

THE NEW AGE

INCORPORATING "CREDIT POWER."
A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

No. 2028] NEW SERIES Vol. XLIX. No. 12. THURSDAY, JULY 23, 1931. [Registered at the G.P.O. as a Newspaper.] SEVENPENCE

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NOTES OF THE WEEK.

The crash of the "Danat" Bank in Germany and the consequences thereof to German consumers provide a strong reinforcement of our views as to the position and possibilities of the Co-operative Society and the C.W.S. Bank (see THE NEW AGE of July 2, 9 and 16), and particularly of our recommendation that the Co-operative Society should concentrate on securing for its own bank the same privileges and powers as are vested in the Big Five banks. Strictly speaking the C.W.S. Bank is not a bank; it is a client of a bank, and has a status no higher than that of any private depositor in that bank. Therefore, the directors of the C.W.S. and the C.W.S. Bank should pay close attention to what has happened to the depositors in the Danat Bank. When that bank shut its doors and cut off their access to money, it automatically cut off their access to goods. Precisely the same thing would happen in this country should the Capitalist bank which handles the Co-operative bank's account suspend payment. However improbable such a contingency may seem, nobody can say that it is impossible, least of all the defenders of the Capitalist banking system, who have been warning the world's Governments that the credit-system is internationally inter-locked and that a failure in one place will injure the stability of the whole structure. Moreover, it is not necessary to suppose that a suspension of payment need be caused only by the insolvency of a bank, it can be voluntarily adopted by a solvent bank as a precautionary measure, as witness (a) the general limitation of payments (said to be about 5 per cent. of any customer's deposit) by all the German banks, followed by (b) the actual closing of all banks both in Germany and Hungary on July 15. From the point of view of the consumer's interest, the reason why banks suspend or limit payment matters nothing; what matters is the fact itself that he hasn't got his cash; and that, having no cash, he cannot

get goods. Such a situation, declares the *Evening Standard*, can never arise in England. But there is no evidence to support it except the assurance of the Capitalist bankers; an assurance which is not disinterested, because the public's belief in it is an asset to them—in fact the only asset they've got. And even if the assurance is disinterested, that is no guarantee that the public's belief in it will survive the shocks administered by the events which they are seeing take place all round them. Mr. Lloyd George recently voiced a widespread feeling when he said of the "Money Barons" (meaning Capitalist bankers) that "they have been wrong every time."

However, our reason for going into this matter is the opposite to that of trying to raise a scare: it is to call upon the Co-operative Movement to take its own steps to prevent a scare, or to deal with the consequences of one if it occurs. The first step is, as we have said, to raise the C.W.S. Bank to the status of the others; and the next is to run it as an integral part of its economic service to the community.

Look at its present position. Here are six million Co-operative consumers turning over some £750,000,000 per annum. Who is in control of this immense flow of money? Not the Co-operative Wholesale Society's own bank, but the Capitalist Big Five. Not only is the C.W.S. Bank only a depositor in one of the Big Five, but every local Co-operative Society all over the country trots along every evening with its day's takings and deposits them with some branch of one or other of the Big Five. Could there be a more ridiculous policy on the part of a Society which is out to absorb Capitalism into a Co-operative system than to entrust the Capitalist banks with control of its financial resources? The control of money is the control of policy; and therefore the Co-operative Societies are handing over to the Capitalists the power to decide the limits within which Co-operative ideals shall be translated into action. Some years ago we pointed out to the Trade Unions that they were doing exactly the same thing. They were raising money from the workers in

order (in theory) to accumulate a fighting fund to be used against Capitalism in an emergency; and as fast as they collected it they handed it over to the Capitalists to mind for them! ("Please take care of my revolver till I want to shoot you!") It is something to know (from Mr. Granville Davies's *History of the C.W.S. Bank* reviewed last week) to what a large extent the Trade Unions do their banking with the C.W.S. Bank, but in view of the subservient position of the Bank the Trade Unions' policy in this respect leaves them in hardly any stronger position than if they ran accounts with the Bank of England itself. The policy was soundly reasoned. In a breakdown the Capitalists suspend the payment of wages, and Labour must depend on strike-pay—the strike-pay has to be used entirely for buying goods—then let the T.U. fighting funds be banked with the same institution as can provide the goods. The snag in the reasoning was, and is, that it wasn't the "same institution" in the sense in which it ought to be and can be; *immediately*, the C.W.S. was relatively independent of Capitalism on the trading side, but completely merged with Capitalism on the banking side; which meant that *ultimately* its trading side also would be controlled by Capitalist finance. That is one reason why Capitalism has always been able to reckon on a strike collapsing within a measurable time, whether the Co-operative movement supplied money or goods to the strikers or not.

Readers will appreciate the significance of the further fact that the C.W.S. Bank declines to handle the accounts of any Capitalist enterprises, thus leaving them to be handled by the Capitalist Big Five. No doubt this policy looks splendid as a political gesture, but it is simply defeatist in practice. As we said a fortnight ago, the Co-operative movement won its place on the economic map by trading, not talking. Now success in trading depends on *financial* credit, not *moral* credit. The Co-operative Society has renounced control of financial credit seemingly in order to buy a halo of righteousness for the Co-operative Party. That is the result of going into politics where all is sentiment and nothing method. The declaration: "We will have no truck with Capitalism: let it do its own banking," sounds magnificent, but far from increasing the relative economic power of Co-operation it does exactly the opposite. The bankers, monopolising the control of all business finance (Co-operative, Trade Union and Capitalist) are using the power of that control for an end of their own. That end is being furthered by the popularisation of "Nationalisation." They have everything to gain by encouraging the political prophets of Co-operation and of Trade Unionism to combine and agitate for Nationalisation—because nationalisation is centralisation; and the more industry is centralised the more immediately, easily, and firmly it can be controlled by a financial monopoly. Moreover, under the present system of finance, the very act of merging all industrial enterprises under a single administrative direction creates the necessity for a corresponding merger of financial institutions under a single administrative direction. For example, when the present Big Five banks, soon after the war, began their policy of absorbing independent banking institutions, they publicly explained that the policy was forced on them because of the industrial amalgamations then being carried out—for this meant that the previous individual borrowings by small businesses would now be merged into large collective borrowings by business-trusts, and that therefore the bankers must mobilise and concentrate their resources in order to be able to lend the large blocks of credit that would be demanded. On this reasoning it is clear that if and when all British industries are absorbed into One Big Trust, the

Trust's finance will have to be supplied by One Big Banker in control of One Big Pool of credit. Very well. Who is going to be the Banker? It is vital to get clear about this, because when industry is unified in structure it will have to be unified in purpose, and the policy of the One Banker must coincide with the One Purpose. Well; what purpose? What is the Great Big Thing expected to do for us all? Distribute high wages?—or scale down prices?—or hand out fat dividends? Trade Unionists and Co-operators may as well make up their minds that the present banking monopolists have no intention of doing any of these things. Therefore, if these reformers must persist in backing the principle of nationalisation (a policy which is not necessary—and as we have shown, attended with danger) they must, for that very reason, mobilise and take control of all the financial resources and powers that they can command. The Co-operative Party must prophesy against the banks' exclusive privileges, claiming the right of the Co-operative Society and its Bank to compete on equal terms with the Big Five. And, apart from the question of nationalisation, this policy would still be necessary if only as a precaution against a bankers' financial lock-out of consumers and workers alike.

