

# THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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## NOTES OF THE WEEK.

The *Times* of October 20 contains a leading article entitled "The New Treachery." Apparently the "treachery" lies in the preaching of what the writer calls the "new economics" which, he says, "teaches the primary duty of reckless consumption." He does not define what reckless consumption is, nor does he quote any so-called new economic teaching that can be reasonably held to advocate recklessness. He refers to Mr. Henry Ford, who

"has a great mob supporting him when he preaches the doctrine that prosperity rests on production and production rests on consumption," and also quotes a leader of the American building industry who said recently that:

"the man who builds a skyscraper to last for more than forty years is a traitor to the building trade." And this completes his evidence. We will quote a typical comment which he makes:

"The poverty of the Egyptians was due, it is now clear, to the early glut in the pyramid-building industry because the first pyramids were built to last much too long. If Norman castles and Gothic cathedrals had only been built by men with more knowledge of economics, there would be nothing to visit to-day, but there would be more money for sightseeing since we should be inheritors of a financially richer past."

The whole article is written in this ironical vein and will no doubt amuse everybody who has no interest in economic principles or knowledge of the practical problems of business. But irony is a hopeless weapon with which to resist the clarification of what is essentially a problem in physics and mathematics, especially at a time when, as at present, this problem is being investigated more and more by people having the appropriate qualifications—engineers and accountants being the most conspicuous examples.

It is significant to notice that this writer, in order to support his case, uses the most irrelevant examples of production and consumption that he could possibly have chosen—pyramids, castles, and cathedrals. Anyone would suppose that the foundational activity of economics consisted in the contemplation of private property. Why did he not choose the Hotel

Cecil? Of this building, recently demolished, it was stated that it had been so soundly built that it was good to last another fifty years at least. Whatever arguments are brought to justify its premature destruction justify the charge of "reckless production" against its original builders for having planned so long a natural life for it. For a double recklessness has been involved, first a superfluous amount of energy and material were originally expended on putting it up, and second, a superfluous amount of energy has had to be expended in pulling it down.

Again, observe that the writer begins with an indictment of reckless consumption but supports it by allusions to "shoddy" production (as he calls it in one place). His play with the word "reckless" is safety-play—the word is a moral reflection whose ambiguity allows him to take liberties with the facts to which it refers. If by reckless consumption he means extravagant consumption his idea becomes more intelligible, but he would still have to show why the extravagance should necessarily be accompanied by shoddy production. It does not follow that if a consumer buys twelve pairs of boots a year instead of six that the twelve pairs should be bad boots. But this writer has got an answer ready: it is this—that the consumer will not buy twelve pairs a year unless they are made to last just a month. Quite so: it would be real extravagance for him to buy boots faster than he wore them out. And if boots could be made to last as long as the pyramids then everybody could go sightseeing among ancient and derelict boot-factories—provided of course that some remote ancestor of his had paid for such boots and passed them on in his will.

Our readers will remember that in our issue of September 25, when commenting on the revolution in Argentina, we gave reasons for our suspicion that the objective of the revolutionary leaders was financial. In the *Evening Standard* of October 23 the writer of "The Londoner's Diary" says:

"I am not surprised that General Uriburu, the new President of the Argentine, has cancelled the much-vaunted D'Abernon deal. His action will supply a wholesome



corrective to those egregious optimists who fondly imagine that the Argentine is a kind of special trade reserve for this country. . . . The removal of President Irigoyen was due to United States influence, although that country buys no beef and no wheat from the Argentine, but concerns itself with the selling of its own goods." (Our italics.)

The D'Abernon deal was a contract of the value of nearly £8,000,000, and was intended to be based on the barter principle, that is to say, the Argentine and Britain would cut out third parties and make the transaction reciprocal. We published in our issue of September 25 a cutting from an American newspaper narrating how the *Daily Herald* rang up General Uriburu directly after the revolution asking whether he was going to confirm this contract or not, and received his reply: "I have not had time to think about that yet." This answer corresponds in form with the formula used by British Ministers in the House of Commons: "I must ask for notice of this question," and means the same thing, namely, that the political (and therefore nominal) head of a State or Department needs time to get directions from the financial (and therefore actual) heads before he can commit himself to an answer. Every international commercial contract needs the endorsement of bankers before it can be carried out; so it is useless to expect a mere President to decide policies involving such contracts off his own bat. The political direction of economic activities, both domestic and international, is beset with the same pitfalls as would be met with under a railway system in which the signalmen took orders from an authority independent of the management. Even if the management had the power to fix the destination of the train, and the route which it would follow, the time-schedule would be dictated by independent signalling—which is to say that the signalling authority would in the end impose both the destination and route on the management, engine-drivers and passengers (capitalists, statesmen and citizens) alike. What is the use of setting out for the most prosperous of places by the pleasantest of routes unless you get through? The engine-driving statesman of the present day either pulls up at adverse signals—in which case the impatient passengers vote him out of the job and put someone else in; or he runs past the signal—in which case the management have to dismiss him whether the passengers agree or not. So long as they regard a signal set at danger as the same thing as actual danger, they have no option. Thus, as we have seen in the case of Australia, directly the signal-arm of her exchange-rate fell, her driver had to pull the economic train up with a jerk: the astonished passengers alighted, and are now stumbling about on the track wondering whether to walk the rest of the distance or wait to see if the train starts again. If they knew their business they would raid the signal-boxes—or alternatively they would force their driver to ignore the signal and carry on. If they still had an uneasy feeling that after all perhaps the signal was telling the truth, that need not hold them up: they could warn the driver to go easy round the curves for a bit until he emerged on a long straight stretch where his own eyes would be the only signals he need obey. There is no danger; and directly Australian Capital and Labour make up their minds to ignore the bankers' unconstitutional signalling-system they will find this so. "Suppose," objected some timid gentleman to George Stephenson, "that when your train is going along, a cow gets on the line?" Well; cows, bulls, bears or bankers—the answer is the same.

