

# THE NEW AGE

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

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## NOTES OF THE WEEK.

We have received a copy of a circular issued by the Bank of New South Wales (head office, 241, George-street, Sydney; London office, 29, Threadneedle-street, E.C.2), dated May 5, 1931. There is no indication as to how often it is published, but this issue is No. 7 of Volume 1. Its commentary is entitled "Political Control of Banking," and is directed against Mr. Theodore's financial policy. The method of argument is to criticise seriatim the following items in his policy:

- The Central Reserve Bank Bill
- The new Commonwealth Bank Bill.
- Abandonment of the Gold Standard.
- The Fiduciary Notes Bill.
- The Bank Interest Bill.

The writer anticipates a Labour appeal to the country for Parliamentary control of the monetary system; and his arguments are evidently framed for the use of anti-Labour Parties and candidates, who will have the difficult task of reconciling the autonomy of the banking system with the principle of democratic government. The strategy appears to be that of opposing Labour's emotional appeals to principle with a calm and dispassionate analysis of the consequences likely to result from its application to finance. This is a reversal of the strategy used against Mr. Lang, which was almost entirely invective and intrigue, and could be adopted with safety because Mr. Lang represented a minority in the whole Australian Labour Party, and because the majority's disapproval of his policy was itself a plausible democratic reason for condemning it, and so spared the bankers the necessity of analysing it and reasoning about it. In a pure democracy a minority must necessarily be presumed to be wrong—so there was nothing more to be said. But now there is at least a possibility (which the activities of our supporters in Australia are quickening into a probability) that Labour may win the next Federal election: so the bankers have to get busy at once educating the public out of the idea that because minorities are wrong majorities are right. Accordingly the present circular has been issued. It is temperate, polite and dis-

interested in tone, and dwells on the lack of experience, not the moral obliquity of the politician. It gently insinuates that Parliament, with the best intentions, could only alter for the worse that delicate balancing of various personal interests which the expert banker has partially achieved and is in process of fully achieving. For example, the writer describes Central Reserve Banks as "*organs reconciling private investment with the control of banking in the public interest.*" He then describes in turn how each of the above five changes contemplated by Mr. Theodore will disturb this reconciliation, and so arrives at the conclusion that the reconstruction of Australia must have, as its central feature, "*respect for the autonomy of central reserve banks.*"

There are passages in this thesis which make amusing reading in the light of what has happened in Germany since July 13. Several of the phenomena which the writer warns his readers that Mr. Theodore's policy would produce in Australia have since appeared in Germany; and his descriptions of how Mr. Theodore's attempt to deal with one phenomenon would cause another to appear make a faithful picture of the actual decrees lately issued by the German Government by the advice of expert bankers in that country and outside it. He says that Mr. Theodore's policy would raise the "spectre of inflation," which would "destroy the faith" of investors in Australia: they would hasten to "shift their little all" out of the country: and that if he tried to stop this "*flight of capital*" by pegging exchange-rates at an arbitrary figure, this would only aggravate the "*flight from the currency*" which occurs whenever inflation is in progress. [The flight from the currency is explained as the rush by people to buy goods before the purchasing-power of their wages depreciated.] If he does not peg the exchange "his attempt to buy sterling to meet the interest bill will smash his budget." And so the prophetic story goes on, the writer blissfully unaware that the "autonomous financial reconcilers" in whom he was asking the public to have such faith were about to shut a whole population of German depositors from access to their savings—an act that transcends the worst



consequences which the Australian bankers professed to foresee in the policy of even Mr. Lang, let alone that of Mr. Theodore. We strongly advise our friends in Australia to get hold of this Circular, if the Bank of New South Wales has not withdrawn it in the meantime.

The Report of the Royal Commission on the Civil Service was reviewed in the Press on July 24. It recommends that the cost-of-living bonus adjustment be abandoned, and that salaries and wages be consolidated at their present level. We think it was about two years ago when we commented on a discussion then taking place among Civil Servants on the question whether the bonus should be merged with the salary or not. We said in effect that before any judgment could be arrived at it would be necessary for the disputants to know beforehand which way prices were going to move. If downwards it would pay them all to have the consolidated salary: if upwards, the basic-salary plus bonus. The reason for this is that in the event of falling prices there would be a delay in the adjustment of the consolidated salary (which would have to be re-fixed after a consultation of some sort) and the salary-earners would benefit during the interval; and, in the event of rising prices the corresponding increase in the bonus would take place automatically within a predetermined and definite interval. In other words when the purchasing power of the Civil Servant was expanding, the check on the expansion would operate relatively slowly; whereas, when it was contracting, the check on the contraction would operate comparatively quickly. Moreover, the onus of agitating for a just deal would be transferred from the Civil Servant to the Treasury, which would now have to take the initiative in getting consolidated salaries adjusted to a lower price-level.

For this very reason the Treasury wants to have an exactly opposite arrangement. And it is virtually a law of nature that what the Treasury wants a Royal Commission will recommend. The question now is why the Treasury wants to consolidate salaries at this particular time: and the answer is that the market has touched bottom. There is a stream of evidence, beginning with Sir Henry Strakosch's address to the British Engineers' Association (see *The Times* of March 13 and *THE NEW AGE* of March 26) and flowing through the recent recommendations of the Macmillan Committee, that the policy of the bankers is to lift prices. Financial opinion is practically unanimous that prices have simply got to be raised as the only alternative to an epidemic of commercial defaults and the collapse of the credit-system in its present form. The bankers have had to reverse their deflation-policy, and are obliged to go in for inflation. They do not call it "inflation" (for that word has now been reserved to describe a rise in prices brought about by the action of Governments independently of the bankers' assent). They call it "stabilisation of prices at a higher level"—a phrase calculated to disguise the fact that they are contemplating a breach of their own sacrosanct laws. The "spectre of inflation" which appears when Mr. Theodore proposes to expand credit becomes the angel of stability when Mr. Norman decides to do the same thing.

The Civil Servant will now see, we hope, how the consolidation of his salary fits in with the new financial plan. Clearly the raising of prices is not to be brought about for the benefit of salary-earners: the intention is to provide industry with a larger margin of revenue out of which to discharge its existing liabilities to the banks and associated money-lending institutions. And the further intention is to stabilise the price level (i.e., stop the rise)

at the precise point where industry's increased revenue enables it to fulfil this obligation. If the scheme is to produce that result it is obvious that salaries must be "stabilised" or "consolidated" at their existing level, for any rise would reduce the revenue earmarked for debt-redemption. So the Royal Commission has made its recommendation accordingly.

Readers will recall our pointing out, in our editorial review of Lord Hewart's book, *The New Despotism*, that the Civil Service functioned as a department of the banking system, and that its "administrative lawlessness" on the plane of civil law was a reflection of its strict obedience to financial law. It is significant that Mr. Walton Newbold, in his recent harangue on the Gold Standard mentioned elsewhere, should call upon the men and women of this country to rally round "*the Treasury and the Bank*." He couples the two in this phrase more than once, and each time with pronounced emphasis. He is, of course, delivering a veiled attack on all critics of the Bank and its policy. Now, so far as we ourselves are concerned, and so far as we have knowledge of credit-reform propaganda generally, there has never been any attack on the Treasury as such; the attacks have been delivered against the institution which initiates policy—the Bank. From our own standpoint, the Treasury, regarded as a department of a political administration, is potentially, and should logically become, the head of a movement to dispute the Bank's control over the Government's financial policy. If we say to a man: "That's not your dog," we are not attacking the dog. Or if we say to him: "Don't set your dog worrying the sheep," we are not attacking the dog. Mr. Newbold, by lugging in the Treasury in this way, is admitting, what is a fact, that in their present relationship the Bank and the Treasury are virtually man and dog. The Royal Commission is aware of the fact, too. In its Report it says:

"... The system of Treasury control in [Civil Service] staff matters is, in the main, satisfactory; and there is no justification for any general relaxation of the present system of control or for any proposal to remove the control of staff matters from the Treasury to some other Department. Provision should be made for a small overhaul of the machinery of government by a specially trained staff recruited from the Service generally. The surveys should be carried out jointly by members of the specially trained staff and of the Department under review."—(*Times*, July 24, p. 9, col. 3.)