In the field of politics the Co-operative Party would not dream of advocating any particular programme at all supposing that the franchise laws allowed the working-classes one vote and the employing classes ten votes. It would concentrate its whole energy on forcing the issue of "one person one vote." Yet in the field of economics the Co-operative Society is in that position of disadvantage; and the Party is either ignorant of the fact or prefers not to make a song about it. The daily flow of cash which passes from the local Co-operative Societies across the counters of the Capitalist banks is a flow of political power—power by which the banks can shape the character and direction of industrial activities. It happens in the following manner. Under the present credit-system currency is the immediate basis for bank-credit—the possession of, say, a one-pound note enabling the bank to create anything up to, say, ten pounds of credit. So every Co-operative one-pound note paid in to a Capitalist bank has a ten-pound power which that bank can use for any purpose it chooses. On the other hand a Co-operative Society which pays in that one-pound note is credited with just one pound and no more. The Society can claim from the bank only one tenth of the financial power which is has conferred on the bank. This statement is not invalidated by the fact that the Society, when credited by the bank, has the right to draw its one-pound note out again. The statement is that *while the bank holds the £1 note it can make £10-worth of use of it, whereas the Society cannot make more than £1-worth of use of it whether it stays in the shop-till or goes into the bank.* For this reason, though the legal right of the Society to draw on credits exclusively in currency is established, there is no practical advantage in its exercising the right. For purposes of financing trade the use of cheques is more convenient and safe than would be the handling, counting and storing of a multitude of currency-notes. It is true that if the one-pound note is withdrawn and *permanently withheld* from a bank, the bank's lending-power is reduced by £10. But the advantage thus lost to the bank does not revert to the drawer of the note. He would have to take the risk of hoarding it besides forgoing the interest which it would procure for him if he deposited or invested it. There are circumstances in which an institution or a group might find it worth while exercising, or threatening to exercise, its currency-drawing rights in order to bring pressure on the banks to conform to some high-political principle,

but otherwise the policy would show a balance of disadvantage.* * *

The issue now is whether the Co-operative Society shall allow its cash resources to be used as a basis of credit-expansion by Capitalist banks for Capitalist purposes, or whether the C.W.S. Bank shall exercise the same power by the same means for Co-operative purposes. It is a concrete practical issue. Here is a hypothetical example of what can take place at present. The London Co-operative Society is continuously passing so much money through a private bank. This means that the bank is in perpetual possession of so much Co-operative currency (say a token figure of £1,000). The bank is therefore perpetually able to lend credit to the sum of £10,000. The L.C.S. has no claim to this credit, nor has it any control over what the bank uses it for. *If the bank chooses to lend £1,000 each to ten of the most dangerous competitors of the L.C.S. it can do so.* The L.C.S. will not know that this has been done; nor, if it did, would it have the least power to stop it. The only way in which the L.C.S. can make sure that such a thing won't happen is to do its business with a bank whose policy it can control. That is the case for giving the C.W.S. Bank equal status with the Big Five. In that case the C.W.S. Bank could apply the credit-value of Co-operative currency exclusively to Co-operative purposes, and the Co-operative Society would be in a position to see that it did so and to decide on how the credits should be used. Such a bank would be unique: for it would be in possession not only of financial resources but of real resources—consumable goods and the means of making them. It could do something which neither the Danat Bank nor any other bank has been able to do, namely to provide goods as well as money, and in the hypothetical contingency of its running short of money, to provide goods instead of money. Contrast such a situation with what happened in Berlin last week. Because the Danat Bank could not provide currency to its depositors the private traders refused to supply goods to those depositors against cheques drawn on the Bank—and this notwithstanding the fact that the Government had itself guaranteed to cash the cheques. Such a hardship—and the anxiety attendant on it—would not happen in the case of a Co-operative Bank's running short of currency, because its depositor-members, insofar as they wanted to buy goods, would not need to have cash. Any Co-operative store would accept a Co-operative cheque. And the ability of the store to honour the cheque in goods could be assured (assuming efficient industrial organisation) because every cheque presented at a store by a depositor would be based on operative Society, and being used to stock that store. Every member's cheque would be, so to speak, a sowing-certificate presented as a claim to a share of the harvest. Reflection along these lines will show that in an all-in national co-operative banking and manufacturing system the "money-problem" as it is now called, would not exist. In the meantime the right policy is for the Co-operative movement to get its bank properly constituted, and then to go ahead and extend its activities and membership.

The case for such a programme can be popularly * * *

*For example—as we pointed out before the General Strike—the funds of the Trade Unions, insofar as they were to be regarded as "fighting funds," ought *logically* to be in the form of currency and to be in the immediate charge of the Trade Union leaders. In practice, of course, this would mean that the money would earn no interest, and that there would have to be some place to store it and some persons to mind it—and also some method of distributing it in strike pay in an emergency. These are great disadvantages, but they would have to be incurred if the leaders of a strike wished to guard against such a thing as the sequestration of their funds.

stated as a political issue without necessarily going into the technical problems of costing and pricing which Social-Credit advocates declare must be dealt with. That is to say, credit-reformers of all schools can consistently support the proposal, with the advantage that thereby they would bring their teachings down from the region of airy academics into that of practical politics. Of course the Social-Credit advocate who participated in such a concerted movement for a full-power Co-operative Bank would continue to insist on the primacy of the factor of correct-costing for the reason that otherwise the Co-operative Movement could easily be granted what is asked for and yet be defeated. But that is a matter concerning the technical education of the leaders, and need not be (even if it could be) made a subject of mass-publicity in the political field. It is for the people to say: "We want our own bank so that we can get such and such benefits through having it." It is for the leaders to see that the bank they get will have the power to produce the desired benefits. The Social-Credit analysis has demonstrated that such power does not reside in the control of credit alone, even if the control of production is added to it, but in the command of the technical means of regulating prices in such way as to ensure maximum distribution of products to consumers. Therefore, in the event of the Co-operative Movement's succeeding in getting its Financial Charter, it would be imperative that at least no clause in it should prohibit or even limit the Bank's freedom to assess costs and charge prices on a new basis.

Ideally, of course, the Social-Credit accounting-principle should be formally incorporated in the Charter; but we are visualising a situation in which the Movement's demand for a Bank were conceded before its leaders had become aware of the necessity for departing from the existing accounting-principle. The duty of the Social-Credit advocate is to insist, as a minimum, on the Bank's freedom in this direction being *explicitly reserved* in its Charter, while of course hoping, as a maximum, to persuade the leaders to embody in their demands the ascertained scientific method of using that freedom. The real object of people who participate in production is not to make things hum inside industry but to take things home out of industry. The bankers' accounting-principle gives you the first: the Social-Credit accounting principle gives you the second; and the whole object of getting control of credit is to use it and account it for the second purpose. Many critics of the existing financial system hold the view that the Social-Credit proposal regarding price-regulation is unnecessary. Very well: we shall not quarrel with them just for that; but we expect them to concede that, since the Social-Credit view *may* be right, there ought to be *room for its adoption* within the legal constitution of the hypothetical Co-operative Bank, and there is good reason why they should support that proposition.

We can now turn from this aspect of the question, which concerns the policy of the leaders, and consider the potential popular support which may be mobilised behind the Co-operative Society if it leads off on this new policy. There are about six million members of the Society, and their common and overriding interest is that of consumers. They are united on an economic basis, not on a political basis. In fact they are disunited both on the general question of the Co-operative Movement's having gone into politics, and on the particular question of the Co-operative Party's virtual affiliation with the Labour Party. As to the numerical dimensions of the non-political dissentients it is difficult to be precise, but the Co-operative Party represents only about one half of the total membership of the Society, and even