But to revert to the extract from the "Londoner's Diary," although it is probably correct to say that United States influence brought about the cancellation of the D'Abernon deal, it may also be true that other interests—even ostensibly British interests—

either connived at this coup or complacently acquiesced in it. Last week's electioneering controversies have made it clear that each of the three political parties is standing for some method of promoting trade within the Empire; and this involves, as a corollary, discouraging trade outside the Empire. Therefore, no matter which of the three methods one considers, it would be rather embarrassing for Great Britain to invite discussion of it at the Imperial Conference at the very moment when she had entered into the D'Abernon arrangement to import wheat and other products from outside the Empire. Let us take Lord Beaverbrook's method for example; it is next to impossible to imagine him to be otherwise than exceedingly pleased at the cancellation of this deal—and the gusto with which the writer of the "Londoner's Diary" celebrates the event deepens this impression. Of course, if Empire Free Trade is going to turn out to be the better-paying proposition for British manufacturers, they will no doubt be content to leave the Argentine contract to American manufacturers. But for the moment the British dog has dropped a real bone. Whether the bone he sees in the Beaver Brook is equally real will transpire in due time.

We suppose we must place on record the successful completion of the Brazilian revolution which took place last week. The Press registers this as a rebuff for the United States; and this receives a certain amount of support if the *Daily Express* of last Saturday is correct in reporting that "on receipt of the news" on the London Stock Exchange "all Brazilian stocks were marked up in price."

"Brazil Tractions rose to 27½, and gains of 1 to 2 points were common among Brazilian Government stocks, including the Six-and-a-Half per Cent. 1927 Loan, which advanced to 71. The San Paulo Coffee Loans also derived considerable benefits from the news, the 1930 Realisation Loan advancing 2 points to 82."

Presidents may come and go, but the Loan remains and rules always. The B.B.C. gentleman who broadcasts the news reassured England last Saturday night that the new Brazilian Government would "observe all its obligations." It was, he said, taking measures to restore order, instructing the Brazilians to "lay down their arms," and cease all violence—in other words, telling them to get back to work at once in case their continued indulgence in joy-fighting prejudiced the prospects of another coffee-surplus next year.

But inferences from observing rises in stocks on any Exchange must not be drawn too widely. Dealings are international. The proper inference to draw from such evidence is not that any particular country has benefited at the expense of others from the Brazilian revolution, but that the world's investing interests have received, or expect to receive, a common benefit. We write before it is possible to see how Brazilian stocks have moved in New York and other centres, but readers who are interested will be able to do so for themselves by the time they read these lines. But the point is of no great importance, because these small political upheavals are not major causes of stock movements: they are merely moon-causes that stir the surface of tides drawn by the moon—the orb which the ancients regarded as the mother of lunatics.

A Reuter cable from Melbourne last week reported that Mr. Fenton, the acting Prime Minister of Australia, had announced the Government's intention to pay a bonus on gold production. The City Editor of the *News-Chronicle* comments on this (October 21). He points out that only last June Mr. Scullin had declared that the Commonwealth was unable to pay a bonus on any condition, and observes that this change

of policy will come as a surprise in view of the present state of Australian finances.

"In the past there have been suggestions that as much as £1 per ounce should be paid as bonus, and there is no doubt that many mines in Western Australia could be brought into production if some relief from the high costs of production was obtained."

He proceeds to criticise the policy of subsidising gold-production, as follows:—

"A subsidy upon gold production is protective in effect like a tariff, and its operation forms an apt illustration of the effects of excessive tariffs which are partly responsible for Australia's present financial plight."

"For the sake of illustration, assume that the Commonwealth is to pay a subsidy of 10s. per ounce of fine gold produced. Each ounce of this gold shipped to the Bank of England would increase Australia's much-depleted balances in this country by £4 4s. 10½d. (the Bank of England's buying rate). Say, 85s. in round figures."

"But towards each of this 85s. worth the Commonwealth Government would have had to pay in subsidy (from its taxes) 10s., so that each ounce of gold employed in the world market would mean that Australia would be getting 75s. net worth of international goods. In other words, this proportion means that in order to get £85 of goods in the world market the Commonwealth would have to tax itself the equivalent of £10 in order to subsidise its gold producers to mine metal worth £85 in English pounds in the world market." (Our italics.)

Mr. J. C. Rea Price, who is the City Editor referred to, seems to have overlooked the fact that Australia's most urgent problem is not to import goods from the "world market," but to export goods to the world market. Being a debtor to foreign bond-holders, she has to show a balance of exports over imports to a value equal to the interest and other charges associated with her outstanding borrowings from abroad. If a country has to pay, say, £20 a year to foreign creditors, it has to export £20 worth more goods than it imports. If it gets goods back for the £20, it has not paid off the £20. The whole tangle about all international debts and reparations arises from this fact, which is generally recognised by experts.

Australia, in these circumstances, has chosen the best possible policy. For there is one crucial difference between gold and all other objects of production, namely, that a country which produces gold knows that it can sell the gold abroad and knows what price it will fetch. The Australian Government therefore can rely in advance on being able to pay off 85s. of her debt-charges for every ounce of gold. Gold, unlike other products, is not merely something that you offer in exchange for a problematical amount of financial credit: gold is itself financial credit. An ounce of gold is 85s. Hence any subsidy less than 85s. per ounce—however little less—does at least yield a definite margin of debt-paying power. Taking Mr. Price's hypothetical figure of a 10s.-per-ounce subsidy, and assuming that it is raised by taxation, the Australians can pay off 85s. of external debt for every 10s. of internal taxes. To put the matter into the language of Mr. Owen D. Young, Australia can use the 10s. subsidy to raise and move 85s. worth of gold out of the country in return for foreign obligations—which obligations would be used to offset Australia's own obligations to foreigners.