Once postulate—as of course the Commissioners do—that the financial policy of the nation must be controlled by an autonomous central reserve bank, and the above recommendation is logically inevitable. For the Treasury, being charged with the administration of such policy, must control the financial arrangements of every State Department. Staff matters closely involve finance; and therefore the Treasury must have the last word on such matters. The function of the small specially-trained staff through whom the last word would be pronounced, respect of the various Departmental staff matters, will be seen to be parallel to the function of the Chancellor of the Exchequer through whom the last word is pronounced in respect of the policies of the political heads of those Departments sitting in the Cabinet. Just as the Chancellor would consist of "Bankers' Administrators." Money is the *right* of action; and in whomsoever the control of money is vested he will control the magnitude and direction of action—i.e., will control *policy*. Money is also the *means* of action, and in whomsoever the control of money is vested he will control the *method* of controlled action—i.e., will control *administration*. And since this dual control is allowed in principle, it should, as a matter of efficiency, be co-ordinated as

closely, and exercised as directly, as is found to be practicable. This would be the object of the special training which the selected committee would undergo. It would more or less continuously supervise the financial arrangements of the several State Departments so as to reconcile them with the balancing of the annual Budget. The Treasury is virtually the employer and paymaster of the whole of the Civil Service; and the present recommendation is a signification of that fact. The Royal Commission unfortunately does not go into the question of who employs the Treasury; so nobody who reads its Report will realise that the Civil Service is essentially a bankers' staff set to work primarily for bankers' ends, and that justly the salaries and wages of the Service should be a charge, not on the visible resources of the taxpayer but on the secret reserves of the banking system.

The trial of Lord Kysant and Mr. Harold John Morland opened on July 20. (The original hearing opened on June 3 at Guildhall and was referred to in *THE NEW AGE* of June 11.) The case turns on whether it is legal for a director of a company to draw *indefinitely* on secretly accumulated profits earned in the past to make good losses currently incurred without *plainly* disclosing the fact in the profit and loss account for the years in which the losses are incurred. The Attorney-General, in his opening speech for the prosecution, stated that it was not against the law nor contrary to accounting-principle for a company to hide reserves, nor for it to bring them into subsequent profit and loss accounts without disclosing the fact. What he contended was illegal was for a company to continue to do the latter when the losses it was sustaining were such as to make its failure inevitable. The method of accountancy might be perfect as such, but "*It was not a little more disclosure.*" He conceded in general that there were practical considerations which business directorates had to take into account when there arose a question of when to make a disclosure, and how much or little to disclose: for instance, it might be against a company's interest to let its competitors know its true position. But

"Whether that is right or wrong in theory this Court is not the arena in which to fight out the matter." "The jury must keep before them the standard of honest dealing in the City." (*Times*, July 21, p. 9, col. 2, par. 17; and p. 14, col. 7, par. 18.)

Whatever the verdict happens to be in this case counsels' speeches on both sides have raised some profoundly important issues. If it goes one way the basic principles of accountancy will have to be overhauled; or if the other, the whole investment system will be undermined. In either event a further step will have been taken towards the most important disclosure of all—the disclosure of the flaw in the price-system as the prime cause of insolvency.

The Archbishop of Canterbury gave an address at a special service for Americans as part of Canterbury Cathedral Festival on July 24. (*The Times*, July 25, p. 9.) Referring to the Hoover Plan he regretted that the response to his leading had not been more spontaneous—there could be no security for peace so long as the spirit of fear prevailed. This was of course an oblique dig at France. The rest of the address was an appeal for good-will "on both sides of the Atlantic," which suggests that the Archbishop backs the "Garvin Plan" for an Anglo-American alliance to keep the world in order. Among those present were the American Naval and Military Attachés and representatives of the British Navy and Army; and it is amusing to read that The Battle Hymn of the

Republic was sung during the service. This is a new mode of imitative magic, stopping war by singing each other's battle-songs! It reminds us, too, of Mr. Garvin's great idea of throwing British naval bases open to American battleships. In a way we were surprised not to see the Archbishop's holiday-companion, Mr. Pierpont Morgan, mentioned as being present; but in another way, not; for bankers like waiting round the corner. We understand that Mr. Morgan's mandate as a member of the international financial hierarchy is to mobilise mass-educational forces in a form suitable for central control and co-ordination. In this scheme the Church of England would of course have its place, and presumably the object of the trip in the "Corsair" to Jerusalem was to secure time and privacy for Morgan to explain to the Archbishop the benefits of coming into the scheme and the risks of staying out. For, through his compatriot Lady Astor, he is in touch with Mrs. Snowden, who is on the B.B.C. Board, as well as with Sir John Reith, who directs the Board; and the Board, as we pointed out a year or two ago, is able to supersede the Church in case of necessity as the controller of mass-education in religion just as in politics and other secular subjects. The banking interests at this moment are more intent than ever to find means of imposing new economies on the nation, and they cannot have missed noticing the "extravagance" residing in the co-existence of Church and State to do a job which could be done under one set of overhead charges. And whatever sentiment people hold for the Church there is no question that from an economic point of view the disappearance of the occasion for paying ecclesiastical tithes would afford relief to a large number of them. The moral is just as we said on the occasion referred to, that the Church will fade out of public consciousness if she continues to suffer the wolves of finance to harry her flock. We notice that the Christian Social Council is issuing a new book called *This Unemployment: Disaster or Opportunity*, by the Rev. V. A. Demant, drawing the attention of Churchmen to the "false economic and financial theories" which have led to the so-called "problem" of "providing employment." The book is sure to be worthy of the attention of Churchmen, and we hope that it will be widely read.

Our series of Notes in recent issues on the Co-operative Society and its Bank has stimulated discussion among a certain number of our readers on practical questions arising out of the adoption, and the obstacles standing in the way of the adoption, of a Social-Credit policy by the Society. It is not our purpose at present to enumerate them, much less to resolve them. It is to point out the necessity for parties to any discussion on these matters to make sure they are speaking within the same frame of reference as regards the hypothetical time and circumstances in which any suggested action is to be considered as taking place. As an illustration:—someone quite outside the Social Credit Movement, and without any knowledge of the subject, asked one of our readers what would be the safest thing to do with his money in the present crisis. (It has been significant to note how the German crisis has caused ordinary people in this country to fear for the safety of their own deposits notwithstanding the emphatic assurances of the Press that nothing of the sort can possibly happen here. We have had several instances of this recounted to us by readers who have been present when the subject has spontaneously cropped up and whose views have been solicited on what ought to be done by anybody who had savings.) In the in-

\* The price will be "probably 2s., or 2s. 6d.," and intending readers are invited to write to the Hon. Secretaries of the Christian Social Council, 32, Gordon-square, W.C.1.



stance we have chosen the questioner happened, by a happy coincidence, to have his account with the C.W.S. Bank. So our correspondent was able to tell him quite definitely that he couldn't do better by transferring his account to another bank, and would certainly be worse off in the event of a general banking-default on deposits, mentioning the reasons which we gave last week. "Oh, yes; I hadn't thought of that," was his reply; and we are entitled to presume that now he *has* thought of it he has since been tipping his friends to deal with a bank which can still deliver *money's-worth* even when it cannot deliver *money*. So one may say that the Social Credit analysis of the situation has been the means of creating a voluntary canvasser for the C.W.S. Bank (and probably many such) and that the Social Credit Movement ought to get a commission on any new business that the Bank picks up! This enquirer's question was comparatively easy to answer because he wanted to know what he could do now—in existing and known circumstances. But it is a different proposition altogether to decide questions of action which cannot be carried out here and now.

Happily, there is, in the principles of Social Credit, an unvarying term of reference with which our readers generally are sufficiently familiar to ensure that all questions of action will be discussed by them in conscious relation to it. Thus the overriding risk of being at cross purposes is eliminated, and the margin for misunderstanding is limited to questions of what particular action is best in a particular situation. Here are some such questions:

- What can be done now?
- What can be done on the verge of a crash?
- What can be done during a crash?
- What can be done after a crash?