this membership does not represent volitional personal enrolment, but block affiliations decided upon by the majority votes of lodge-executives. So the Party membership represents a substantial proportion of indifference, whatever proportion of definite hostility may exist; while the 3,000,000 Society-members still outside the Party must all be presumed to be indifferent or hostile to the Party or its programme. It is a reasonable conclusion that a substantial majority of Co-operators take no interest in the Party, and that an influential minority object to it. The Co-operative Movement contains individuals attached to all Parties or to none, of all degrees of status in industry and society, and actuated by all the disunifying impulses that reside in our common humanity. Yet all of them, one by one, voluntarily joined the Society, and did so after deliberation, and with a clear idea of what his or her purpose was in joining. Now, to achieve real unity in the Society for a political object it is clear that the Co-operative Party's policy should be visibly related to the common purpose for which all these diverse individuals became members of the Society. Not one of them had to give up being a Conservative, a Liberal, a Communist, a Churchman, a Nonconformist, an Atheist, and so on in order to invest in and shop with the Society. Each could conscientiously satisfy his or her desire, which was to *co-operate in mutual trading in order to enjoy the concrete benefits thereof*. Find them a scheme definitely designed to extend the trading opportunities of the Society without challenging anybody's political or other prejudices, and let the Party make that scheme an *exclusive* political issue, then there is every reason why the whole 6,000,000 Co-operators should back the policy and eventually join the Party. We submit that a campaign for a "Co-operative Bank Charter" would fulfil that requirement. Not only so, but as soon as the supporting educational propaganda began to circulate, the Party would find itself the mouthpiece of all sorts and conditions of men and women, outside as well as inside the Co-operative Movement. There is an enormous mass of pent-up energy waiting to be released and directed by the announcement and prosecution of such a campaign; and the leaders of the Co-operative Movement have a splendid opportunity before them of doing an immediate service to their own members and an ultimate service to the whole country by standing up for the financial self-determination of their magnificent organisation.

A draft scheme for the Co-operative Movement can be drawn up on somewhat similar lines to the "Draft Scheme for the Mining Industry" which Major Douglas drew up some years ago. For instance, just as under Major Douglas's scheme, the members of the Miners' Federation would have been shareholders in the Miners' Bank, so would be Co-operators in the Co-operative Bank. As such they would have a direct incentive to bank with that institution. When that practice became general every member could have a banking account and a trading account at his particular store (for every store would be a branch of the Co-operative Bank). The Bank could gradually educate members into using the cheque-habit pointing out to them its greater convenience and safety to themselves as shareholders, and also its profitable results to the operation of the existing currency-credit ratio] for every extra £1-note left in the Bank the Bank's power of credit-issue to the Society's enterprises would be £10 greater.

In course of time another practice recommended by Major Douglas might appear, namely, that of arranging with employers outside the Co-operative Society whose employees were members of the

Society and customers of the Bank, that they should remit collective wage-cheques to the Bank week by week leaving the Bank to post the individual wages to their respective accounts. This would be a convenience to the employer; and the corresponding work thrown on the Bank would be more than compensated by the fact that the total flow of wage-credit would now flow through the Bank, with the result that its average balance of resources relative to those of the joint-stock banks would be larger and more exactly calculable than before. Later, there would be another development. The employer would himself bank with the Co-operative Bank—both as a depositor of business revenues and also as an occasional borrower! In that case he could save himself the trouble of writing out wage-cheques, and could generally instruct the Bank to transfer weekly the wage-credits from his account to those of his employees. And supposing that some week his luck gave out and he hadn't a sufficient balance available for the wages, then the Bank would readily grant him a loan without security. For the proceeds of the loan would go to the accounts of the workers, and then to the stores for goods, and be credited to the stores' accounts with the Bank. Suppose that the employer defaulted, there would be no financial problem. The Bank would have created the "lost" credit out of nothing, and all that would have happened would have been that the Society had *transferred goods* to certain of its own members who otherwise could not have bought them. In effect, the Society would have consumed some of its own goods to the price-value of the loan. In the days when there was a chronic scarcity of goods such a result might have been important, but to-day when the world is plagued with gluts it is of no importance at all, or can easily be made of no importance.

It has been claimed for the Co-operative Movement that it is a workers' movement in the sense that it is composed chiefly of workers. Therefore the Co-operative Bank would ultimately become the repository of all the funds of the Trade Unions, and would thus secure all the power of control now enjoyed and misused by the joint-stock banks. This relation would tend to cause all individual Trade Unionists to join the Society, for it would be clear to them that since membership of the Society meant shareholding in the Bank, they would be safeguarding their funds in two ways (a) by virtue of their share in the control of the Bank's policy; and (b) by virtue of their patronage, as customers, of the enterprises on which the Bank's resources rested. Further; assuming that the Bank's policy of saving funds were, or became, militant in character, that would be an additional reason for their members to enlarge the Society's ability to *produce strike-pay in kind*. If any Co-operator objects to the idea of the Bank's being thus made an instrument of direct action—action which in theory might be used against the Society itself as an employer—he should remember that the existing danger of industrial strife arises from the monetary policy of the Capitalist banks, and that therefore the transfer of savings from their control to that of the Co-operative Bank would tend to avert the danger. The Bank could, without breaking faith with the Trade Unions, use their war funds to promote peace—or, more exactly, use their power resident in their custodianship of those war funds to remove the occasion for war.

Industrial peace is endangered by the small purchasing power of wages. The real interest of a worker concerning his wages is not in what they are but in what they will buy. It stands to reason that if there is any method by which it is possible to raise the value of money in terms of things it

can best be administered by an organisation which controls both money and things. Moreover, those responsible for running such an organisation with the object of supplying a maximum quantity of goods for a minimum quantity of money are the most likely to explore any given method that may be submitted to them. Therefore there are two simultaneous lines of advance which the Co-operative Movement can reasonably be asked to endorse: the first is the public demand by the Co-operative Party for full privileges for the Bank, so that the Society gets control of money as well as things; and the second the appointment by the Society of a Committee charged with the duty of enquiring into the best technical method of applying this dual control for the benefit of the consumer. The Committee should represent the management, engineering and accounting sections of the Co-operative Society—men engaged in its work and familiar with its practical problems—and also a high official from the C.W.S. Bank. The instructions to the Committee should be to invite the submission of evidence for the Social Credit proposals, and of expert evidence *against* them—the witnesses on either side being allowed to hear each other's evidence and to cross-examine each other on it, and of course themselves being subject to examination by the Committee. This would be a reversal of the usual abortive procedure which consists in calling practical men to submit evidence to theorists (frequently agents sent to confuse the issues). What is now wanted is for the straightforward practical man to be on the bench and the theorists to be in the witness-box. So the Committee should publicly invite the professional Banking interests to nominate and produce their witnesses on these terms. The subject of the debate could be Major Douglas's submissions and evidence before the Macmillan Committee together with, perhaps, some practical method embodying the principles involved. The whole trouble during the last ten years has been the obstinate silence of the bankers about what they are after and what they are doing—two things which vitally concern everyone in the country. If the proposed Committee, with the support of the Co-operative Movement behind it, were to issue the invitation, it might not get a response from the City; but if it did not, that would amount to a public admission by the bankers that they wished not to reveal their attitude to Social Credit, and that the reason had no reference to any technical defects in it (else why hesitate to point them out?) but to its potential challenge to the bankers' monopoly of power. Such an outcome would stimulate curiosity about Social Credit, and the Committee might as a result be empowered to examine and report on it without reference to the opposition.

"With the increase of population since Queen Elizabeth's time the production of silk-stockings has wonderfully increased, and silk-stockings have become much cheaper, and procurable in greater abundance by many more people, and tend perhaps, as population and manufacturers increase, to get cheaper and cheaper, and at last to become, according to Bastiat's favourite image, a common free property of the human race, like light and air. But bread and bacon have not become much cheaper with the increase of population since Queen Elizabeth's time, nor procurable in much greater abundance by many more people; neither do they seem at all to promise to become, like light and air, a common free property of the human race. And if bread and bacon have not kept pace with our population, and we have many more people in want of them now than in Queen Elizabeth's time, it seems vain to tell us that silk-stockings have kept pace with our population, or even more than kept pace with it, and that we are to get our comfort out of that."—*Culture and Anarchy*, by Matthew Arnold. Circa, 1869.

Current Political Economy.