We are fully aware of the technical objections to this rough presentation of the case, having regard to the actualities of international trade and finance; but these objections, insofar as they can be sustained against a gold-subsidy, will be seen to apply with many times the force against any alternative scheme for debt-settlement, whether subsidies are used or not. Our argument is not that a gold-subsidy is of itself going to solve Australia's problem, but that it is the best policy she could have adopted as a first step towards the proper solution. It is astute statesmanship sometimes to take the risk of doing some-

thing which may be technically unsound, if only to force critics to state where the unsoundness lies. And speaking for ourselves in this connection, there is nothing we should enjoy better than to see the principle of the Subsidy publicly discussed in its relation to gold-production. What is wanted to-day more urgently than anything else is to burst up the secret diplomacy of the bankers. There was no reason for Sir Otto Niemeyer to visit Australia if his sole object was to instruct the Government in the laws of economics and finance, and their natural impact on Australia's situation. The Bank of England could have prepared, and published to the world, a Memorandum embodying this technical instruction. Even if it ran to a long length—even to a fair-sized book—this would have been worth while, for if there is demonstrably a right and a wrong way of conducting economic activities, then the demonstration has a universal value and ought to be accessible to everybody in the world. Considering how vitally everybody's life is affected by economic laws as instrumented by financial policy and practice, the silence of the bankers is an unconstitutional act, no matter by what principles of political government it is measured. And any Government which pursues a policy inspired by their advice without first revealing what that advice has been, and the reasons why it was tendered and accepted, is an unconstitutional Government.

The wisdom of Australia's concentrating on gold exports receives further confirmation when one reviews her past experience with other exports. On September 11 we referred to Mr. Brailsford's article in *The New Leader* in which he stated that Australia's total exports this year, although not smaller in quantity than in her best years, are expected to fetch £90,000,000, whereas a few years ago they were fetching £140,000,000. Thus, over the period reviewed, the debt-paying value of Australia's productive energy fell by over one-third. The reason, of course, was that the competition of the other countries of the world to sell similar products to those which Australia was offering caused what are called world-prices to fall. Now, the world-price of gold does not fall. So if Australia had, during this period, diverted her energy from the production of miscellaneous commodities to the mining of gold she could not only have avoided the above drop of £50,000,000, but might even have increased her export revenue beyond the original £140,000,000. That she could have diverted energy is proved by the existence to-day of her enormous stocks of undisposed produce. Manifestly all the energy represented by these surpluses could have gone into gold-mining without having caused the standard of living in Australia to be lower than it actually is at the present time. It stands to reason that since she cannot sell her surpluses outside, and cannot empower her own citizens to absorb them, she might just as well in future change them into a form for which there is a never-failing external demand at a never-changing price—gold, at eighty-five shillings per ounce. It is a curious spectacle to see the bankers sobbing at the prospect of gold-scarcity and at the same time sniffing at the policy of gold-subsidies. Is more gold wanted or is it not? If it is—and so urgently as they say it is—they ought themselves to have volunteered to subsidise gold-mining everywhere.

It is true that a gold subsidy involves taxing producers of other things and handing the money to the gold mining industry. And for that reason it causes discontent, because the people who pay cannot afford to, and because even if they could, they would feel that it was unjust to make them do so.



But there is another side to the account. The Australian Loan Council have decided to cut down loan appropriations for next year by an amount totalling, we believe, £25,000,000. The necessity, as they see it, for doing so arises directly from the fall in Australia's export values. Now, for all practical purposes, this £25,000,000 cut in loan distribution is the same as a tax on the Australian people. There will be that much less credit in circulation than there would have been but for the fall in export values. So insofar as a gold-subsidy would have prevented such a fall it would have been a paying proposition to every Australian citizen whether in the gold mining industry or not. The practical way in which citizens who had contributed to the subsidy and not received any of it should view it would be to consider it as an insurance against a trade slump. We must leave it to technicians to work out the figures, but broadly speaking the impending restriction of loan credit would have been worth a pretty heavy subsidy to prevent. But it is never too late to mend; and, as we have said, we are glad to see signs that the policy is now being explored.

It will have been observed that all our comments are based on the hypothesis that the axioms of financial system remain in force. Since there is a fundamental error in that system there is bound to be a snag in every policy tried out under it—even in the policy of subsidising gold. The reason why we approve such a policy is because it is the best practical method we can see at the moment for starting up the financial fox. The hunt waits on the beaters.

The cheeriest news of the week is the triumph of the Labour Party in the New South Wales general election. We have only the figures up to the adjournment of the counting at 2 a.m. on Sunday, which were: Labour, 51; Parties constituting the late Government, 37. The figures before the election were: Labour, 40; Government parties, 48. Mr. Lang, the leader of the N.S.W. Labour Party, will form a Ministry in which he will be Premier and Treasurer. Mr. Lang has been an outstanding critic of Sir Otto Niemeyer's intrusion into Australian politics, and an implacable opponent of his recommendations to the Federal Government. *The Observer* of last Sunday publishes a report from "A Special Correspondent" in Sydney on the results. He says:

"Mr. Lang, the Labour leader, has issued a statement that the result is a declaration to the world that Australia will not surrender her standard of living, will not tolerate outside interference with her domestic affairs (an obvious reference to Sir Otto Niemeyer's mission), and will stand by all her obligations, not some of them."

This we take to mean that the Government will respect the rights of its own constituents as well as those of foreign bondholders.

The Correspondent interprets the election as follows:

"The Labour victory is due to intense discontent owing to the great unemployment and the extravagance of the Government during the first two years of office."

Notice the insinuation that unemployment and extravagance are parallel causes of discontent. They are not. Government extravagance means Government over-spending. Government expenditure causes contentment. The discontent referred to was due to unemployment, which was due to a slump in trade, which was due to scarcity of money, which was due, among other things, to the Government's extravagant taxation. Of course the apologist for the present financial system will say that a Government is obliged to recover all its disbursements in taxes. That can be disproved. But assuming it to be true, we have still to hear why it

should cause more discontent when a Government distributes and recovers, say, £1,000 than when the amount is, say, £100. The community as a whole cannot lose money by any mutual transactions between its members, nor by any act at all short of burning currency notes. Hence the more money it receives from the Government the more it can afford to hand back to the Government. That is the assumption of the financial experts: they are bound to assume it, otherwise their doctrine that the more money a Government distributes the more it must get back is left without any intelligible basis. Very well then: at what point between the £100 and the £1,000 is Government expenditure and taxation unsound? Where does extravagance begin? Finally, what is extravagance? The pundits never attempt a definition. Our own rough definition would be to say that any taxation at all whose imposition leaves a community short of the money necessary to buy what it has made, and needs, for personal consumption, is extravagant taxation. Any taxation which restricts the access of consumers to unsold products, or the access of producers to unused resources, is extravagant; and the psychological symptom of the extravagance is the discontent of the people. Lastly, we are prepared to show that there is no point at which taxation can be low enough to eliminate this twin evil of restricted access to food and work. The reason is that the banks intercept and cancel the credits between the time when the Government distributes them and the time when it appears to the taxpayer to have spent too much; but the amount is "too much" because the banks have picked his pocket before the demand-note comes in.