What can be done?—by whom? And what is the what?—something political?—or something technical? And what is the nature of the crash?—a wholesale involuntary default of industrial enterprises?—or a repetition of the German bank default?—or a combination of the two? To discuss action fruitfully all parties must see a picture built up out of these and other hypothetical materials; and it must be the same picture. Given that, and the discussion can be pursued with confidence, because your ultimate objective is fixed and your technical method of reaching it is proven, so that you are free to concentrate on any particular question from the point of view: How will the given hypothetical set of circumstances affect the obstacles which stop your applying your method? It is true that even so you will have difficulties enough, but you will be years ahead of any other groups or individuals who are trying to read the riddle of reconstruction. For we know the forces against us, and how they are used; we also know the potential forces behind us, and how they may be directed when activated.

To apply these matters generally to the case of the Co-operative Movement, a particular action which it might wish to take along our lines might meet with Capitalist opposition this month, is Capitalist neutrality next month, and Capitalist support the month after. If you distinguish between *financial* Capitalism (whose principles and methods are the cause of the trouble) and what we may call *operative* Capitalism (whose principles and methods, where they can be shown to conflict with those of Co-operation, can also be shown to be imposed on it by financial Capitalism) you will appreciate the fact that operative Capitalism, if freed from the constraints now laid upon it, would discover in itself strong affinities with Co-operation. In fact, the "Capitalism" opposed by Co-operators to-day is simply *mis-*

*directed Co-operation*—and if the power of the banks to misdirect it becomes weaker from any cause, the natural tendency of operative Capitalists would be towards becoming *co-operative Capitalists*—which is what the Co-operators themselves are. The power of the banks rests entirely on the confidence reposed in them by the public. So the distrust engendered by the events of this month is opening up opportunities for Co-operative leaders to proceed on a new line of action which, if carefully prepared, need not necessarily encounter resistance from the operative Capitalists, and may even win their sympathy, if not their active support. And students of Social Credit are well aware that whatever new events occur will strengthen rather than allay the distrust now existing, for the banks' policy is self-defeating—the better it works the worse it works out—until a situation must develop wherein nobody will work it except under brute-compulsion; in which event the issue will depend on which side can at that time get control of the balance of brute-force—the hundred or so "Money Barons" or the rest of the population.

We have received from a correspondent, and publish elsewhere, a critique of the Social Credit proposals by a banker. We do so because his criticisms are revelatory of the peculiarly narrow outlook of the banking mind. It will be seen that he approaches the subject *via* Major Douglas's "mining scheme" and not *via* the analysis of the existing credit-system on which the feasibility and soundness of the scheme depends. He considers the scheme in exactly the same way in which he would consider an application for an overdraft, saying in effect: Can I reconcile this scheme with the principles of finance in which I have been trained? In one place he says that it would create unemployment. In another he says it would cause a vast increase in the volume of circulating money. He thus shows that he (a) is fixed in the idea that economic prosperity must depend on employment, and (b) has ignored the fact that money is destroyed each time that goods are moved along a chain of production and that the proposed issue of consumer credit is to fill a void caused by that destruction. We fancy that he has studied the scheme as such in order to apprehend the principles revealed in the analysis instead of patiently and systematically approaching it through the analysis. Our readers will be in a position to consider whether, if this is the best that an apparently friendly banker can do with the subject, there is any use in asking bankers to investigate it. If any readers, however, care to comment on any items in the criticism, we shall be pleased to forward their letters to our correspondent who elicited it.

SENATOR PITTMAN AND THE SILVER MARK.—The following is from a recent number of *Candide* (Paris): "Mr. Hoover received one morning Senator Pittman, who told him: 'I have the solution of the German crisis!' Mr. Hoover, who was looking for one, started up. Then he saw through it, for Mr. Pittman, who is the president of the International Silver Commission, appointed to stimulate the consumption of silver, of which 200,000 ounces are hung up in Denver, proposed to him to institute the silver-mark. 'Good idea,' replied Mr. Hoover. 'One could also, at the same time, start the coffee-mark, the wheat-mark, the cotton-mark, and the wool-mark, in order to unload our stocks.' Mr. Pittman had already submitted this system to the Chinese Government, who, taking it for a joke, did not trouble to reply to it."

THE MACMILLAN REPORT.—From internal evidence it appears probable that Mr. J. M. Keynes played an important part in the drafting of this Report. This, however, needs further confirmation before it can be stated as a fact.

AUSTRALIAN BONDS.—A reader overseas writes under date July 3: "A high banking authority told me yesterday that the banks of the Empire outside Australia are buying up Australian bonds at a discount of 25 per cent."

## Current Political Economy.

As long as the theory of international adjustments by gold exchange, instead of goods exchange, remains in force, political events will continue to affect exchanges at least as much as economic events. The financial correspondents of the general Press report on the gold drain to France variously. One or two regard it as the official reply of France to the efforts to press her into the service of Germany. A few regard it as a natural phenomenon caused by the fall of sterling in terms of francs, to be stopped when sterling rises in terms of francs. The causes of such fluctuations being either primary or so commonly agreed as not to require statement. Still others hold a more or less permanent view that France is by heredity a gold-hoarding country. The comments on the situation leading up to the London Conference made by *Candide* (quoted in "News Notes" in this issue of THE NEW AGE) and the analysis previously made of the situation enable us to look at the drain from another point of view. When the fear that the German credit system was about to collapse became serious both Germans and foreign holders of marks were eager to transfer their holdings into the currencies and the banks of other countries. A recent estimate of the French holdings in London was £150 millions (i.e., the equal of England's holdings in Germany) made up of £75 millions in bills and £75 millions in bank balances. The comments in *Candide*, whether a hundred per cent. true or not, express views necessarily held by many people in France. The collapse of German credit, according to a prevalent French view, would entail the collapse of English credit. In such circumstances there was nothing left but to get rid of English holdings, and transfer the gold substance which all the world accepts at a crisis to France. At such a time the rate of interest offered has little effect. Consequently the raising of the English Bank rate did not stop the drain. Secondly, the drain was not due to the adjustment of ordinary trade balances, but to fear for the safety of the outstanding credits.

The French error, of course, is that gold itself is stronger than the convention on which its international exchange value depends. Actually the value of gold is entirely dependent on the world's faith in its worth; which faith is purely conventional. Generally speaking, the breakdown of credit leads to revolution, the side which can obtain credit being the likely victor in the war for political control. Credit, in this sense, is the use of other peoples' organisation (transport, goods, etc) during the breakdown of one's own. At such a time gold has a very limited real credit. As a financial credit, it depends on the continuance of a faith which is not founded on its value as wealth, for either production or consumption. In a general crisis gold could very well become the least valuable of all "commodities." Reduce nations to barter for life's sake, gold is the one thing which would be—outside the limits of the requirements for such purposes as electrical contacts, etc.—unacceptable. Hence, neither France nor any other country can be secure until exchange is transferred to a real-credit basis, linked up with the only sensible purpose of financial credit, that is, to distribute the products of real credit when and where they can be consumed. Then faith would be justified by works as well. Until then the banks and France might as well hoard horses' teeth or bits of lucky stone. The gold convention survived the last war for various reasons. It would not survive a war which required the use of the total real credit of America and Europe.

In discussing the use of the term "international finance" a number of readers have been caught on the paradox, how is it possible for wars to corre-

spond to nationalities if finance is super-national? When the feudal political and economic system was in force, it was possible for the barons to fight one another without smashing the system, though not, of course, for ever. It is possible in the same sense for finance to be international while allowing financiers to have their group and individual quarrels. The point is that the field of their quarrel is laid on the financial system. No matter how terribly they fight, they do not doubt the system. As for the national grouping, apart from the financial, the nations had the combined good and ill-fortune to exist first. Consequently, the "budget" areas, necessary for the financial system to prevail, correspond to the national groupings. When a "budget area" is in distress, human or financial, however, whether it is worth while saving it, and what method of saving it shall be adopted, are practically decided by international finance; personally, by agents of a group who accept, and are prepared to apply, the financial convention. Any reader of this paper, knowing the position of the Brazilian State finances, could have prophesied the expert advice of Sir Otto Niemeyer to that country. Any other orthodox financier would have given the same advice. It is based on the sanctity of debt, and the priesthood of the debt collector. The formation of a Brazilian central bank, its separation from the commercial bank "of good repute," the central bank monopoly of all note issue, the cash balancing of budgets, are all designed to prevent Brazil from any variation whatever, good no less than bad, from the international financial convention. The expert advice of such as Sir Otto Niemeyer ensures that, in the case of countries, as in that of companies, all re-organisation shall be at the expense of the shareholders, and not in the slightest degree at the expense of the debt-holders, namely, the international banking system.