It is at last obvious to everybody that Europe is on the verge of the most serious crisis in its history. War, viewed apart from humane considerations of killing and wounding, merely gives an impetus to organisation. It stimulates orderliness, and ensures a system of distribution which temporarily overrides the so-called natural laws of finance. What threatens Europe now is the breakdown of all organisation through the effort to apply the so-called natural laws of finance. France has successfully been given the role of the bad boy of Europe, and is regarded in every country as the one lump of grit in the economic-financial mechanism. The spokesmen of the "English-speaking world" call upon the United States to give a lead which Great Britain could support, cutting France out of circuit. Others are demanding a League of Nations scheme of help for Germany on the lines of that which brought Austria back to orthodoxy.

From this it is clear that the "doctors" are all ignorant of the true gravity of the international situation. France, which all the English political leaders lately asked us to understand, is not wrong if the values held by the financial advisers are to continue. If national and economic security within the framework of the present financial system is a worthy aim, France is the one logical nation, and it is amusing to observe the English-speaking world calling for the suspension of logic in order to persuade France to recede. But it would be no use in the long run to supersede reason. It is necessary to supplement it by still higher reason. If the United States, her supporters in Britain, and the League of Nations financial agency, have their way, the old financial conventions will be restored at least for a time. The pressure on Germany's wind-pipe will not be released.

Precisely as France lives in perpetual terror of the invader, Germany has lived for several years, because of experience, in distrust of its credit system. To have large deposits in a German bank meant for the German citizen the ever-present fear of awaking some morning to find himself penniless. Consequently, the deposit of credit abroad, increasing the difficulty of making the profit out of exports which alone could make "reparation" possible, has ceaselessly threatened to freeze German industry. The necessary liquid credit has had to be obtained from abroad. At present the United States is estimated to have £500 millions and Great Britain £150 millions of capital investments in Germany, the obligation to pay interest on which requires Germany to make additional profit on export trade. To add now to Germany's liabilities a further £100 millions credit recalls the individual debtor who goes to the money-lender after pawning his possessions.

The additional loan would create a further obligation to pay without creating any facilities for payment. Therefore the whole project is a stupid sentimentality which reflects unreal economics on the part of the expert advisers. It would not be enough that Germany should export commodities, in payment of her interest and sinking fund dues, without return. She would have to find markets for these commodities, to convert them into currency, before the ledger adjustments recording payment could be made. As long as the present system of distribu-

tion continues the creditor-world is a council under American presidency pretending to devise ways and means of enforcing what it has combined to prevent. The failure of markets to expand in step with production is the salient feature of the present economic system.

Until the experts begin to think simultaneously of financial and real credit, by a new code of economic values, the financial crisis can at best be moved from place to place. All French diplomacy is designed to prevent the place from being France. But it must be some place unless it is perceived that credit is not a thing in itself, but the substance of things attainable. It is undesirable that Germany ever should pay reparations, for the simple reason that the real credit of the world outside Germany is strong enough to do without reparations. Nevertheless, once real and financial credit were adjusted, Germany, if honour anywhere still demanded it, could pay, since payment would be accepted in goods for distribution to a maximum proportion of Germany's output. Real credit is power to convert raw material into commodities. Germany's real credit is strong, and if the financial competitive system is to go on France cannot be blamed for trying to cripple it. It is the duty of the sane to release it, along with that of other countries.

As long as the banking-system of any country believes its efficiency to depend on any financial basis whatsoever, gold or other than gold, it is threatened with disaster. By a demand that its commitments should be honoured, the British and American banking-systems could be demolished as easily as the German. Up to now the banking-systems have survived only because the operators of real credit, factory owners, distributors, and labourers, have submitted to the accommodation of their systems to the financial. The apparently impregnable, certainly the dominant economic power in the world can be brought down by the failure of a mere convention. Germany's position is that her people have lost faith in the old credit-system without having discovered how to operate the new, and without, in any event, having permission from the creditor countries to try to operate the new.

That banking is itself finally dependent on the adjustment of the consumer's desires to the producer's powers contains a moral for the C.W.S. bank. Consider the following hypothetical situation. Suppose that every member of the Co-operative Societies was employed by the C.W.S., or the societies, and had a current account with the C.W.S. Bank. Assume that the Co-operative Stores could supply everything the members needed, that it was, indeed, their landlord as well as provider. (The advances made by the bank for house-purchase are considerable.) In the event of a run on the English banking system the C.W.S. would be the only strong member of it. Its clients would not withdraw if they could transfer from the banking department to the trading department's tills, in return for goods, such amounts as necessary. Withdrawals, indeed, would convert the bank's liabilities into the trading department's assets. In such a self-contained system there would be no dependency on the currency issued by the Bank of England or the State. Any voucher would serve the purpose of distributing the product. Indeed, before long vouchers would be required to distribute the product in excess of what could be purchased by the wages and salaries distributed in the course of production. In short, the C.W.S. would have replied to the banking system's refusal to give it the status of a credit-bank by becoming a real-credit bank.

A. N.

The Content of Cost.

II.

Modern processes of production are in principle nothing more than methods of tapping natural reservoirs of energy and wealth. It is a matter of Nature's saying: "You press the button; I'll do the rest." The principle is best illustrated in practice by the sinking of wells, when, in return for a finite piece of work, an indefinite supply of water or oil becomes available. When energy is tapped, that energy itself taps wealth: so all production-processes are ultimately tappers of wealth—i.e., of goods and services which the individual can use for his own purposes. Industry taps Nature; and the Consumer taps Industry. And in a sound economic system the flow of Nature's gifts to Industry would continue unchecked through Industry to the Consumer. To-day it does not. Instead of the Consumer's drawing goods from Industry as quickly as Industry is able to draw them from Nature, Industry draws goods from Nature as slowly as the Consumer is able to draw them from itself. The actual drawing-power of the Consumer is not equal to the actual drawing-power of Industry; and because of that, Industry is obliged to use less than its actual drawing-power. This would not happen in a primitive community. If they had a tree with 100 cocoanuts on it, and needed the nuts, they would shake them all down: they would not say: "Here; we only picked up two windfalls this morning, so we must not shake down more than two nuts to-night." But that is exactly the "reasoning" (!) on which Industry proceeds to-day in planning its production-programmes. The explanation is that modern reasoning on these matters is not based on nuts and needs: it is based on monetary considerations. We live under a money-system which was originally designed to facilitate production and distribution, but which has since been converted into something else, namely, a licensing system controlled by the bankers. Consumption-power is limited by licences, and is not exercisable, as it should and can be, up to the limit of production power.

The following illustration shows how the system is worked and why its manner of working is not noticed by the community who are helping to work it. A community of ten persons decides to tap the clouds for water. They build in successive periods a 100-gallon tank, and a 500-gallon tank. Let it be assumed that the rainfall in such periods is sufficient to fill the larger tank. Let us tabulate the results.

Period	Rainfall.	Tapped.
Period A	1,000	nil
Period B	1,000	100
Period C	1,000	500

During period A there is no tank, and the community may be supposed to catch water in their hands while they make the tank—say ten gallons. Their chief (who will represent for our purpose the banker and the water-seller) deals them out ten tank-tickets which they must return to him at the end of the period. These tickets are exchangeable for water. At the end of the period they give up the ten tickets, having drunk 10 gallons of water. Each ticket has bought one gallon. The ticket represents one-tenth of the 100-gallon tank, and therefore represents 10 gallons of water. The community have yielded up tickets representing 100 gallons in return for receiving 10 gallons.

Period B starts, and the 100-gallon tank fills up while they are building the 500-gallon tank. The chief deals out some more tickets. The number does not matter; but say, 100. The water available is 100 gallons, and the tickets dealt out cannot buy more than 100 gallons before the chief collects them. The batch of tickets can be collectively designated as the chief's communal consumption-permit. It has a maximum value of 100 gallons. On the other hand it represents the production-value of the 500-gallon tank. If the chief lets them have all the water for the tickets (which, of course, he need not necessarily do) the community will have yielded up tickets representing 500 gallons in return for receiving 100

gallons. So far, so good. The community have been allowed to consume all that there was to consume.