A Government is merely a national merchant. It buys goods and services from producers and sells them at cost to consumers. The vital distinguishing feature of this communal buying through the Government is that the consumer is legally compelled to buy, and legally compelled to pay the price. We can express the difference in token figures. First of all let us imagine no taxation. The process might be as follows:—

Collective expenditure on production .....	£1,000
Cost of production .....	1,000
Price at cost .....	1,000
Money paid out as wages and profits (assume the whole sum) .....	1,000
Money retired and cancelled by the banks, say .....	200
Balance of money left to the community ..	800
Price to be met by £800 .....	1,000
Deficit .....	200

In this case the consumers and producers would be free to haggle, and the latter would probably have to accept a lower price than cost, especially in respect of articles which the consumer would decline to buy otherwise. But now bring in a Government and let it buy and sell on behalf of the consumers to the extent of say one half the total production. In that case you would have these figures:—

Producers' price for private sales .....	£500
Government's price (taxes to cover its purchases) .....	500
Money in the community's hands .....	800

Again, suppose the Government bought the total production: in that case its tax demand would be £1,000, against a taxable capacity of £800. The general moral of these illustrations taken together is that either industry must lose £200 or the Government must leave its Budget unbalanced. A little reflection will show that its "extravagance" does not lie in its spending £500, or any amount at all. Whatever amount it spends, its attempt to recover it in

full will have the appearance of extravagance because it involves taking money which the consumer needs to spend with the producer and the producer needs to receive from the consumer. The remedy is to make the banker disgorge the missing money, which is the cause of the apparent extravagance and the actual discontent.

The Correspondent goes on to say that the late Government's electoral programme was pessimistic from start to finish, while Mr. Lang "promised almost everything and showed strong fighting qualities."

"His promises may or may not be possible of fulfilment, but on the minds of the workless they fell like manna from heaven."

"Immediate interest centres in Mr. Lang's policy towards the banks. His declaration on Wednesday that he would cancel their charters if they refused to provide credits for the Government has caused intense nervousness and a modified run on the State Savings Bank. This will be intensified on Monday." (Our italics.)

It is rather curious that a threat to force private banks to provide credits for the State should cause a run, not on the private banks, but on the State bank. One would suppose that the impulse of the ordinary citizen would be to draw his money out from the banks that were to be raided, and not from an institution belonging to the raider. The episode savours of deliberated policy on the part of sophisticated financiers. What power Mr. Lang can command in dealing with direct reprisals such as this seems to be it is too early to estimate. Taking a line from the two interesting accounts which we published from our Australian correspondent of his experiences as a propagandist, there is reason to suppose that Mr. Lang has secured the support of a good number of business and professional men on this occasion. If so, it is well. But his success depends not so much on who sympathise with his policy, but on his own knowledge of how to make it effective. So far as his courage and sincerity are concerned, there are at least indications that he is expected by observers in general to give his constituents a good run for their votes. For example, the Correspondent referred to says:

"The result of the Labour victory on Federal affairs is most important. Mr. Scullin refused to cable a benediction to Mr. Lang, and Mr. Lang's victory is a direct challenge to the Federal Government. It is likely to produce a split in the Federal Cabinet and the party, the break-up of the Melbourne financial agreement, and the speedy return of Sir Otto Niemeyer to London and of Mr. Scullin to Australia, as Mr. Fenton has proved quite incapable of handling the situation."

What Mr. Scullin could have done to prevent the situation developing in the excellent manner it has does not exactly leap to the eye. The speedy return of Sir Otto Niemeyer might be much more intelligibly explained on the ground that he has let the situation slip out of hand. The truth is that neither of these persons was, or is, capable of handling it. It is the product of a general subconscious apprehension of danger, which is quickly being raised into conscious appreciation of the danger and a determination to eliminate it. In the chemical laboratory a pretty experiment is shown sometimes, which consists in dropping a small particle of solid substance into a saturated solution of a certain chemical. Its impact on the still surface instantly resolves the liquor into a mass of crystals—something like an explosion, but of a liquid into solids instead of solids into gases. Sir Otto's descent on Australia has had an identical effect. Western Australia's agitation in favour of secession from the Federal System was an early symptom of approaching saturation; and, now, it is not impossible that that State and others will crystallise themselves out

from the liquor of centralised collectivism in which their characteristic shapes have been dissolved.

The emergence of Mr. Lang makes a glance at his pre-election programme worth a glance. Its chief items, according to *The Times* Correspondent in Sydney (*The Times* of September 23) were:

- No wage reductions.
- Abolition of the Loan Council.
- Completion of unfinished public works.
- More road development.
- Stimulation of industry generally.
- Investigation of the Unemployment Relief Act.
- Guaranteed wheat prices.
- Curtailment of leases.
- Division of big estates.
- Rehabilitation of railway and tramway finances.
- A forty-four hour week.
- Repeal of legislation reducing salaries.
- Restoration of former powers to Arbitration Courts.
- Restoration of widows pensions and family endowments to former levels.
- Regulation of interest on mortgages.
- Making purchasers of homes secure from foreclosure.
- Restoration of the powers of the Fair Rents Court.

This cargo seems over-assorted, but its general character is commendable. The important thing is that Mr. Lang knows for himself, and has pointed out to the electorate, the nature of the obstacle which must be removed before he can carry out the main items of his programme. The public realise that he stands or falls primarily on his ability to get the banks of New South Wales to act conformably with the financial policy of the Government of that State. For that reason, if he fails to carry out his programme, everyone will guess the cause; and if not Mr. Lang, unlike Ministers in this country, will not hesitate to lay the responsibility of his failure where it will properly belong. His assumption of the State Treasurership as well as the Premiership is a good example of applied logic.