Personal feuds within the framework of the financial convention are as inevitable as personal ambition is at present infinite. Also in this week's "News Notes" a French view of the immediate causes of the German bank-failures appears. On one side a "Semite"; on the other the combined financial and political ambitions of the anti-Semitic head of the Deutsche Bank and Herr Hitler. It is time for somebody with the opportunity to write a new *Party System*, based not as Belloc's was, on politicians only, but on financiers and the antagonistic movements which fight their battles. Belloc showed that by birth, marriage, and elected affiliations, the leaders of the mock political parties were all one family. The Financial Party System would show where the feuds really are for which mankind has to suffer as much as for the baronial feuds of past days. It is curious that his friend, the democratic methods," about the time that his friend, the head of the Deutsche bank, was calculating that a sufficient financial force had been recruited to smash both his enemy and the German Republican Government.

BEN WILSON.

"Mankind is not in the grip of circumstances beyond his control, no phenomenon of Nature has occurred to destroy a continent or disrupt communications; the problems with which he is faced are problems created by Man himself, by his crass short-sightedness in the political sphere, by his genius in the industrial field, and by his innate conservatism in both. Distance has been annihilated, but men's minds remain circumscribed by the limitations of their accidental frontiers; the problem of raw material is no longer a handicap, that of production is solved, but millions go hungry in a world of plenty because the intermediary factor, money the exchange medium, is controlled by a handful of rigid doctrinaires."—From article "The European Discontent," by Harrison Brown (European Representative of the American Committee for the Outlawry of War). *The Contemporary Review*, July.



## The Films.

### Body and Soul: Regal.

This is the first film made by Elissa Landi in Hollywood, although her second American picture, "Always Good-bye," was the first to be publicly shown in London. I have always had a great admiration for Miss Landi, who is an actress of unusual intelligence and distinction, but if "Body and Soul" be a criterion, Elstree has directed her to better advantage than Hollywood. She will certainly have to appear in a very much better picture before she lives up to the publicity dope of "The New Sensation" and "The dramatic 'emotion' of 1931."

"Body and Soul" is frankly a bad picture. American directors have never been successful in depicting England in war time, with or without an espionage background, and Alfred Santell is no exception. The plot is so incredible that even if I could remember it my readers might think I was pulling their legs. It is only fair to say that Miss Landi, together with Charles Farrell and the other members of the cast are good, but they are wasted on this farago of nonsense. Incidentally, the scenario writer should really have been stopped from making an Englishwoman use such Americanisms as "You're acting so strange."

Prior to being given its present title, "Body and Soul" was variously named "Wine, Women, and Sin" and "Woman and Sin." If any further alteration be required, I would suggest "Drink and Drivel."

### Crime Films.

Some time ago it was announced by Mr. Hays, the ex-Cabinet Minister who has acted as America's film purifier-in-chief since the Fatty Arbuckle scandal, that Hollywood would make no more crook and underworld films. This self-denying ordinance was not based on moral grounds, but on the belief that the crook picture no longer exercised a box office appeal. But something seems to have gone wrong. I cannot trace that England, at any rate, is being favoured with fewer gangster pictures. Among American films dealing with crime, racketeering, and the criminal or semi-criminal world that I can recall having seen since the beginning of this year are "The Big House," "The Criminal Code," "Paid" (re-named "Within the Law" since its pre-release), "The Front Page," "Quick Millions," and "Little Caesar." "The Subway Express" and "The Last Parade" were being shown last week at two of the leading London theatres, and "The Finger Points," which deals with the twin worlds of the Press and racketeering, is at the Regal this week. This list is far from complete, since it does not include a number of generally-released pictures such as "The Street of Chance" or the polychromatic murder cases based on Mr. van Dine's thrillers, but it is large enough to indicate that whatever Hollywood may be doing, England is still receiving considerable quantities of the pictures on which Mr. Hays has pronounced excommunication.

Of course, some months usually elapse between the completion of an American picture and its English pre-release, so that for all I know to the contrary Hollywood may have actually turned from crime. I shall be sorry if that is the case. On the whole gangster and other crime films are among Hollywood's most entertaining productions; they usually hold the interest and attention of the audience, and are characterised by swift action and good acting, editing, dialogue, and direction. Even if there is a certain sameness about many of them, standardisation to the point of sheep-like imitation has always been one of Hollywood's leading characteristics,

which has been accentuated since the coming of the talkie. But I do not think that the crook is entirely going out of business at Hollywood; present indications are that the latest craze of the American studios is for Press-cum-crook themes. If even half of them are all as good as "The Front Page," they will be welcomed by the present writer.

### Current Films.

The Academy is reviving the German silent classic, "The Student of Prague," and is also showing the Russian "Men of the Woods." "Man-slaughter" is at Tussaud's, "The Finger Points" at the Regal, and "The Bachelor Father," with Marion Davies, is at the Stoll. At the Rialto "Le Million" is enjoying yet another positively last week, and is again holding up "Le Chemin du Paradis," the French version of Pommer and Thiele's "Three Men in a Petrol Station."

DAVID OCKHAM.

## Drama.

### The Good Companions: His Majesty's.

Somewhere I read how much money Mr. J. B. Priestley had made to date out of his novel, "The Good Companions." I do not profess to remember the figures, as I was taught only to reckon in millions, not as the continentals do so agilely, in milliards. All the portents, as the journalists say, point to Mr. Priestley's making more than twice as much out of the dramatisation, as much in London and more in New York. No book or play has, to the best of my recollection, been praised so unanimously. Nevertheless, if there is a reviewer of either kind who did not like the work, I should like to drink a cup of coffee with him. Mr. Priestley has been compared with Dickens. Certainly, Mr. Priestley can produce a fair repetition of the Dickens gulp, and an occasional repetition of the Dickens humour. But he entirely lacks the substratum of Dickens earnestness. That great critic of art and literature, G. K. Chesterton, perceived that Dickens had something in common with Cobbett, that he hated the same things. Contrast Dickens with Matthew Arnold, Chesterton observed that whereas Dickens had probably seen only one kind of school, and Arnold had seen them all, it was to Dickens that Arnold had to turn for a simile for a bad school. Mr. Priestley as an artist shows no sign of this seriousness. He is the romantic half of Dickens without the realist half, which was Dickens' compensation as an artist and as a man seen through his work. Mr. Priestley, in short, lacks the half of Cobbett.

Once Jess Oakroyd is outside his own house he is no longer of this or any possible world. He belongs to the world of Mr. Priestley's fantasy, romantic, sentimental, and unreal. Mr. Priestley's puppets do not need to wait for something to turn up. He arranges that something always turns up without waiting. No Chosen People was as well served as Mr. Priestley serves his creatures in misfortune. Indeed, his is a world in which a change of heart has been effected without anything else being changed. The one exceptional figure rose to life by the magic of the actor. Frank Pettingell's performance as Sam Oglethorpe is a study in beautiful, authentic, character. The actor seized Oglethorpe, sacked the author, and, by will and creativeness and whatever else he used, made a contribution to dramatic portraiture. The rest of the parts should have been played, if at all, by marionettes. They have faces and lines distributed by Mr. Priestley, but no insides, neither souls nor entrails; and most of them are played as figures in a pantomime, though they lack even the depth of pantomime, in

## Thus To Deliver . . .

By Hilderic Cousens.