Period C begins. The 500 gallon tank fills up. But now the chief begins to apply strict costing and pricing principles (these will be explained later). He says: "The cost of building this tank was 100 tickets which the community received for building it. Therefore the community must now repay one hundred tickets for the tank." The community will only be able to pay him as many tickets as he now decides to issue to them: so the only way he can recover the cost of the tank is by withholding some of the water. Suppose he issues 500 tickets; in that case the 500 gallons can "fetch" 500 tickets; so he will value each gallon at one ticket. Upon this valuation he withholds 100 gallons, charging 500 tickets for 400 gallons. His reserve of water is worth 100 tickets, and so covers the cost of the 100-gallon tank. Alternatively he may issue only 250 tickets. In that case each gallon will fetch only half a ticket. In that case he will retain 200 gallons (worth 100 tickets), selling the other 300 gallons for the 250 tickets. It will be seen that the fewer the tickets he issues the less the proportion of water available to the community. So, supposing he were to issue only 100 tickets, he would, theoretically, have to charge the 100 tickets without parting with any water at all!

This line of reasoning is based on the following prevailing principles and methods of costing and pricing: (a) that the price of goods is all they will fetch provided that the buyers have got to buy them all. (It is assumed in this example that the community need all the water, and compete with each other to get it); (b) that the price of goods cannot normally be below cost (though it may be anything above cost); (c) that there is no appeal against the banker's decision as to how much money to issue and when to recall it. Within the framework of these principles it can be shown (as indicated by the above illustrations) that the banker can to-day restrict the nation's consumption to any fraction of production that he thinks fit, even down to zero-point, by regulating his loans (both as to amount and duration) and calling them in according to the results he wishes to produce. With regard to the amount of his loans he lays down the principle that a security must be deposited exceeding in value the illustration of the 500-gallon tank will show that its "security-value," which depended upon its ticket-earning capacity, depended upon the number of tickets which the banker would decide to issue as a new loan; because the "earnings" of tickets would have to come out of the next issue—there being no other tickets in circulation to be "earned." It is an inversion of the truth to say that bankers' lending-powers are restricted by the past costs of securities expressed as present values; the truth is that their loans govern the security-values—moving them up or down according to the amounts of the loans. The earning-capacity of industry at any time is a measure of the loans currently issued by the bankers. No loans—no revenue—no cost—no price.

The heaviest factor in prices is overheads—fixed charges made to recover old costs. When the consumer pays this item in prices the effect on his purchasing power is the same as when the tank-builders in the above illustration give up so many tickets representing 500 gallons of new water to replace an equal number of tickets representing 100 gallons of old (consumed) water. They give up ticket against ticket; and they believe, just on that account, that the transaction is square. But they overlook the fact that the tickets now surrendered belong to a later series than those which are to be replaced—the new series having five times the potential buying-power of the previous series. On the figures chosen for illustration the surrender of only 20 tickets of the new series should fully discharge a debt recorded as 100 tickets of the old series. That is to say (omitting other factors in cost than overheads), the number of

tickets they should surrender should be only one-fifth of the number recorded as current Price.

The Social-Credit principle that "Price should be less than Cost" depends on this analysis. In an extended form it may be stated thus: That Price, which must be collected in money of a current series, should be less than Cost, which represents money of an old series. How much less will depend upon the rate of increase in production. As a piece of paper, a £1 note to-day is the same as a £1 note of ten years ago. But the doctrine that to-day's £1-note must be extracted from the consumer merely because another £1-note was spent ten years ago, cannot be reconciled with any intelligible reasoning from observed physical facts.

"But the community must replace plant, and make good wear and tear," it will be said. Quite so. But take the case of the 100-gallon tank, and suppose that it is out of action when the 500-gallon tank is made. Now the natural cost of the 100-gallon tank was the ten gallons of water consumed while it was being built. Therefore the natural cost of rebuilding it will be 10 gallons of water, or one-fiftieth part of the water now available. If anybody likes to propose a financial arrangement to reflect this fact—an arrangement under which the money charge for rebuilding the old tank would still leave the consumer with enough money to buy and consume 49-50ths of the 500 gallons in the new one, his proposition will deserve respectful examination. Unfortunately the financial arrangement now prevailing does not, and is not intended to, reflect this fact, or any fact, except the fact that the bankers' policy is to restrict the purchasing-power of the population in order to keep it working for their own ends. They have neither the need nor the desire to ascertain what is the content of cost, because their arbitrary costing-system adequately subserves their policy, while a scientific costing-system would reverse it.

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The Films.

Jailbirds: Empire.

This is the first full-length picture to be made by the Messrs. Laurel and Hardy, and it does nothing to enhance the reputation of that admirable pair of comedians, despite the announcement by the Metro-Goldwyn-Mayer publicity department that "just once in a lifetime comes such an opportunity for unrestrained fun." If the opportunity was there, it was certainly not grasped. The film is too long and bears obvious signs of having been padded out, with the inevitable result that much of the dialogue is banal, and the humour of Mr. Laurel's loose tooth, through which he emits a species of raspberry, palls on repetition. It is unfair to blame these artists for the fact that they are here considerably below par; "Jailbirds" is the wrong type of picture for them; if they are to be successful in a full-length film it must move much quicker; and in any event their art is of the type that demands as little as possible of the spoken word. May I suggest to the Metro-Goldwyn-Mayer production department that they give us a few silent Laurel and Hardys, even if only for the British market.

So Quiet on the Western Front: Empire.

This is the first of the Metro-Goldwyn-Mayer pictures with an all-dog cast that I have seen, and, barring force majeure, it will be the last. These animal "turns" are distressing enough in any event, even if one can feel assured that it's all done by kindness, but to dress up a parcel of dogs and show them in a parody of that noble film "All Quiet on the Western Front," is an outrage on decency. That Hollywood can produce both an "All Quiet" and a revolting burlesque on it, provides another object lesson in the extraordinary mentality of American film producers.

Incidentally, the Empire programme policy is now to present what is known as the single-feature programme, i.e., one on which there is only one full-length film, which is supported by a number of "shorts." The British public is accustomed to the double-feature, but the American producing companies, for reasons to which I shall return on another occasion, are attempting to ram the single feature down the throats of our exhibitors, which, incidentally, may lead, as I hope it will, to the showing of more English films. The Empire has until now set up a high standard of entertainment, but if its present programmes are to be accepted as a criterion, the single feature is emphatically not good enough for this country.

Sally In Our Alley.

Stage stars, especially British stage stars, are so often a disappointment on the screen, that I was not too optimistic concerning Gracie Field's film debut. As a matter of fact, Miss Fields has proved that under suitable direction she is quite well adapted to the screen. But it is a pity that her particular talents have not been exploited in a better film. "Sally In Our Alley," which has not yet been shown to the public, is far from being a good picture; it lacks grip, and it is extremely difficult to become interested in the characters. The East End of London offered an excellent background, which has never been properly exploited on the films, but the opportunity has here been lost, and much of the action is unfolded in an extraordinary combination of cheap eating house and cabaret, which must be seen to be believed, and is then incredible. The cast includes Barbara Goot and Florence Desmond; the latter shows distinct promise and should be worth watching. Maurice Elvey directed under the supervision of Basil Dean, and it is possible that the result would have been better if Mr. Elvey had done the job alone, since Mr. Dean has still to learn much of the essen-

tial difference between stage and screen technique. Incidentally, Mr. Dean, or Mr. Elvey, or both, has been unable to resist a temptation to which nearly every British director succumbs sooner or later, that of depicting members of the British aristocracy as ill-mannered cads.

Quick Millions: Capitol.