Our one hesitation is in regard to the consequences, not of his failure to get his credits, but his success in getting them. He has given a general assurance that he will balance his Budgets and that he will not repudiate debts. We have given reasons above for saying that if he balances his Budgets simply by levying taxes equal in amount to his expenditure, and without amending the technique of loan-recovery and credit-cancellation by the banks, as exposed in the Social Credit analysis of the general price-system, he will find himself driven in the end to administrative economies which will revive again all the discontents which have brought him to power. Borrowing is not enough. And the greater the amount of credit that is borrowed the greater the proportion of it that will be retired and cancelled by the banks unless the whole system of retiring them is radically changed. That is to say, the greater the initial increase in trade the greater the ultimate shortage of purchasing power as measured against prices.

For the present we will not extend these remarks. It will be sufficient for us to state the test by which the new Government may tell whether it is on the right track; and that is to keep a strict watch on the index of aggregate quantitative consumption for the whole State. If no statistical system yet exists for the purpose, the first job of the Government should be to get one designed and administered. Inequalities in distribution may need specific attention, but the primary necessity is to establish the index and see that the consumption curve starts rising. There will be a lag between the expenditure on increasing the State's production and the appearance of the products on the market, but that is no reason why the curve should not start rising and keep rising—especially since there exist already surpluses of products not yet consumed.







Real credit is a well-founded, that is to say, correct belief or estimate of the capacity of a person or community to materialise its desires. It is, as one might say, a blue-print of a state of affairs which the community can achieve, but has not yet achieved. It is the same thing as that sort of faith which was defined as "the substance of things hoped for, the evidence of things not seen," and fundamentally it takes its rise out of that marvellous faculty of human nature which consists of first imagining a state of affairs and then successfully reproducing the thing imagined in the every-day world. That is real credit. Note that it is *not* belief *only*, it is well-founded belief. Financial credit is a sort of reflection of this real credit in figures, and might be defined as a correct estimate of a person's or a community's ability to deliver money. Money is an effective demand for goods and services, and most of us believe, and probably correctly believe, that we cannot further our desires without command over a certain amount of money. The Social Credit proposals therefore may be stated somewhat in this manner. They are not concerned with either the nature or the result of an individual's ideals, their objective is to help man to achieve them. As a matter of observation it is clear that on the material plane the possession of money is, as the world is constituted, an essential to the realisation of almost any objective. The problem therefore is to provide the greatest number of people with the greatest amount of money that they can use effectively, bearing in mind the limitations inherent in the nature of ownership and at the same time to make sure that in doing so we do not destroy the properties which at present seem to inhere in money.

Before passing on to a short outline of the mechanism of these proposals I should like to touch upon some of the objections which are raised against them. One of the first and most widespread objections met with is fundamental, and probably the most powerful obstacle to their realisation, and might be perhaps called the "Puritan Ideal." That "it is not good for people to have what they want, that human nature is essentially bad, and that life should consist to a very large extent in running to see what Johnnie is doing, and telling him he mustn't." It is quite evident that if this position be taken up no progress along these lines is possible, and it is obviously not a matter for argument but is purely one of belief. I would, however, repeat that in a more or less veiled form, it is very prevalent and will have to be faced in the open sooner or later. A second objection, perhaps worthy of a little more respect, is that human nature will not be permanently satisfied by what is called "material progress." This is quite probably true, but as an objection to Social Credit it is, I think, irrelevant. If, as is quite probable, the result of an initial extravagance is a reversion to a very much simpler type of life than we have at the present time, so much the better. Such a state of affairs would be far more stable if it came as the result of experience than as the result of an imposed ideal. A third objection, perhaps almost universal, is that Social Credit, by relieving everyone of the fear of poverty, would remove the chief stimulus to what is called "work," with the result that civilisation would fall to pieces.

Now superficially this is an important objection, and not lightly to be disregarded. If the existing state of affairs provided evidence that the fear of poverty was a successful stimulus, was a successful motive power for society, it might perhaps—I do not say that it would—be justified on pragmatic grounds; but it must be quite obvious to anyone who is familiar with the facts of industry that the fear of poverty is the worst possible incentive to successful industry. I have no hesitation whatever in saying that the most important work, the hardest work, and the most work per man in the world is done by

men who have no fear whatever of poverty and no human likelihood of ever being poor. Conversely, these sections of society which are constantly faced with the fear of poverty tend automatically to become incapable of anything but the lowest grade of work, and ultimately do even this work less efficiently than better paid and socially better placed individuals. Whatever function it may have fulfilled in the past, it is my personal opinion that fear of any kind is the most destructive and generally undesirable motive which can be imported into any human action, and that no greater service can be made to mankind than its elimination. There is, however, an additional factor to be considered in regard to the objection that the work of the world would not be done except under the stimulus of poverty, and that is that we are rapidly passing from the human labour stage of progress into the machinery stage of progress, and that if the enormous amount of unnecessary work which is stimulated by the existing financial system were eliminated, not only, of course, the completely non-productive labour of what is called "business" as opposed to production and distribution, the work of the world could be done with a surprisingly small percentage of the labour available, a state of affairs which might be visualised perhaps by imagining the human being to pass four years in a school, three years in a university, and three or four years in an industrial organisation, passing, perhaps, at the age of twenty-four or twenty-five into what we might call the "reserve."

Having the preceding considerations in mind, we are in a better position to examine the reasons why the economic and financial system does not at present fulfil them and what changes would be necessary in order that it should do so.

Let us first be clear that the defect does not lie in any failure of the production system. The rate of production of a given article per human unit of labour has enormously increased and is continuing to increase over that which was competent to give a reasonable standard of living four or five hundred years ago. For instance, in 1928 the rate of production of pig iron was three times as great per man employed as it was in 1914. A workman using automatic machines can make 4,000 glass bottles as quickly as he could have made 100 by hand twenty-five years ago. Taking 1914 as 100 in 1910 the index of factory output was 147 and the index of factory employment was 129. By 1927 output had risen to 170 and employment had sunk to 115. In 1928 American farmers were using 45,000 harvesting and threshing machines and with them had displaced 130,000 farm hands. Motor car output per man has increased during the same period by 210 per cent.