The perusal of *Economic Depression* (Series of League of Nations Publications, VII. Political, 1931. VII., No. 4) affords as strong a confirmation of Social Credit views on the current economic complex of problems as the perusal of *Unemployment* (same series, No. 3) does of the futility of expecting international arrangements to solve them. The former gives plenty of evidence that shortage of goods is not a cause of our poverty. For instances: *Food*: average Canadian output of cereals, 1924-1928, 433 million bushels; average 1909-1913, 197 millions; so with Argentine, Australia, United States. "Total output of all cereal foods certainly increasing considerably faster than the world population." The effective increase is the greater because motor-cars and tractors are replacing horses, live-stock is being fed more on oil-cake, etc., and in the richer countries cereals are taking a smaller place in human diet. Increased demand for animal foodstuffs is quite met by increased output. Sugar, coffee, and cocoa stay on the brink of a glut. *Raw materials*, e.g., lead, rubber, and cotton, were increasing in output and stocks. *Manufacturers*: "Technical changes were taking place rapidly, increasing the capacity of production in almost all lines of industry and calling for a deep-going readjustment" (p. 5) (my italics). This was the situation when prices in general began their downward course in the beginning of 1928. The final shock came with the collapse of United States business in the autumn of 1929. In the New York stock market at the height of the speculative boom, interest on call-loans ran as high as 20 per cent., in spite of Federal Reserve efforts to check it. European money was flung in to get part of the profits going, with the result, that as our money system is managed according to laws of its own, credit stringency in Europe and elsewhere ensued. Large stocks of staple commodities were thrown on the market at a time when potential buyers were themselves short of credit. Most raw materials fell rapidly in price. "The prices of manufactured commodities sank less rapidly, and, in consequence, the incomes of the producers of primary commodities declined more rapidly than those of industrial communities—e.g., in Western Europe. The latter, however, could not but feel the effects of a reduced demand from countries dependent upon the sales of primary products. Output of manufactured goods was reduced and unemployment grew to appalling figures." (p. 7). There are many other observations which support the arguments familiar to readers of THE NEW AGE, anent the imbecility of hitching goods to prices instead of prices to goods, but I will be content to quote only three more. "The violent reduction of wholesale prices during the last two years has come as a surprise to most economic authorities" (p. 11), including, I suppose, bankers, professors, and stabilizers. "Almost two years have now passed since the volume of production and trade turned decisively downwards, and as yet no clear signs of a revival are to be observed . . . this depression is of an unusual length, greatly exceeding those experienced in the last two decades before the war" (p. 14). "In the spring of 1931, the tendency towards wage cuts seems to be gaining strength in several countries" (p. 12), presumably in order to encourage a further fall in prices, and so of incentive to produce, and so of production, of trade, of employment, of wages, of prices, and so ad infinitum.

Turning to *Unemployment*, what do we find the International Labour Office has been able to produce by way of remedy? Of course, it protests that

which there is invariably bite behind the burlesque, and a stirring of the unconscious by the story. Mr. Priestley has been congratulated on creating the ordinary man in literature. He has only created an ordinary man who is extraordinary in that behind his forehead there hides no complexity; because of which Mr. Priestley, in spite of his reputation for gentleness and all-tolerance, is unconsciously frightfully cruel. The barmaid who is only a marionette barmaid, the landlord who is only mine genial host, the touring-actors who are only touring actors harping on their lost beauty or past triumphs, all the multitude who never put into the sentimental wheel one spoke of real human-nature, provoke one to wish afterwards that one of them had suddenly forgotten Mr. Priestley's lines, and for once say what the hell they would have said in the situation.

### The Strange Case of Dr. Jekyll and Mr. Hyde.

Mr. William Senior has made a new play out of the version by Mr. J. Comyns Carr of Stevenson's story. The first act, in which the situation is prepared, and the characters introduced to the audience, both jobs being done far too slowly, may be too much like the writing of Stevenson to stimulate much emotion. My own chief difficulty with the play, which appeared not to be felt generally, was that I could not understand why all the other characters did not suspect Jekyll and Hyde of being the same person long before they did so. Perhaps the idea of double personality was more novel in 1885. However, I tried to imagine that my being in the secret—the identity is, of course, known to the audience throughout—caused me to suppose that the other characters could not miss what I noticed, and after due allowance for this had been made the thrills began to work. The scene in Dr. Lanyon's consulting-room when the fugitive-murderer, Hyde, turns himself into the doctor with no stain on his character, Jekyll, by means of his unknown drugs, certainly thrilled the entire audience.

As with other work by Stevenson, however, once the polish of the writing is neutralised, as it has to be for a dramatisation, the result is simply melodrama. Its focus is the common-place moral that the personality which God hath joined together let no scientist put asunder for curiosity's sake. In Stevenson's or any other version the story is inferior to any modern news reporter's stories under the headline of Stevenson's title: for the reason that the extension and expansion of psychological knowledge have concentrated interest in so-called dual personalities upon the inner compulsions, on which Stevenson has no illumination, having to employ in default only curiosity and drugs. Indeed, Jekyll was not a dual personality: he had merely taken drugs to live a double life. The work is well served in terms of immortality by having secured the firm incorporation of the phrase, "Jekyll and Hyde," preceded or not by "veritable," in journalese.

Whether it is that the damned are more interesting, I preferred Arthur Phillips as Hyde to the same actor as Jekyll. As Hyde his capacity for melodrama had full scope; as Jekyll it intruded itself where it served no purpose but to make me disagree with most of his inflexions. Frank Lacy, as Sir Danvers Carew, and J. Fisher White, as Dr. Lanyon, gave very fine performances, and one regretted G. H. Mulcaster, as the solicitor, Utterson, also made the best of his opportunities, but opportunity was too little for H. R. Hignett as the butler. He used the skill acknowledged to him, but the part was a muffer. Ruth Maitland, as Rebecca Moor, Hyde's housekeeper, earned her special applause, but Mary Merrick acted Laura Carew, fiancée to Jekyll, as if she had no faith in the part, Jekyll, or the play. The love-scene between the two was as flat as an amateur recitation. PAUL BANKS.



it works under limitations. So it stresses two points: (1) the organisation of the finding of employment for workers; (2) the execution of extensive public works. The sting of the first seems to be contained on p. 7, where a "united front" about migration is urged on Europe, to be implemented, possibly, by a policy of international credits. "One of the most suitable and fruitful fields for such a policy would be the settlement in foreign countries of some proportion of the surplus working population which at present clogs the European economic system, and shows signs of becoming a possible social danger." In other words, they would have a general system of "Highland clearances." The exiles would then either starve (consider the present current of returning emigrants from the United States) or increase the flood of raw materials no one can consume, or man industries which shall render superfluous yet more of the already under-employed European plant and organisations. As for the great international public works scheme, put forward, as they say, by Saint-Simon in 1815, and recently by the American engineer, Dannie Heineman, it appears a version of Mr. Sidney Webb's prescription of filling up the gap in private demand by State capital construction. Within the orbit of current finance, that is nonsense. It was sufficiently riddled by Mr. Hawtrey in his "Trade and Credit" (p. 116). And as soon as these proposals were put before the Governing body of the I.L.O., they were rapidly disposed of. M. Curcin observed that "with regard to public works, it seemed that, during the economic crisis, the budgets of the various States which mostly showed a deficit could scarcely be expected to bear the additional expense required for work mainly undertaken as a remedy for unemployment. It must also be considered whether the various countries would have sufficient credit to raise loans under such conditions." M. Laemmle said that the Unemployment Committee in Germany proposed that hours of work during the crisis should be reduced by law according to the varying conditions in the various branches of industry. But the German Government had not decided, for "if wages were not increased, purchasing power would be lessened, and if they were increased, costs of production would rise, and competition would become more difficult. Either of these developments might be a fresh cause of unemployment."

The upshot of it all was that, as a means of delivering Europe, a first step was proposed: to wit, the appointment of two sub-committees, one to discuss shuffling round the unemployed, and the other to draw up a scheme of European public works, for "Europe as a whole must show its sense of solidarity." Goodwill, however, is of limited value on a ship headed for the rocks.

## News Notes.

**THE CO-OPERATIVE PARTY AND THE NATIONALISATION OF ELECTRIC POWER.**—The Co-operative Party have issued a booklet entitled *Power and Fuel*. It is written to advocate the formation of a National Power Board to acquire and run all the electricity generating and distributing concerns in Britain. The Board would be charged by statute with the duty of selling to factory owners on deferred payment the equipment they need for electrifying their factories, and also with the duty of bringing instalment facilities to the notice of every private consumer. "The electrification of Britain is the first plank in the Co-operative Party's new policy for rebuilding Britain industrially." This is the first step towards the Co-operative Party's ultimate objective of all-in nationalisation.