Last week I had the pleasure of being able to give unconditional praise to an English film; to-day I can do the same to an American picture. Excluding such productions as "Hallelujah!" and "All Quiet on the Western Front," in which dialogue was an unessential accompaniment and not an integral ingredient, "Quick Millions" is much the best American talkie I have yet seen. It embodies an arresting and natural story; is quick moving; is admirably cast, acted and edited; superbly directed; and has the additional merit of dialogue that is both natural and appropriate. This is an even better film than "The Front Page"—it will, I think, rank as one of the best pictures of the year—and its director, Rowland Brown, is definitely in the Lewis Milestone class; he has that sense of the cinema without which even the most distinguished directors nowadays tend to make a photoplay rather than a film.

"Quick Millions" has caught racketeering on the raw. It gives a vivid, and I am assured, an accurate picture of the fantastically incredible and incredibly fantastic world of contemporary Chicago, and combines a social document of importance with unusually good entertainment. The latter is the more remarkable in view of the fact that the Fox studios are not celebrated for the extraordinarily high standard of their products. Incidentally, the Capitol is as a rule not distinguished for so good a programme as is provided by the other Gaumont-British key theatres, but on this occasion both the Fox Company and the Capitol have backed a winner.

Mr. Brown's technique is flawless. In one scene he "shoots" a murder through the underside of a table. Until the crime has been committed only the assassin's feet and legs and those of his victim are seen, a simple method that in a few seconds gives the stark contrast between the living man and his limbs immobile in death.

Much of the dialogue is both witty and cynical. The racketeer-in-chief, magnificently played by Spencer Tracy, describes his line of business as "just getting what the other fellow's got in a nice way." "Laws are either made by lawyers, for lawyers to break, or by hoodlums for hoodlums, as a terse comment on These United States," as he when Mr. Tracey is finally "put on the spot," as he passes the church in which the wedding march is being played over the woman he wanted to marry, one of his killers casually remarks, "These society people certainly have swell weddings."

"Yeah," comes the answer, "but gangsters have swell funerals."

And the picture closes as Mr. Tracey's top hat, for which he has no further use, is thrown out of the car in which he has been murdered.

"Quick Millions" is a picture that I intend to see again for my own further entertainment. A critic can give no higher praise.

Current Films.

The Academy is showing "The Marriage of the Bear," an early Russian film that has already been shown in England but not, I believe, in the West End. "The Queen's Husband" is at the Stoll, and "Le Million," which has had an extraordinary and well-deserved success, is again having its "postively last week" at the Rialto. The Regal is showing "Fascination," the British International film with Madeleine Carroll, Kay Hammond, and Carl Harbord, which it had originally been arranged to pre-release at the Pavilion.

DAVID OCKHAM

Drama.

Late Night Final: Phoenix.

It is said that Stalin excuses his fostering the bourgeois motive of promotion by merit in Russian industry on the ground that one may despise one's enemy while making use of his weapons. As Mr. Upton Sinclair realised when as a young man he gave up saving the world by earnest poetry, and adopted the publicity method of his enemies, David might be more than a match for Goliath, without standing a chance against Stentor. To expose the inhumanity and irresponsibility of "tabloid newspapers," Mr. Louis Weitzenkorn employs a dramatic technique very like the journalistic technique of the "tabs." Without prejudice to the general truth of the proposition that the end justifies the means, it does so on this occasion. Mr. Weitzenkorn has probably been through the mill of tabloid journalism. He has learned the whole craft of the "sensational human story," and of its presentation against its appropriate background. As a razor may be used either to cut a human throat or to humanise the face of a creature which to appearances is less than human, so Mr. Weitzenkorn has used the tabloid method against the tabloids.

The play shows how the circulation-manager, the advertising-manager, and the proprietor of the "Evening Gazette" meet their worries about circulation. The managing-editor fancies that something might be done by better news, especially fuller business reports, but nobody else is concerned to pursue a public so small as that which would be interested. The others sigh for a real circulation, a big enough circulation to raise advertising rates substantially. They want the masses, who in their death, sensation, in homes as near as possible to their own. Unfortunately, there has not been a murder in the town for twenty years. The last one was only the shooting of a business-man by his stenographer for failing to give her illegitimate baby a father and a name. But she was acquitted. She and her daughter are material for a human story still. Why not re-publish it, and bring it up-to-date! Think of its moral effect on foolish virgins on foolish mothers who have failed to give warnings. Rapidly and inevitably the pursuit of circulation grinds the woman's re-made life to powder, along with that of her husband, and but for Mr. Weitzenkorn providing what even the sympathetic theatre public is supposed to want, namely, a happy ending for the daughter, and a good resolution from the managing-editor, it would have smashed their lives, also.

Using the pigeon-cote stage, Mr. Raymond Massey, assisted by Mr. Irving-Rapper, has produced a thrilling piece of work. His rhythm between emphasis on persons and on institutions proves that the commercial theatre has absorbed by now all that the technique of expressionism had to teach it. With various panels of the stage, and sometimes happening in three or four places at once, Mr. Massey blacks out of sight and out of mind everything on which the audiences' attention is not at the instant required. The whole piece moves with the speed of tabloid journalism. Out of many first-class team performances one calls for special mention. Miss Louise Hampton's as the ex-stenographer-murderer, by its perfect proportion and quiet power, regulates the focus of the whole piece magnificently.

It was amusing, the world being what it is, and tabloid journalism continuing in spite of Mr. Weitzenkorn, to observe the effect of the play on London. The London Press has no generic title for "tabs,"

and its reviewers were quite easily able, therefore, to see "tabs" as an institution, peculiar to wicked, plutocratic, America. That is a criticism, a serious one, of Mr. Weitzenkorn's play. One would suppose from its effect here that the London Press had no circulation-managers, no advertisement-managers, and no proprietors demanding results. One would believe that the London newspapers knew only child-like innocence in relation to news. One would certainly not ever suspect that the second inquest on Mollie Phillips, the "missing-girl," was applied for, without the consent of the girl's mother, by a newspaper-reporter, and stopped by the coroner when that fact came out. London has nothing to learn from New York in methods of obtaining the circulation on which, by the Press's own request, advertisement rates are based.

Le Viol de Lucrece: New.

Why did Shakespeare write "Venus and Adonis" and "The Rape of Lucrece" as lyrical narratives rather than as dramas? The English synopsis of M. André Obey's "Le Viol de Lucrece" issued with the programme seems to suggest that Shakespeare's only motive was "enforced idleness caused by the closing of the theatres owing to the plague." This granted, Shakespeare should be sympathised with, and, since the theatre is now open again, steps ought to be taken to render the story into a performing version. The claim for M. Obey that he has made a beautiful play in a technique which links the Greek with the future seems to me extravagant to the degree of far-fetched. A simpler explanation covers all that is necessary. The stamp of Shakespeare, the lyric-narrator, is so strongly on the poem that the stage-version remains very largely recitative.

To inspire belief in an advance of technique, it is necessary that it should be applied successfully to a new play; and if it is applied to an old work it should bring out beauty which the old expression did not. While hearing M. Obey's "Lucrece," I asked myself how many other plays I should care to see the technique applied to; and had to answer none. I asked what M. Obey had added to the story as I knew it, and I had to answer, Nothing. The two chief characters in M. Obey's version are *La récitante* and *Le réciteur*, and the two soldiers who take their places in the first scene. The audience sees nothing of the inside of the previous night's enquiry into wifely chastity are disclosed; what is going on is disclosed by the eavesdropping soldiers, assisted by laughter or other noises "off." But the melodramatic moment when Tarquin asks for his horse is presented quite naturalistically. In the second scene Lucrece is occupied with her maids, as Collatinus had found her the night before, quietly spinning in view of the audience. Tarquin's gallop from the camp to Collatinus' house, which the "naturalist" would have communicated in ten words of dialogue helped by a little stage-mud, is described at length by the reciter's, a method reminiscent of the musical comedy method of presenting a horse-race "off," or the B.B.C. announcer's description of a football match. After Tarquin's arrival the scene is slightly dramatised. In the third scene, the scene is slightly dramatised. In the third scene, with Lucrece out of sight, *La récitante* comments on the beauty and peacefulness of her sleep. Tarquin, on his way to her bed-chamber, wanders all over the stage while *Le réciteur* describes his inability to resist his lust. Again, however, the melodramatic moment is represented quite according to the old technique. Tarquin's threat that, as an alternative to giving herself to him, Lucrece shall be found dead in the arms of a slave, and Tarquin praised as the righteous avenger of his friend dramatised. So on throughout, in spite of all the producers' and actors' great help, demonstration is piled on demonstration of why the poet wrote "Lucrece" as narrative. Narrative

it remains with the exception of the melodramatic moments.