Similarly it would be absurd to contend that human necessities, much less human desires, are fully met. The existence of a poverty problem faces us to face with an unemployment problem and side by side with a marvellously effective production system ought to direct our attention unfailingly to the fact that it is something that stands in between consumption and production which is the cause of our difficulties. There is only one thing which stands between production and the desire to consume and that is the ability to pay, in other words, money, and thus it is to the money system we must look for the source of our troubles.

Now the simplest method of obtaining a physical conception of the situation is to regard the money system and the price system as a double-entry system of book-keeping. Every article which is produced has a price attached to it, and somewhere on the opposite side of the account there should be a sum of money capable of moving each and every article out of the production system into the consuming system. Since money is the mechanism by which

the consumer gives orders; no money, no order; no order, no delivery; and ultimately, no delivery, no production. Having this conception firmly fixed in your minds, you will see at once that if the total amount of money available on one side of the account is less than the total amount of prices on the other side of the account there must be something remaining unsold always. Now the reasons why the amount of money on the consumers' side of the ledger is always less than the collective amount of prices of the goods which that money ought to buy, are complex, but the two more important ones, which in themselves are quite sufficient to account for the difficulty are (1) the double circuit of money, which has been dealt with by me under what is called the "A plus B theorem," and (2) the reinvestment of money which is obtained by the production of goods for consumption.

These two, while not identical, are to some extent interlocked, and the are not very suitable for explanation verbally, so I have arranged to have upon sale a short leaflet which explains them, and I will merely ask you to accept from me the statement which I have made above, that the collective price of goods for sale is always much greater than the collective money available to buy them. This being the case, certain very interesting and very important considerations become evident, the first of these is, that it is easy for a condition to arise in which it is impossible to obtain goods which are physically available in sufficient quantity for lack of money which can only be obtained by making further goods, which may or may not be physically necessary. That is why unemployment without money is called "industrial depression," although unemployment with money is called "leisure" and a "high standard of prosperity." The second consideration is that, since under no conditions can an industrialised country buy all that it produces, it is forced, not by physical circumstances, but by its book-keeping system, to compete in foreign markets of other countries suffering from exactly the same difficulty, and we have in this artificially produced competition for a market, which ultimately must, as a mathematical proposition, fail to absorb all its goods, the primary and overwhelmingly important cause of war. It is not too much to say that there is no single cause operating in the world to-day which is of such primary importance in a consideration of world conditions and is so fraught with the possibility of world disaster as is this disparity between purchasing power and prices. Now you may ask, as indeed many people have asked, since at one time or another purchasing power is distributed to an amount equal to the cost of any article, how is it possible that purchasing power is not equal to prices in spite of the fact that you can demonstrate that it is not? In other words, where has the money gone to? The answer to this is quite short. It was created by the banks, and it has gone back to its creators and been destroyed. The banking system, therefore, is the core of the monetary problem, and when I say this I particularly want you to avoid making the mistake of assuming that it is the profits of the banking system which I am attacking. I think these profits are exorbitant, but they are quite unimportant in comparison with the disastrous effects of the system itself which the bankers operate.

Space will not permit me, nor in my opinion is it tactically desirable, to go into great detail in regard to the mechanism by which the situation can be put right, but the main principles arise directly out of a consideration of the disease and are quite simple. There are three: (1) That the cash credits of the population of any country shall at any moment be equal to the collective cash prices for consumable goods for sale in that country (irrespective of the cost price of such goods), and such cash

credits shall be cancelled or depreciated only on the purchase or depreciation of goods for consumption. (2) That the credits required to finance production shall be supplied not from savings but from new credits relative to production, and shall be recalled only in the ratio of general depreciation to general appreciation. (3) That the distribution of cash credits to individuals shall be progressively less dependent on employment, that is to say that the dividend shall progressively displace wages and salaries as production keeps increasing per man hour.

The relation of the first two of these considerations will be clear to you upon a careful consideration of what I have previously said. I should like, however, to add a few words in regard to the third of these, and I might premise my remarks by pointing out how completely it inverts the normal Socialist idea that there is something wicked about a dividend and something laudable about a wage or salary.

From one point of view a perfect financial system would simply be a mirrored reflection of every change in physical facts of the economic system, and the first physical fact which ought to be obvious to us is that the business of production is being transferred by the labour of science and the progression of the industrial arts from the backs of men on to the backs of machinery. Now can there be anything more insane than to say that the benefits of this transference shall not be enjoyed by men at large unless they are working? But apart from this insanity it is wholly impracticable. While engineers, industrialists, organisers, and administrators are doing their best, as they are doing their best, to put men out of work, or as they phrase it, to produce more units of production for less units of labour, the politician is screaming that the most important problem of the present time is the one of unemployment, and that the best brains of the country should be concentrated on the problem of finding a job for everyone. Whether or not the best brains are concentrated on this problem, the fact remains that the unemployment figures are rising daily. You will see, I think, without difficulty that the solution of this situation is easy if you will only divest it of any preconceived ideas of social morality, and turn your back on such ideas as "if a man will not work neither shall he eat," a sentiment which in my opinion was merely a statement of fact in the conditions under which it was written and not intended to be a canon of ethics. If one imagines a state of affairs in which one man working short hours can produce all that the requirements of ten men can absorb the proper thing to do is to pick the best man for the production and issue to the other nine men tickets which will enable them to get their share of the production, or in other words, draw a dividend on it. If we do not do this, it is not the slightest use letting him produce enough for ten men, because they cannot get their share and are driven to work, not because there is any necessity for work, but because we have not enough sense to accept the benefits which the progress of civilisation is endeavouring to force upon us.

## PURPOSE

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## The Values of the Jews.