**APOLOGISING FOR ENTERPRISE.**—Sir Arthur M. Sutherland, Bart., at a meeting of shareholders in the Sutherland Steamship Company, Ltd., at its offices, Sandhill, Newcastle, on July 14, announced with regret the first passing of dividend for about twenty years. Their shipping property, which had cost £533,724, now stood at £132,725,

and probably wouldn't realise more than £100,000. If, he said, they had invested this money in War Loan instead of steamers they would now have had an asset worth £638,000, bringing them a revenue of over £30,000 per annum. When they put their money into ships they thought they were doing it for the best—they were giving employment, and they were rebuilding the country's mercantile marine. Happily there were no mortgages on the ships, so they were in a position to make profits directly trade improved. (See report in the *Newcastle Evening Chronicle* of July 14.)

**MR. PIERPONT MORGAN** left New York for England on July 18 in his yacht *Corsair*. He is to remain here until November. His yacht will return, and he will reside at his mansion at Wall Hall, Aldenham, Herts.

**EXTRACT FROM MACMILLAN REPORT.**—74.—"It is not natural to think of the deposits of a bank as being created by the public through the deposit of cash representing either savings or amounts which are not for the time being required to meet expenditure. But the bulk of the deposits arise out of the action of the banks themselves, for by granting loans, allowing money to be drawn on an overdraft, or purchasing securities a bank creates a credit in its books, which is the equivalent of a deposit. Over the banking system as a whole, therefore, loans and investments made by the banks increase their deposits. There is, however, a limitation on this process—that imposed by each bank's conventional cash ratio—of creating deposits by making loans or investments which is much out of line with the policies of other banks."

**UNEMPLOYMENT INSURANCE ANOMALY.**—(This episode is communicated by a reader who vouches for its authenticity.)—Wishing to attempt work after being employed for only six months in the last two years, a young man in the Midlands wished to form a car-cleaning organisation. He made out circulars, and inquired from the Labour Exchange whether he might take out these circulars if he undertook to inform the Exchange when he obtained work through them. He was told that he could not draw dole if he took out the circulars.

**TITHES AND MONEY-SCARCITY.**—An excellent survey of the history of the tithe rent-charge appears in the *Times* of July 20 (p. 13), written by Mr. G. T. Hutchinson. It is written to supplement an article on this subject by Lord Ernle which appeared in the *Times* of February 5, 1923. Students of Social Credit will find here all the essential data they want for the purpose of speaking or writing on the present problem of accommodating the interests of tithe-owners and tithe-payers. Thus: "All tithes were originally paid in kind." In 1836 (Tithe Commutation Act) they were made payable in cash. [Note: the banker gets his finger in the pie.] The cash value of the tithe was fixed on a seven-year average of the price of corn. "Broadly speaking, tithe followed prices and cost of living." After the War the time-lag caused complications, the inflated tithe average for, say, 1913-1920 having to be met by the current deflated price-average. The Tithe Act of 1918 was passed to anticipate this difficulty. It stabilised the tithe at a fixed sum of £109 (on the basis of £100 nominal tithe-charge) for seven years; otherwise it would have automatically risen to £170. [Note the date of this Act. Evidently the deflation-policy had been decided on in 1918—two years before it was announced.] The Act provided that at the end of the seven years the tithe-charge was to be based on a 15-year price-average, "to spread the effect of the abnormal War prices for tithe-owners and tithe-payers." Then came the Tithe Act of 1925, which abandoned the principle of relating tithe-charges to corn-prices, and fixed the nominal £100 tithe-charge at £105. "If the Act of 1836 had remained in operation the value in 1925 would have been just over £146," or, under the Act of 1918, £131 in 1926. This last Act provided that all ecclesiastical tithes should be vested in and collected by the Governors of Queen Anne's Bounty on behalf of the beneficiaries. [Note: the banker carves the pie.] It provided also for the compulsory redemption of tithes in 85 years by means of a sinking-fund payment by the tithe-payer of £4 10s. [Note: the banker hides the pie.] The author discusses the present situation, observing that while neither tithe-owners nor tithe-payers are satisfied the settlement represented the judgment of an impartial authority, and to upset it would "stultify all previous legislation." [Note: the banker must settle the pie, because he is not partial to pie—i.e., an impartial carver.] These are just a few of the many suggestive facts contained in the article, which Social-Credit Churchmen should mark a point of reading in full. Its chief general importance lies in its showing how, first, the Clergy and the Farmers

transacted their tithe-business in things, then were compelled to do it in money, and then were compelled to do it through a centralised corporation controlled by the bankers. Since the local Rector is no longer the legal creditor of the local farmer, he has neither the right nor the power to accept payment from the farmer in a form that they might both consider best—namely, *payment in kind*. The Governors of the Queen Anne's Bounty Department of the Bank of England decide the amount of the tithe-charge, and insist on receiving payment in the form of money.

**M. JACQUES RUEFF**, whose "discovery" that when wholesale prices fall faster than wages unemployment increases moved Sir Josiah Stamp to write two articles in the *Times* (see THE NEW AGE of June 18), is described in *Le Journal* (Paris) of July 12 as "*attaché financier à Londres*," and as a new delegate to the committee of experts which assembled here on July 20 to deal with the German crisis.

**THE GERMAN CRISIS: A FRENCH INTERPRETATION.**—*Candide* (Paris) of July 16 states that opinion in Germany attributes the failure of the Danat Bank to its President, Mr. Jacob Goldschmidt. He aspired to become the all-powerful master of German industry. His method was to buy stocks, and he operated to such an extent that in 1929 he was president of 392 boards of directors. His subsequent downfall was brought about by Mr. Von Stauss, the head of the Deutsche Bank, and an intimate friend of Hitler. Von Stauss had long sworn to get even with Goldschmidt; and his chance came when the Government Danat Bank; for Von Stauss was the only one to refuse, and his refusal forced the Government to announce the failure of the Danat Bank. Goldschmidt's downfall is considered to be a victory for the Hitler party; and it is being said in Germany that if ever Hitler comes to power *Jacob Goldschmidt will be the first to be shot*. The writer goes on to state that Goldschmidt had been the cause of the downfall of Hugo Stinnes, or more exactly, of the dispersion of the Stinnes properties after his death in 1924. While Stinnes had been building up his Trust, Goldschmidt had worked against him, but Stinnes, with 1,000 million marks behind him, was able to hold his own. When, however, his son Edmond inherited on his father's death, Goldschmidt bought stock, and through this and other methods caused a collapse of values which left only 20 millions remaining to the Stinnes family out of the original 1,000 millions. Since then Goldschmidt has been thinking himself the master of Germany—an illusion that has now broken him. The same writer, referring to M. Briand, says that he recently made the following remarks on the present crisis: "What we [the French] are helping to do is only the prelude to the restoration of the Hohenzollerns... foolish as it may appear, William II. does not despair of returning triumphantly to Berlin. And old Marshal Hindenburg, the President of the Republic, although looked upon by his ex-sovereign as a thief, will not be the least enthusiastic about it."

**MR. PIERPONT MORGAN.**—*Candide* (Paris) of July 16 reported Morgan to be in France at that date. He had always liked France, and, among other things, "*la cuisine*." He had dined during the previous week with several French financiers in a little restaurant, much appreciated by Morgan, in the rue des Fossés-Saint-Bernard. "Pierpont comme on lui présentait des amandes, s'amusa, à l'èbahissement de ses compagnons de table, à faire une imitation parfaite d'un *ouistiti*." [A species of American monkey.]

**WALTON NEWBOLD AND THE BANK OF ENGLAND.**—In the *Sunday Referee* of July 19 an article appears, spread across five columns, signed by Mr. J. T. Walton Newbold, and decorated with portraits of himself and Mr. Montagu Norman, together with a picture of the new Bank-building, and is a strong defence of the Bank's policy. His concluding words are: "I appeal to my countrymen to form a ring round the men who to-day guard the safety of the State and the stability of civilisation. Every man and every woman of you, to the defence of the Treasury and the Bank!" He speaks disdainfully of "statisticians," "professors," "economists," and of the "half-truths" of "theorists." In one place he says: "Founded upon the rock of the Gold Standard, scornful all the expedients of the economic cheapness, there stand, symbolic of the unwavering honesty, the unshakable stability of this country of ours, the British Treasury and the Bank of England." He refers, early in the article, to discussions which he had on more than one occasion "last summer" with the managements of the

Austrian Credit-Anstalt and the Danat Bank, including Mr. Jacob Goldschmidt, whom he describes as a financial wizard. [Note: it would be interesting to know what attendances were put in by members of the Macmillan Committee during its sittings. Professor Gregory was in Australia for some months with Niemeyer; and it now looks as if Newbold had been taking time off for trips to Central Europe.]

