typical of Mr. Wells's mentality and conduct in this matter that I must assume he dictated or drafted it himself.

Note first that the letter in question is written ostensibly to correct a misstatement. Next, bearing in mind that a misstatement can consist in ambiguity, evasion, suggestion, assumption, or omission, note the following points from Miss Southgate's letter:

(1) She leaves it open to the reader to infer that there were a number of collaborators associated with Mr. Wells on the same terms as myself. *But this was not so.* My terms involved an agreement, including a guaranteed minimum payment, and collaboration as co-author and writer on terms of equality with Mr. Wells himself. There was only one other collaborator on this basis; and he threw up the sponge because, instead of giving up his other work (a full-time Government job) as I did, he tried to carry on with that and do full-time work for Mr. Wells also—with the result that his health broke down. The real name and particulars of employment of this other collaborator are available if required, though not for publication without his permission.

(2) Miss Southgate leaves it open to readers of her letter to infer that my association with Mr. Wells was primarily a matter of "collecting material" for him. *This was not so.* I entered into collaboration with Mr. Wells as co-author of a projected work. The name of this was *The Science of Wealth and Work*. I and the third collaborator were expected by Mr. Wells first to hammer out between us a scheme of the book in detail, and then to write the bulk of the whole book; while Mr. Wells, presumably, sat upon Olympus, like Jove, revolving in his breast his stern decrees and nodding the nod that ratifies the will divine. . . .

(3) Miss Southgate leaves her readers to infer that there was nothing in the nature of litigation. *This is misleading.* A number of Mr. Wells's fellow-craftsmen consulted Counsel about my contract with Mr. Wells, and following on this a writ for damages for breach of contract was issued against Mr. Wells on my behalf. There was a general desire, however, to avoid the expense of litigation; and arbitration was agreed upon, Sir Donald Maclean being appointed arbitrator. Thus, while there was no actual "litigation" in the strict sense of the word, there was first the threat of litigation, followed by legal arbitration, with a Solicitor of the Supreme Court as arbitrator, armed with full legal powers to enforce his decision in the Courts if necessary under the terms of the Arbitration Act. I may add that the arbitrator awarded me £1,500 and possession of the whole of my MS. (consisting of 75,000 words of typescript, which Mr. Wells said in a letter to me was excellent material) in settlement of my claims against Mr. Wells.

(4) Miss Southgate's final sentence leaves it open to the reader to infer that Mr. Wells paid an amount under the arbitration to free himself from his association with me. Mr. Wells has already published an implication of this order, also insinuating that I was a "troublesome" collaborator. *Such inferences and implications are wholly false.* I have one letter written by Mr. Wells in which he himself apologises to me for his irritability, another in which he said that the breakdown of the collaboration was no fault of mine, and did not in any way reflect on the quality of my material. He further stated in writing that the reasons why the breakdown did occur were (among others) that he lacked the necessary strength, and organising ability, to see the job through. It was only later that he began to make his insinuations that I was "troublesome." He actually wrote a pamphlet called *The Problem of the Troublesome Collaborator*—a windy, querulous document, pages and pages of it—apparently compiled on the principle of

piece. My title was "The Reality of Credit." My friend was delighted—got it published, and it created some stir. Sir John was mum!

It so happens this year quite a lot of Societies are holding their annual meetings in Brisbane, and the Australian Science Congress was one of them. In Mr. . . . 's office one day he said: "Why don't you write a paper for the Science Congress?" "Chance is a fine thing," I replied. "Will you if you get the chance?" "Most gladly." "All right, I know the Acting Secretary for the economic section; I'll ring him up and ask." "Good!" said I. He rang; the Professor was with his students, said his secretary. "Would Mr. . . . be allowed to read a paper on the Douglas Theorem?" "I don't think so; certainly not without submitting it to the Committee." "I'll ring up again," says Mr.

Two days after I had a letter. "The Professor says: Douglas is out of date; he's 'dead,' and he refuses to accept a paper on Douglas." So wrote my friend. Three days later came another letter. "I've heard again from the Professor, and he seems to have changed his tone completely, and would like to meet you. Have made appointment so-and-so at the University; be sure to turn up, and also be sure to call afterwards and let me know what happens We had nearly an hour of it, and his students were kept waiting nearly twenty minutes! Things got pretty warm at times. He had killed Douglas in a debate with somebody ten years ago (!!!) "With what weapon?" I asked. "Inflation." "You know nothing about it," I replied. "Anyhow, if I read a paper you'll have a chance to kill him quite; he's not dead yet." "What's he been doing all these years?" "Teaching," says I, "and hundreds of disciples helping." "Well," says he, "I'll see what I can do. How much time do you want?" "An hour." "Yes, that's not too much. I'll write you, then, as soon as it's settled, and I should be pleased to have a talk with you on literature." And so in due time the letter came, and I could have an hour to read a paper. So I cut a lot more interesting matter out—for it didn't run smoothly after that—I wrote it, and read it; and I was in pretty good form, and that makes such a difference with me.

Three papers were read that morning. I.—"Unemployment," in which the speaker misquoted Douglas twice, and trotted out Hobson's old objection. II.—"A Fundamental Error." Absolutely tripe, and was treated as such; and III., mine, "The Douglas Theorem." About 50 were present, and all the professors, etc. The chairman, when called me, remarked that the three papers were to be discussed together, dealing seemingly with the same matter. I objected, and remarked that in this case "the Jews had no dealings with the Samaritans." They were very attentive, and about three-parts through, the Melbourne Professor asked the chairman to cut me short. I strongly objected, and at last I was allowed to go on and finish, and got more applause than I expected. The other two papers, I may say, were ignored—not mentioned! The man who preceded me started the ball, and surprised me by proposing that my paper of the three and in the afternoon there was some Government function, so no meeting. Someone proposed that the discussion should stand adjourned; he wished to know more about it, being much interested in Mr. . . . 's paper. That was immediately seconded and carried, though not before objections by the professionals. I felt quite sure that that was the last we should hear of it (which it was), and got up to reply; the chairman asked if I wished to speak. I said I wished to reply to what had been said, and did so, ending with: "I warn you, any effective criticisms against my paper must be directed to my facts and to the conclusions. Not a fact has been disputed, and not a word has been said against the Douglas proposals and their practicality." Thus Douglas got an innings at the Australian Science Congress. The four dailies had notices, but I found them had I written it myself. Is not this the first time Douglas's S.C. Theorem has been put before a "Science" Congress?

(To be continued.)

"For the past eighteen months Argentina has had no Ambassador at Washington. For the past 30 months she has refused every invitation to attend Pan-American Conference. She has refused to sign the Kellogg Pact. She has refused to attend inter-American conferences on sanitation, on customs classification, and on trademarks. She has refused to co-operate with the Pan-American sanitary bureau, or to attend the Pan-American arbitration conference."—*Newcastle Journal*, August 19.

Gustave le Bon: "Affirmation and repetition, kept free from all reasoning and all proof, are the surest means of swaying the mind of the mob." (I quote from memory.) In this document he just made statements about me and others, and repeated them *ad nauseam*; and then referred back to these statements as though he had provided evidence of them—whereas he did not, and could not, do anything of the sort.

The whole of the correspondence with Mr. Wells, as well as other letters written by him to me during the past twenty years, and a copy of his pamphlet, are available to confirm the statements made in this letter if necessary.

HUGH P. VOWLES.

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