In *Time and Tide* of October 18, Lion Feuchtwanger contributed a long article entitled "The Jews." He mentioned that science has never differentiated the Jews unmistakably from any white race; and that religion does not identify them, since there are countless Jews "indifferent to the Rabbinical religion. . . . Judaism," he says, "is an intellectual and spiritual attitude." In short, if we may interpret Herr Feuchtwanger, Judaism is one of the cultures of the world. Their origin between the giants, Babylonia-Assyria and Egypt, Herr Feuchtwanger explains, caused them continually to have to vere round politically and internationally, and to study intently the mentalities of those around them. From the East they learned quietism, from the West action and conflict; from Egypt being, and from Europe becoming.

"They adapted these lessons one to another until a great new whole appeared, a law which they shaped for two thousand years—the Bible."

Throughout persecution and the ghetto the Jews have thus been pre-eminently the literary race. Herr Feuchtwanger's remarks on future culture are interesting. He joins good company by writing that the problem of the future is to unite the mind of the East with the technique of the West, to the end of replacing internationalism by world-union, political and cultural, in which process he contends, more questionably, the Jews are the born middlemen.

Apparently stating the cultural values necessary for this process, Herr Feuchtwanger becomes still more questionable. It is hardly true, for example, that we have for many centuries made a special virtue of fixation to the soil, or valued the peasant as an especially desirable type of man. Within the boundaries of certain States largely dependent for their revenue on landowners and peasants, these have been able to exercise a corresponding political power, as in Russia since the Revolution. But in most States which count in present international and cosmopolitan culture, the peasant has been despised in practice; and if he has been given lip-praise as desirable it has been mainly because it was calculated to make him bear his feudal lords on his back more patiently. It remains to-day that in practically every country agriculture is the most risky of all economic venture, and is left to those who have fallen behind in the race for quick-wittedness. The peasant, in brief, has been valuable insofar as he was a source of feudal dues, landowners' rent, and gomben-man's interest; and when there was more to be had from operations elsewhere the peasant was left to perish.

It is not quite true, either, though Herr Feuchtwanger says it, that

"the standards and morals shaped to the peasant have lost their meaning for the population of the big cities." It is certainly not true that

"For men of our time—men of machines, industry, and quick travel—the most esteemed virtue is instability and lightness of movement."

The nomad of the present day, from the amoval cosmopolitan financier to the amoval commercial traveller, has, of course, become the successful type, but that by no means demonstrates Herr Feuchtwanger's contention that it has become the vital, useful, *virtu*, type. It is, indeed, a type which has hindered more than helped the develop-

ment of the world-culture which it is the recent world task to create. It has entirely served commerce and has degraded culture wherever it touched it. Character-values are not remoulded every generation, nor every time the economic basis of a society changes. They continue the same, and if the city creates an instable type which becomes mentally, in consequence of physically, nomadic, so much worse for both man and his city. For it is the sign that the flux of the city is destroying the breakwaters of character and dissolving it. For peasant, or accountant, serf or lord, wage-slave or capitalist, saint or hero, character values are constant at a source apart from the planes which appear to vary their expression. If character falls away, as it does under the corrosion and corruption of environment, the prophets do not state new character values. They recall mankind to the old ones.

It appears as if Herr Feuchtwanger perceives this without perceiving the implications. His last two paragraphs praise the Jews for their loyalty to the Bible—which "countless" Jews have lost—and writes significantly that

"the attitude toward life of an epoch cannot be preserved for coming generations through technique, but only through art, and especially through that sort of art which has less sense for things of that sort. In an epoch which has less sense for things of that sort this group of men seems to me to be called upon to make, through the practice of literature, a heavy contribution to the memory of mankind."

The only conclusion to be drawn is that the Jews, instead of a creative synthesis of the "traditionless nomad" and the racial memory, are to perpetuate both extremes, which is certainly what they do at present; one extreme being, for example, Epstein, as racial memory, and the other such as the Isaacs, and the cosmopolitan financiers. That situation is one in which the Jewish artist, musician, writer, poet, can do little or no good, and the traditionless nomad Jew can do immense harm.

Neither type is, of course, the valuable type in the present world problem, which is far nearer everybody's home than the deliberate union of Eastern culture and Western technique. The West has a value which the East may learn; that human beings are fundamentally, in something, soul or spirit, equal. This value has not influenced Western technique or politics to the extent it should have done, although missionaries have been sent to tell it to the black races. Technically, of course, they are both incomparable and unequal. As functionaries of social groups they must continue different and unequal. But as beneficiaries there is no reason why an equality should not be reached which would render functional rank and reward tolerable and even respectable. That measure of equality and beneficiaries could be effected by distributing the product of the common inheritance of invention and creation. Required for that are two things; the acceptance of mankind's responsibility and right to be trusted with leisure, and the application of technical financial means of distributing to each equal person his or her share. By the time that has been done it will be found that the Western soil has been thus manured for Eastern "being" to be united with Western "becoming" in one culture. Leisure would be, and would be racial memory expressed, expressing itself; technique would become, but subject to the discipline of racial memory expressed as a sociological policy in place of the present conflict of despotic regulation and so-called *laissez-faire*. As far as the Jews help towards this cultural use of Western technique they are preparing for the synthesis of the peasant and the nomad, being and becoming. Otherwise they are still content with power at one or other extreme.