It is acknowledged that the speaking and setting are beautiful. Our English theatre is as far behind this *Compagnie des Quinze* in setting as in speaking. The scenes in *Le Viol de Lucrece* are beautiful in colour, form and simplicity; and I hold to all I wrote of the acting and speaking of *Noé*. Certainly, in the amount left to imagination the method is better than the one which leaves nothing to the imagination. The recitative method does give the audience credit for having ears as well as eyes, and for feelings which can be reached. But that, after all, is a reason why *Lucrece* should remain entirely recitative.

There is a prospect of *La Compagnie des Quinze* remaining in London for some time. Those who hear them once will be glad to be grounded in French drama by their aid.

PAUL BANKS.

News Notes.

DARMSTADTER AND NATIONAL BANK'S FAILURE.—This bank-crash was announced on Monday, July 13. The German Cabinet had sat more or less continuously for 36 hours during the week-end in an attempt to save the Bank. Its plan was to get all the private banks to announce that they would guarantee each other's deposits on a guarantee of the Government itself. But one of the leading banks objected. So the Cabinet had to proclaim the fact that the Danat Bank (as it was called) was obliged to close its doors. At the same time, to allay panic and a general run on the banks, the Government announced that it would itself guarantee all the Danat deposits. It also ordered the closing of all the Stock Exchanges for the Monday and Tuesday to stave off a crash in share-values.

The Berlin Correspondent of the *Evening Standard* (Lunch Edition, July 13)—cabling early on the Monday morning—stated that the Government intended to announce in its emergency decree that it would guarantee the deposits in all the banks. This intention does not seem to have been carried out, as it was not mentioned in later cables published in the London evening newspapers. Or, if it was, it apparently failed to allay panic, for the Berlin bankers announced, later on Monday morning, that they had agreed temporarily to limit the amount of withdrawals—the limits ranging from £25 to £5 according to the discretion of the particular bank. And on the Tuesday morning, cables from Berlin stated that the Government had decreed on the Monday night that, with the exception of the Reichsbank, all banks, savings banks, and credit-institutions should close during the Tuesday and Wednesday; also that the Government intended to keep the Stock Exchange closed for the rest of the week.

The liabilities of the Bank are stated to be £75,000,000, of which £20,000,000 is owing abroad—£8,000,000 of it to London. Its paid-up capital is £3,000,000.

The *Evening Standard's* Correspondent, in his early cable above mentioned, said that the Cabinet were considering the policy of appointing a "Commissioner of Foreign Exchange" with the "special task of preventing the outflow of foreign money from the Reichsbank." He remarks, however, that "the legality of such an action has been questioned, as the Reichsbank law does not permit of control of the Reichsbank's affairs in this way, and the Cabinet has been earnestly discussing the matter." [Note that in the midst of a majestic crisis requiring the resort to what is virtually martial law, the banking interests even then hold out for their civil-law privileges.] No mention of the appointment of such a Commissioner has been made since.

The *Evening Standard*, in a leading article (July 13) draws the moral from this crisis; which is that it has come about through the custom of the Danat Bank—as in fact of all German banks—of investing credits in industry instead of following the "sounder rules" of British banks and only advancing credits. "Our British banks," it says, "invest their funds only in Government stocks and other gilt-edged securities." So there is no need, it argues, for anybody to fear a reproduction of such a catastrophe in this country. Nevertheless, it continues, there is danger of an "irrational weakening of confidence" here. "Names are being mentioned in whispers, and the panic-mongers are inviting us to expect repercussions which will be disastrous to ourselves." But to credit such rumours, it declares, is all nonsense. Although "we are all members of each other

and no nation can watch with unconcern the misfortunes of a neighbour . . . it is absurd to suppose that the fall of the German system can pull our own down or even any part of it." [Note: This cuts right across the "inter-dependence" doctrine preached by Dr. Nicholas Murray Butler and others in Europe and last year by Sir Otto Niemeyer in Australia.]

In the *Evening Standard* of July 18 it was reported that the German Government had (a) decreed that Germans travelling abroad, even for business purposes, would be fined £5; (b) decreed that every newspaper shall give prominence to Government corrections or amplifications of their own published statements—i.e., no editor may misrepresent the Government's motives, policy, or methods; (c) invited foreign bankers to suspend the principle of business secrecy in the case of German subjects hiding deposits abroad. The correspondent who reports this makes the illuminating observation that: "When a similar appeal was made to foreign bankers in 1923 they unanimously refused to aid the Government. Now, however, it is argued that the foreign banks are themselves directly interested in the restoration of Germany's credit, and it is hoped that they may be induced to waive the principle of secrecy." (Our italics.)

An incidental fact of interest is that the cheque for 9,000 million marks sold by the Westminster Bank to Mr. Leon Franklin for £15 was drawn on the "Danat" Bank.

LOW'S SUPPRESSED CARTOON ON BANKERS.—A cartoon by Low appeared in the Lunch Edition of the *Evening Standard* of July 16 (p. 11), but was not printed in any of the later editions. It was entitled "The Crisis: International Conference of Bankers," and pictured American and European financial experts assembled in a sort of compound, gibbering familiar jargonese such as: "Economic stability," "Inflation of currency," "Non-monetary phenomena," "counter-liabilities," "Ssh! Re-discount credits!" etc., etc., punctuated with such idiomatic exclamations as "Gee!" "Ciel!" "Ach!" "Si! Si!" "Wow!" and so on. Two other figures are shown, leaning across the fence of the compound and looking on at this exciting exhibit of experts. One figure is drawn to represent Low himself, and the other to represent a "Simple Russian." The latter is addressing Low with the following remark: "Yes, truly; the inmates believe that it's those who are outside that are mad." Copies of the edition containing this cartoon are said to be difficult to get hold of. Readers might verify this by ordering a copy through their newsagents or sending 1½d. direct to the office of the *Evening Standard*, 47, Shoe-lane, E.C.4.

FRANKLIN V. THE WESTMINSTER BANK.—Mr. Franklin's appeal was heard and dismissed by the Court on July 13. The Master of the Rolls, in his judgment, referred to the German Bank Law and Mint Law of 1924, which converted the currency on the basis of one million million old marks for one new mark. This made Mr. Franklin's cheque for 9,000 million marks virtually worthless. Moreover, the time-limit for conversion was three weeks from the passing of the Law, whereas Mr. Franklin did not present his cheque until December 15, 1926. (He had bought it on September 27, 1923.) The judgment was pronounced by Lord Justice Lawrence and Romer concurred in it. Sir Patrick Hastings was leading counsel for the Bank; Mr. Leon Franklin appeared in person. The appeal is reported in the *Times* of July 17, p. 5, col. 4. The original action was reported in the *Times* of May 14. As the present judgment is virtually a reaffirmation of the former judgment, which Mr. Franklin had presumably prepared an answer to it is a matter for regret that there is not a single word in the report to indicate what his answer was. (Mr. Franklin's original action was commented on in THE NEW AGE of June 4, and his application to appeal described in the issue of June 26.)