**LORD ASTOR AND THE MACMILLAN COMMITTEE.**—Lord Astor's wife is sister to the wife of the Hon. R. H. Brand, who was a member of this Committee. There were five sisters altogether, born in Virginia, and named Langhorne. Charles Dana Gibson made them famous, and he married one of them. They were the original "Gibson Girls." Another sister married an architect called Phipps, since deceased, and is shortly to marry Mr. Maurice Bennett Flynn. (See the *Evening News* of July 18.) These facts connect the Snowdens, through the Astors, with the Brands.

**THE CANCELLED BANK RATE. FRENCH ACCOUNT OF REASON.**—"Very few people have noticed a detail, quite a small detail, but one which speaks volumes. When it was stated that the issuing banks of the principal countries of the world would be invited to share in the rescuing of Germany, the contribution of each one was immediately indicated. Out of the 12 milliards to be placed at the disposal of the Reich a third was to be advanced by the Bank of France, another third by the Federal Reserve Board, and the remainder by the Banks of England, Belgium, Italy, etc. Thus the proud City of London has consented to allow itself to be placed on the same footing as other countries who, though quite honourable, are possessed of but moderate resources. What has happened? This has happened: England is the country most affected by the German financial collapse, so much so that she has barely escaped disaster herself. Up to the neck in German commitments, English bankers could plainly see the moment approaching when they also would be forced to close their doors and ask for a moratorium. One day almost as many pounds sterling as marks slipped away, and for some hours the sterling exchange dropped by one franc. Then the Bank of England became alarmed and raised the Bank Rate at one movement from 2½ per cent. to 4 per cent., but finding that this defensive measure made a disastrous impression, it attributed the change to an employé's mistake. In short, England has experienced terrible anxiety, and one understands her haste to obtain France's co-operation in the saving of Germany, for her own safety was at stake. When Mr. Henderson wished to call a conference in London immediately he was bluffing. They therefore had need of France—of our money. They needed it in Germany and in England, a fact which rendered the French Government's position good and bad at the same time, because it would incur every responsibility. France could easily decide, despite the pressure to which she was subjected, to leave England on the rebound; so one can imagine the prayers and adjurations with which she was threatened with the consequences of a general catastrophe. These were the circumstances in which the London Conference—which meant going into the lion's den!"—*Candide* (Paris), July 23, 1931.

**WHAT IS THE GOLD STANDARD?**—The following is extracted from the *Times* of July 27 (Paris Correspondent's cable, July 26): "The withdrawals of gold from the Bank of England account have also been the subject of a somewhat acrimonious discussion in the newspapers. During the week-end Sir Robert Kindersley has been here and has discussed the subject with M. Moret, the Governor of the Bank of France. Reports from London that political motives behind these operations are flatly denied here. . . . But owing to the higher rate of interest offered in London compared with that prevailing in Paris, credits to a very large amount have been maintained by French banks in London. It is believed that London has profited by these to lend at short term to Germany, and now that these ventures have turned out badly the French banks, mistrustful of the security, are withdrawing their capital. . . . The theory assumed as axiomatic by the Macmillan Report that the central banks are under an obligation to 'play the game' of the gold standard is derided by French economists, who are inclined to suggest that the rules of the game were invented by Great Britain because their application would favour her interests. Meanwhile, it is observed by French commentators that with the gold standard applied as it is at present there is nothing to prevent the recurrent, if not absolutely continuous, withdrawal of gold from the Bank of England; and the only question, in their view, is how long Great Britain is prepared to stand it."



## "Credit Power and Democracy."

A criticism of Major Douglas's book, offered by a high banking official in South Africa, to one of our correspondents.—ED.]

"The measure of Real Credit is the correct estimate of ability to produce and deliver goods as and when and where required" (156).

The cost incurred in the production of coal represents a debt owed to the industry by the community at large (208). To this the writer adds (208): "Only part of the coal produced, however, is consumed unproductively—that is, domestically as an ultimate product, while the other part is consumed productively—that is, it contributes an asset to the National Credit."

II. 6. "The Government shall reimburse to the colliery owners the difference between their total cost incurred and their total price received, by means of Treasury Notes, such notes being debited, as now, to the National Credit account."

By Treasury Notes is meant, I presume, Currency Notes the same as our Bank Notes.

The first point to consider is that Great Britain produces thousands of millions' worth of goods yearly. In accordance with the scheme a rough and conservative statement would show the following position:—

### PRODUCTION.

Salaries, wages, etc. ....	£3,000,000,000
Raw material and other expenses ...	2,000,000,000
	£5,000,000,000
Sales (prices realised) .....	£1,250,000,000
Treasury Notes (Government reimbursement) .....	3,750,000,000
	£5,000,000,000

This means a Treasury Note issue of approximately £3,750,000,000 per year. If these notes are redeemable by the Government, it means that the Government will have to float loans for the amount yearly at, say, 4 per cent. In twenty-five years the National Debt will amount to £93,750,000,000, and the yearly interest to £3,750,000,000.

I must point out that the "enhanced Real Credit" that the writer mentions (209) does not alter the above position.

If the notes are irredeemable, the currency of the country will actually be increasing at this rate.

The writer argues that because prices are fixed no inflation is possible. He apparently overlooks the point, apart from other considerations, that England imports raw materials and foodstuffs. Take the figures three months ended March, 1931: £209,809,615, while for the same period she exported only £103,346,166. The imports must be paid for by visible and invisible exports and any balance in gold. The writer does not believe in gold, but in any case the country would soon be drained of all gold. Treasury Notes outside England will depreciate to become almost valueless. How will the raw materials for the factories and the food imports be paid for? Apart from invisible exports (and gold) the export of goods raises the following difficulty. The purchase or sale of commodities at quarter the cost of production and the distribution of purchasing power, as above, means that individuals have four times (approximately) the amount of spending power as before. In view of the fact that at present internal consumption far exceeds total exports and the fact that the new purchasing power will create an internal demand of four times (approximately) the present, little or no goods will be available for export. This will automatically bring commerce to a standstill. Without raw materials the factories must close down.

There is also this point to be considered: If I possess £10,000 invested in factories, etc., I am entitled to a return, according to the scheme, of 6 per cent. If, on the other hand, I choose to spend this amount to purchase goods at one-quarter the cost of production, my £10,000 is actually able to purchase goods to the value of £40,000. The inference is obvious. Manufacturers and producers generally will prefer to purchase and not produce. This consideration, together with the question of raw materials, appears to me sufficient to change the problem from that of orderly product marketing and distribution to absolute chaos.

The reasoning which leads to price being fixed at one-quarter of cost of production is not clear. However, it does seem to me that by fixing prices at one-quarter of cost consumption will increase fourfold. The ratio will have

to be altered accordingly, and it seems to me that the point will soon be reached where consumption equals production; allowing for profits this will reduce the whole scheme to the present position.

One further point that I would like to mention is that the scheme does not provide for distribution. By fixing prices at one-quarter of cost of production he is automatically eliminating the army of distributors and those connected with that business directly or indirectly.

As a matter of interest, I may mention that there are many individuals who contend that our economic evils may be traced to excessive distribution expenses. Let us have the case of wine. The producers (farmers) sell the wine for under 6d. per bottle. The bar proprietor sells a tot for that amount. Deducing such expenses as are connected with maturing, etc., the price has nevertheless increased fivefold. So with all commodities. Though goods actually pass through innumerable hands, each takes a profit and so adds to the price. One may reasonably question whether under the Douglas Scheme distribution expenses will not be very much higher (although he has not considered the point).

Or again, whether wages will not be one-quarter of what they are to-day. Allowing for a certain lag, we may say that as prices rise, wages increase; as prices drop, wages decrease. I am referring here particularly to distribution expenses.

These considerations lead to the conclusion that the scheme will not improve matters. On the contrary, it will have the effect of creating

either (1) wholesale unemployment, or (2) forcing Socialism—that is, forcing the Government to undertake production and distribution, and Socialism, Douglas is, strange enough, opposed to. In my opinion, the premises of the Douglas Scheme are wrong. (Page 21.)