R. M.

## The Films.

### Three Faces East: Capitol.

The American firm of Warner Brothers, which introduced the talkies, were never exactly conspicuous for making good pictures in the days of the silent screen, and if they have made a really good sound picture, its name eludes me.\* But even from this motion picture factory one is justified in expecting something better than "Three Faces East," a preposterous drama of English and German Secret Service agents during the late war, with a plot of such puerility that to outline it would be to inflict an insult on the intelligence of my readers. The First Lord of the Admiralty, played by an undistinguished middle-aged gentleman with the face, voice, and accent of a retired manufacturer from Iowa, is given the name of Sir Winston Chamberlain, which is just credible, if uncommonly silly. He is also referred to throughout as the "First Sea Lord of the Admiralty," an indication of the care taken by certain American producers to obtain the correct local colour in a film purporting to depict English life, and this solecism is characteristic of the whole production. The film, in fact, justifies nearly every gibe ever made against Hollywood, and its naive amateurishness goes back to the screen of thirty years ago. Erich von Stroheim, as the Secret Service agent masquerading as a butler in the house of the First Sea Lord, and the admirable Constance Bennett are completely wasted. I cannot say the same of the rest of the cast, since I cannot recollect ever having seen so many completely undistinguished actors and actresses assembled in a single film. Incidentally, von Stroheim's role indicates that the director, Roy del Ruth, is apparently unable to distinguish between the duties of a butler, a lady's maid, and a housemaid in an English household. One might perhaps leave "Three Faces East" to the complete neglect which it deserves, if it did not call for castigation partly on account of the waste of the gifts of the two principal players, and in part because the presentation of such a farago of rubbish at one of the leading London cinema theatres is an insult to the British public, from which the Warner Brothers derive so considerable a proportion of their revenue.

### Two Farces.

Two films privately shown last week under the auspices of British International Pictures afford an interesting contrast between the methods of English and German directors. The first was "The Temporary Widow," made by the Ufa Company, and directed by G. Ucicky, which deals with the trial of a woman for the murder of her artist husband, who is alive but has feigned suicide as an advertisement for his unsold paintings. The treatment is incongruous in a murder trial, and to the English mind somewhat jarring in the bargain. It would have been an improvement to have had less low comedy in the court scenes; any loss of unity would have been more than counterbalanced by contrast. Incidentally, if the presiding judges in the German equivalent of the Old Bailey really allow counsel and witnesses such amazing latitude, German legal procedure must be even more incredible than that of the United States. "The Temporary Widow" is an amusing if not very distinguished entertainment, with the always charming Lilian Harvey as star, a largely English cast, and lively and witty dialogue by Benn Levy.

The English production was "The Middle Watch," adapted from the play of the same name.

\* To forestall argument, I am aware that Warner Brothers were responsible for "Disraeli," but this is a merely a vehicle for the superb art of George Arliss. Incidentally, its attempt to catch the English atmosphere is unsuccessful.

This is easily the best thing of its kind which I have yet seen from a British studio. On the whole, our producers and directors are more at home with a serious theme than with humour, and the average native screen farce or comedy strikes me as a dreary affair reminiscent in dialogue, acting, and "business" of the provincial music halls of the late 'Nineties. "The Middle Watch" is extremely amusing, directed with an American slickness (this is one of the things they usually do better in Hollywood than in Elstree, Berlin, or Paris), and played quickly, as farce should be played, but as it rarely is played on the English screen. An excellent cast includes Owen Nares, rather too gentle a captain of a British war vessel; Jack Raine; Margaret Halstan, who, I believe, makes her first appearance on the screen; two admirably comic Cockney Marines played by Henry Wenman and Reginald Purdell, and Dodo Watts. Miss Watts is a newcomer who has lately been starred in at least three films. I do not know why. Jacqueline Logan, the one American in the production, steals the picture from all the other woman players. The direction is by Norman Walker, and the extremely skilful editing by S. Simmonds. One hears so much of the lack of help accorded by the Royal Navy to film makers as compared with the liberal attitude of its American opposite number, that it is a pleasure to be able to record that special facilities were accorded by the Admiralty for making the warship scenes dealing with actual service routine.

DAVID OCKHAM.

## LETTER TO THE EDITOR.

### HOLDERS OF WAR LOAN.

Sir,—Someone, not long ago, entered an inquiry through THE NEW AGE as to a statement said to have been made by Mr. Asquith on the subject of the holders of War Loan. Here is a passage in my note book, which any City man can verify, "Out of our total debt of £7,900,000,000 the amount held by private persons did not exceed £2,000,000,000."—(Mr. Asquith, reported in *The Times*, May 28, 1924.)

I hope the intimation is not too late to be serviceable.

JOHN PEEL.

[That was a generous admission for a start, but we wonder how many of these private holders could have produced the scrip if called upon. For a guess we should say that nine-tenths of the £2,000,000,000 worth was pledged with banks as security for loans.—Ed.]

Preparations for the coronation of Ras Tafari as Emperor of Ethiopia on November 2 are being pushed forward, and the whole appearance of the capital of Abyssinia, Addis Abbaba, is being transformed. Roads are being improved and trees planted at the sides, while electric lighting is being installed in all the principal streets. A full programme of entertainment includes shooting parties and a race meeting. The Duke of Gloucester, accompanied by an official British mission, will represent King George at the coronation. This information is taken from the *Daily Herald* of September 26. What follows is taken from *Time* (Chicago) of August 25. President Hoover has named Herman Murray Jacoby, a wealthy German-born Manhattan bond broker, as special ambassador for the coronation. Mr. Jacoby will take with him a full diplomatic staff, including Brig.-General Harts and Charles Lee Cooke, the State Department's ceremonial officer. "One reason why the U.S. should participate so elaborately" is given, namely, that: "J. G. White Engineering Corporation of New York has a large contract with Ras Tafari to dam Lake Tsana, source of the Blue Nile, and to build Abyssinian highways."

"Mr. Lang, leader of the New South Wales Labour Party, in a speech to-night in which he outlined his election policy, said that immediately following Sir Otto Niemeyer's arrival in Australia there occurred one of the most humiliating experiences to which a self-governing community was ever submitted. Sir Otto summoned all the heads of the Australian Governments to appear before him in conference, and arrogantly lectured and castigated the Premiers as though they were so many schoolboys."—*The Times*, September 23.



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The Douglas Social Credit Proposals would remedy this defect by increasing the purchasing power in the hands of the community to an amount sufficient to provide effective demand for the whole product of industry. This, of course, cannot be done by the orthodox method of creating new money, prevalent during the war, which necessarily gives rise to the "vicious spiral" of increased currency, higher prices, higher wages, higher costs, still higher prices, and so on. The essentials of the scheme are the simultaneous creation of new money and the regulation of the price of consumers' goods at their real cost of production (as distinct from their apparent financial cost under the present system). The technique for effecting this is fully described in Major Douglas's books.

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