THE MACMILLAN REPORT.—This report was issued (price 5s.) during the afternoon of July 14, and was fully reviewed by the Press on the morning of July 15. With the review copies distributed to the Press (no copy was sent to THE NEW AGE) there were also distributed two alternative official prepared reviews—a long and a short one—for the assistance of reviewers. By this means it was possible for every newspaper to publish accounts of the Report, ranging from a few inches in length to several columns within a few hours of receiving it, and probably some hours before any "reviewer" opened it. The Report excluded all the evidence given before the Committee—only the names

of the witnesses being published. Hence it is impossible for anyone to assess the value of the conclusions. The Committee state that they decided to adopt as a term of reference the postulate that the gold standard basis was to continue, and that therefore they have not considered any evidence tendered in support of an alternative basis. The "Report" is a synopsis of bankers' proposals for perfecting the adjustment of existing financial technique to their own policy.

MACMILLAN REPORT: EVIDENCE: DISCUSSION.—In answer to a question by Mr. N. Maclean (Ind. Lab., Govan) in the House on July 14, whether the Government were going to publish the minutes of evidence given to the Committee when they were "not of a private or confidential nature," Mr. MacDonald replied: "That could not possibly be done." He also told Mr. Morley (Lab., Southampton) that no discussion of the Report could be arranged before the adjournment. Its merits, he remarked, deserved "careful and deliberate study." [He did not explain how anyone could study the merits of a judgment on a case heard in camera.]

MACMILLAN COMMITTEE: ADDRESSES OF MEMBERS.—Elsewhere we publish the private addresses of the members of the Committee (as a special section in our "Financial Directory.")

INDIA—THE ONE SAFEGUARD.—In an article entitled "Economic Safeguards in India," published in *The Round Table* for June, the following passage appears: ". . . if only they (i.e., bankers) are put in charge it matters little whether the political authority is Indian or British; the essential conditions are the early establishment of a central reserve bank, and a defence against rash experiments meanwhile."

PEDIGREE OF THE HOOVER PLAN.—A Washington cable to the *Chicago Daily Tribune*, Paris edition, states that this Plan was "broached to Hoover several weeks ago," by a group of bankers and others including Harley L. Clarke, President of the Fox Film Corporation. It originated after a certain meeting of bankers in Chicago, and was taken up by "Eastern banking circles where European securities are heavily held, and was finally handed over" to the President as a full-fledged method of approaching the economic problem. The original plan was for a 2-year holiday, but "one year was knocked off during its passage through many hands." [Note: This supports our suggestion last week that the Plan was pre-determined when Dr. Butler left the United States for Central Europe. The sudden-emergency story was a fairy-tale.]

LETTERS TO THE EDITOR.

DISARMAMENT.

Sir,—The contentions of yourself and Major Douglas seem to resolve themselves into two points: (1) That wars are mainly economic, and will therefore tend to stop if monetary reform is instituted; (2) that a League of Nations endowed with force will prove a gigantic engine of despotism.

I am not disposed to quarrel seriously with (1) except to point out that experience shows that well-fed animals become quarrelsome, and the same applies to nations. The view was widely held in England before and during the war that Germany was suffering from swollen head and wished to be top dog in Europe. Moreover, the peculiar view of national honour is to-day almost universal that if another nation threatens war, the threatened nation must offer to fight purely for the sake of national prestige. Only a powerful League can stop such wars.

With regard to (2) I admit the danger; but it is an obvious one, and as such will certainly be guarded against in the international covenant. After all it is perfectly within the power of a national majority to compel the minority to wear hoods. Commonsense and frequent elections are the correctives. We Individualists find no paradox here. From justice, while deploring the directive interference of the State, and justice emphatically does mean one law alike for the lion and the lamb. The only alternative for the lamb is to devote all its time to acquiring the strength of the lion, or for Major Douglas to give up intellectual propaganda while he trains his body to meet the latest welter weight, and his revolver skill to outpot the American cowboy. There are, of course, marginal cases; but we find it fairly easy to advocate the repression of robbers and murderers, while opposing the governmental direction of industry and exchange.

I regret all this talk about an international financial plot. I doubt much if any of the leaders of finance really see as

clearly as we do the cause and cure for our present trouble. The one or two I have met certainly did not. In economics they were averagely dull. They possessed that useful quality of turning existing institutions to their advantage. The time that is spent on reviling these quite ordinarily benevolent people would be employed much better in opening the eyes of those who suffer at present from they know not what. How does Major Douglas explain the fact that the financial oligarchy was not able to prevent the growth of the C.W.S. Bank, whose aggressive activities are so ably described in your current issue? In order to be brief, I must just deny that a single economic interest inside the nation has no power to affect by peaceful methods the national policy. How explain on these principles the Reform Bill of 1831, the abolition of the Lords' Veto, the imposition of Death Duties and of the Supertax, the taxation of Land Values, and Labour representation in Parliament: all forced through in the teeth of the strongest opposition from vested interests? And do not ask me to believe that the omniscient financial devils allowed all these things to happen when they might have prevented them.

Finally, I would remark that it appears from the Macmillan Report that we have a lot of work to do before we are able to get the majority necessary to abolish wars by money reform. The interval gives room for bloody wars. Is it wise to hinder the establishment of the League when majority opinion seems ripe for that measure? I submit that it is sounder sense to work for the League, whilst using our political experience to insist on democratic safeguards for national liberty. The Covenant already contains a number of such safeguards. Let us amplify them where necessary.

HENRY MEULEN.

—Yours truly,

BELLAMY'S "LOOKING BACKWARD."

Sir,—An article in the current NEW AGE states that Bellamy, in his *Looking Backward* "conjured up a vision of a society in which there were no prices attached to goods; whoever saw anything in a shop window walked in and asked for it and got it for nothing." There is a mistake here: the system of "labour credits" proposed by Bellamy (*Looking Backward*, Chapter IX.) involves a method of pricing not unlike that of to-day:—

"A credit corresponding to his share of the annual product of the nation is given to every citizen on the public books at the beginning of each year, and a credit card issued him with which he procures at the public store-houses, found in every community, whatever he desires whenever he desires it. This arrangement . . . totally obviates the necessity for business transactions of any sort between individuals and consumers."

In social credit language, they form a National Industrial Dividend which, however, replaces wages instead of being supplemented by them.

I imagine the reference was really to William Morris's *News from Nowhere*, in which, if I remember rightly, goods are made by enthusiastic craftsmen and given by their young daughters to those who seem to take a fancy to them.

Bellamy's seems the more practicable of the two.

I. O. EVANS.

[We may have mixed the two books.—ED.]

BANKERS' RESPONSIBILITY FOR WAR.

Sir,—In the "Daily Express" for July 11, there appears a photograph of eight gentlemen, described as "Financial Rulers Of The World." Their names are Dr. Sarasin, Switzerland; M. Moret, France; Herr Reisch, Austria; Dr. Luther, Germany; Signor Azzolini, Italy; Sir Louis Franck, Belgium; Mr. Montagu Norman, England; and Mr. McGarrath, of the Bank of International Settlements. Without wasting further of your valuable space, would it be a fair assumption to conclude that in the event of another war, or the talk of another war, here are the gentlemen responsible?

[These are the Central-Bank Governors in their respective countries. As such, they stand for the financial doctrine that political Governments must not interfere with credit-policy, and they have the power to prevent such interference. Since the only hope of maintaining Peace lies in a certain alteration in credit-policy, and since these men show no sign of so altering it themselves, the responsibility for another war rests on them. Whether they are principals or agents makes no difference. They have permitted their names to be used as if they were principals, and they must be treated as principals accordingly. Pure justice would require that upon the entry of any nation into war, its Central-Bank Governor should be the first casualty.—ED.]

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LIMITED, Temple-avenue and Tudor-street, London, E.C.4.