Group A.—All payments made to individuals (wages, salaries, and dividends).

Group B.—All payments made to other organisations (raw materials, bank charges, and other internal costs). In the case of A purchasing power is distributed in the form of wages, salaries, and dividends, but surely in the case of B there has been a similar distribution or flow of purchasing power, whether in the form of prices paid for raw material (wages or dividends to agriculturists), buildings (wages and again materials and dividends), bank charges (salary to bank staff and dividends), etc.

A obviously cannot purchase A and B, but A and B as money paid (factory cost plus on cost and dividends) can buy A and B as price.

Consider the further statement (34-35). "It takes back in the prices of ultimate products only practically the whole of this purchasing power . . ."

This is clearly inconsistent with a current conception of cost of productions.

Purchasing power distributed in the case of capital production = raw materials, wages, profits, etc. = A.

Purchasing power distributed in the case of production and sale of ultimate commodities = raw materials, wages, profits, interest, organisation, and distribution expenses = B = price.

Price of ultimate commodities consequently equals purchasing power distributed in the case of B, and when added to purchasing power distributed in the case of A leaves the surplus which accounts for the existence of savings banks, building societies, life insurance companies, the stock and share market, etc., which means the growth of capital and finances capital production.

Although I do not therefore agree with the reasoning of Douglas, I may add with regard to the upward trend of business stocks are accumulated owing either to speculation or "business expectations." As these stocks are to a large extent obtained on credit (90 days' bills and credit account), purchasing power is not distributed to the extent that this stock is accumulated on credit. When the break comes, followed by a depression, stocks are sold and extra purchasing power is distributed—that is, to the extent that old stocks are being paid for.

A second case is when profits are not distributed, but are absorbed in extra stocks.

A third case is where depreciation is debited to P. and L. account and not invested.

These points are very intricate, and I still have to go thoroughly into them myself, but I am mentioning them as of interest here.

On the other hand, we must remember that the banks are continually adding to the reserves of the banks, which in turn build up large credit structures on these reserves, i.e., distributing purchasing power. I cannot, however, connect this with the scheme of Douglas.

## The Position Stated.

By John Hargrave.

The Problem facing the whole of industrialised mankind to-day is: how to distribute for use the consumable goods and services produced or producible.

The Solution to this problem must present a technique whereby it is possible to increase consumer purchasing-power, while at the same time lowering prices.

The solution to the problem has been discovered, and is known as the Douglas Social Credit Scheme.

Therefore, there is no need to go stumbling about looking for a solution. The solution to the problem is known. The necessary technique has been logically stated.

For those who are convinced of the unbreakable logic of the Douglas Analysis and Proposals, there can be but one outstanding question:—

How to introduce Social Credit; and it is this question that claims the attention of every serious advocate of the Douglas Scheme. In considering this question the following are essential:—

1. A sound general understanding of (a) orthodox economic doctrine, and (b) social credit as an analysis and solution.

2. An attempt to arrive at a true appraisal of the conscious and unconscious forces working against social credit. This calls for careful reconnaissance of the psychological factors in play at any moment.

3. A continual examination, and re-examination, of any and every means that have been or might be devised to assist in making an "opening" for the introduction of social credit, weeding out those methods found to be unworkable, and experimenting along lines that might give useful results (never forgetting that such results may be, and usually are, difficult to judge, or even to recognise, and that what is unworkable at one moment may be workable the next).

Students who are not yet sure of themselves, and who still have difficulties and doubts to resolve (usually the "time-lag" problem) should, of course, continue their economic studies (as indicated in 1, above), and should not be deflected by giving attention to 2 and 3, until they have mastered the general principles of social credit.

Very often, however, there is a tendency not to wish to come to any conclusion at all, due to a sub-conscious fear of being driven to take action in one way or another. Such students cannot allow themselves to be "sure" that the Douglas—or any other—scheme is correct in theory, or, if correct in theory, workable in practice. Such open-mindedness is just as dangerous as its opposite: a too quick acceptance of ideas not properly understood and digested.

There is also the tendency to swallow the Douglas Scheme at a gulp, and then, finding it "too rich," to disgorge it and water it down (generally by omitting the Price Calculus).

Students who go through this process frequently feel impelled to concoct some credit reform scheme of their own, so that now there is a spate of x + y theories, "free" anti-Jew propaganda, and is whirled away into a seething phantasmagoria that incubates Ludendorf-disease, or mosaic-mania, in which anything and everything fits into a vast and vague conspiracy, and ends in a shriek of psychic hysteria.

It is essential to steer clear of this quagmire of frustration and defeat.

Students of social credit, able to hold their own in logical argument against orthodox economic doctrine, will find points 2 and 3 claiming their attention to a greater and greater degree as the present financial system develops its Gadarene acceleration.

## Secret Reserves.

[Extract from the Times of July 21, reporting the Attorney-General's opening speech in the case against Lord Kylsant before Mr. Justice Wright at the Central Criminal Court.]

"I have no doubt that it is by no means unknown for a company in a good year to set aside out of its profits sums to what is called a secret reserve, that is, without disclosing to the shareholders that it has done so," the

Attorney-General went on. "The business theory lying behind this is not far to seek. Shareholders, like other people, suffer from the defects of human nature. They may be unduly elated by what is a mere temporary success or unduly cast down by a mere temporary depression. It may be the best policy in their interests to smooth out the irregularities between one year and another, and to make the good years pay for the bad. Secret reserves are by no means infrequently brought into profit and loss accounts to diminish loss, to increase profit, or to turn loss into profit.

"Theorists may say that the whole thing is wrong, and that the manifest business advantages of securing the confidence of the shareholders and of avoiding giving too much away to your competitors bow to the consideration that it is wrong that the directors should be in possession of information which the shareholders are denied. Other people may say that the overriding consideration of the whole thing is that you must, by your accounts, present a picture of the company as it really is—a true and correct view of the company's affairs. If you do not have any secret reserves, it may be argued, may it not be that, by calling attention to a profit which is really wholly exceptional and in no way reflects the profit-earning capacity of the company, or by calling attention to an exceptional, non-recurring loss, you may create a false impression of the thing as a whole?"

"Whether that is right or wrong in theory this Court is not the arena in which to fight out the matter. I ask you to take the view of it which is the more favourable to the defendants. But there obviously comes a point when the deliberate maintenance and use of secret reserves give no true view of the position of a company. If, for example, as I submit is the position here, a shipping company during the War makes very large profits and accumulates very large secret reserves, and thereafter year after year makes enormous losses, and notwithstanding those losses, pays a dividend, a time comes when it is quite obvious that, unless something turns up, that company is doomed. To use sums from secret reserves to make it appear that business is going on quite smoothly and happily when the company is inevitably drifting on to the rocks presents, I submit, an absolutely untrue view of the company's prospects and business, and not a fair and accurate account as you have to present by law.

"If it is said that it is difficult to know where to draw the line—it is always difficult to know where to draw the line, but sometimes you can very easily tell when a case is on one side of the line or on the other. I do not doubt that secret reserves have been built up and used before, but each case must depend on its own circumstances. I do not think that much assistance can be got from the consideration of the circumstances of other cases.

"The cardinal point is that the accounts must reflect a fair picture of the enterprise as a living whole. Smooth out ups and downs, yes. Make temporary, unforeseen happenings disappear, yes. But you have no right to allow an enterprise to go down steadily and surely to disaster by letting it live for years on the profits which it made long, long ago without at least telling the shareholders what you are doing."

## LETTERS TO THE EDITOR.

### "THE NEW AGE" GUARANTEE FUND.

Sir,—With the generous help of a number of New AGE readers it has been possible for the deficit upon production of the paper to be met during the past twelve months, leaving a small balance in hand, but we need at least a further £450 to secure the continued appearance of THE NEW AGE for the next year.

I appeal to the growing number of those who find in THE NEW AGE the most vital criticism of the world situation, and the essential financial technique for enjoyment of the age of plenty with which the world is embarrassed, to join in the task of keeping the paper in existence.

No contribution is too small and none too large for our grateful acceptance. Cheques, etc., should be made payable to me and will be duly acknowledged.—Yours, etc.,

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