

THE NEW AGE

INCORPORATING "CREDIT POWER."

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NOTES OF THE WEEK.

The Government of Uruguay have decided to try out a proposal made by Dr. Brum, President of the National Council, which is that future contracts for public construction work should be given to those firms who will undertake to give the most preference to manual labour over machine labour, and, insofar as machines are used, a preference for those which require the services of the largest number of workers. Thus, in road-construction, machine-shovels and excavators would be replaced by hand labour; and for the transport of earth and stone, light railways would be superseded by light lorries, a large number of which, Dr. Brum states, are now idle. This principle is to be adopted "subject to due regard for cost and time of completion." (Report in *The Times* of July 27.) The immediate argument against this scheme is that while contractors may suspend the use of existing machinery they cannot suspend the payment of charges resting on it; so they must either defray those charges out of their own pockets (if they have the money in hand) or add them to wage-costs, in which case the job will cost more, and take longer, than if machines have been used. Dr. Brum, however, observes that the scheme, besides providing new employment and wages, will have the ultimate effect of curtailing the import of machinery and petrol from abroad, thus "helping the exchange to recover." Unfortunately, the recovery in the exchange will mean that foreign machinery and petrol becomes cheaper in terms of Uruguayan money, and will tend to enlarge the importation of foreign goods generally, which will in turn tend to weaken the extractions of the dilemma in which Governments and industrialists are invariably landed when they leave the banker out of account. Dr. Brum's instinct is quite sound. He is trying (unwittingly) to transfer the "wages of the machine" into the pockets of human beings. But he is trying to do this within a system where the bankers are constantly intercepting these wages and retiring them from circulation, and have the intention and the power to go

on doing so whether the machines are used or not. To give the present scheme a chance of success it would be necessary at least to grant the contractors a moratorium in respect of plant charges for so long as the experiment lasted. But the power to do this resides in the power to control credit-policy; and that power is at present monopolised by the banks instead of, as it should be, by the Government. A properly constituted Governmental credit-authority, even suppose it adhered to the principle of collecting such charges, could still reasonably abate their amount on the ground that when a machine is not in use its rate of depreciation is fractionised. So that in the case where machinery was now being depreciated at the rate of, say, £1,000 per month, the rate when its use was suspended might be lowered to, say, £100 a month, thus excusing the contractors from paying £900 a month in debt-redemption on the condition that the money was diverted to the wage-earners. Of course, this alone would not settle the problem, but at least it would give the scheme a practical start without penalising any of the active parties to the arrangement. It would add £900 to the existing amount of distributed wages, and, at least for a time, would increase the purchasing power of the community. (To effect a *permanent* increase would, of course, necessitate price-regulation on the Social-Credit principle—but that consideration is outside the scope of our present analysis.) But what a commentary on the existing financial methods of directing economic activities that a Government should find it necessary to adopt a scheme for slowing down the rate of production in order that more people may share in consuming the product!

Readers are recommended to consult *The Times* of July 29 and 30, in which articles appear on the subject of the course of training given at Sandhurst. The first article is highly entertaining. The writer is advising parents of boys on the comparative merits of Sandhurst on the one hand, and Oxford and Cambridge on the other. The overriding criterion of merit chosen by the author amounts, in a phrase, to

this: Which class of training affords the *surest route to a job*?! Now, you would think to yourself that the question could not arise in this form; for do not Sandhurst graduates intend to go in for a military job, while the others seek a civil job? The author quickly puts you right on this puzzle. He tells the parents that for most boys—and for a progressively increasing proportion of them—there is no room in the army. He then proceeds to inform them that the course of training at Sandhurst has been gradually modified with the design of turning youths out as good citizens first and only good soldiers afterwards. The usefulness of military training, he continues, lies not so much in its application to military operations as in its adaptation to industrial operations. In other words, military training is recommended as a preparation for special kinds of industrial administration. The boys learn to accept discipline, to command discipline, to acquire the power of quick decision, and so on; and having acquired these qualifications in addition to the initial all-round training in "good citizenship," they stand a better chance, so argues the author, of getting jobs as and when they leave the army. Sandhurst, in a word, manufactures Military Captains of Industry. It gives the boy his general education first—deferring his specifically military training until the concluding part of the course. This general training, he explains, gives the same wide outlook as do the civil Universities, but one of a more practical nature—one that is more of an earning asset than the traditional cultural standards at Oxford or Cambridge. For example, in the initial part of the course, the boy is given *instruction in accountancy*! He is also trained to think about the causes that lead to war. He is encouraged to "question why" before he learns how to "do and die." Militarists of the old school would have arraigned this policy as undermining the morale of the army; but we live in other times now when soldiers are trained to fight in "unthinkable wars." They are first taught to regard war as obsolete, and only then are they trusted to study the art of war. Readers of this journal will recognise whether this change is tending. The young officer of the future will be soaked with bankers' economics, will have been infected with the bankers' aversion from war (without being told their reasons) and will belong spiritually no longer to the King's Army but to the Bankers' Army. There will be no room in their heads for the idea that the bankers' policy is subversive of the Crown's rights; and they will become an unwitting tool in the bankers' hands for suppressing all attempts to resist financial domination.

"Britain's Credit"—"The nation's credit"—"Our credit." These and similar phrases are to be found scattered throughout the Press at the present time. Social-Credit speakers and writers should point out with emphasis that these phrases are used to cover up the fact that there are two kinds of credit—the credit of the banks and the credit of the country—and that under the present financial system the credit of the one can only thrive at the expense of the other. The word "credit" as used here is presumably *financial credit*; and this can be defined as the *ability to pay out money on demand*. If, as the bankers maintain, there must be a limit to the total money in existence, then the credit of the banks on the one hand and of the people on the other (for it is the people who constitute "Britain" or "the nation") will depend on the ability of each to get a share of this money: because without possession there is no ability to pay. Now, money cannot be in two possessions at once—it must belong to one party or the other at any given time, being shared between them in some proportions. Now, if you lump banks and peoples together under the designation

"Britain" or "the nation," such phrases as "improving" or "restoring Britain's credit" become meaningless unless the total money in existence is to be expanded. If the total money is fixed at, say, £100, the collective ability to pay money is limited to £100 and can be neither strengthened nor weakened.

This truth holds for a closed credit-area; and if anybody objects that Britain is not a closed area, let him apply the reasoning to the banks and peoples of the whole world. The "credit" of the world is the money in the world; and if the quantity of money is fixed, so is the "credit." Thus no improvement in the world's *financial credit*, as defined, is possible. You can redistribute money, but that does not increase its quantity. So unless you separate the banks from the peoples you are forced to abandon all attempts to see any sense in the phrase "improvement of credit." But separate them, and you can assign a meaning to it. To do so, of course, you will have to define "credit" in different senses according to the parties now separated. One way of arriving at the definition is to inquire what the "nation" is required to do to bring about a "restoration of credit." This is conveniently set forth in the Report of the Economy Committee, and in principle may be summarised as follows: that every citizen in the country shall pay extra money to the Government as revenue without receiving it back as Government expenditure on public services. The collection of this extra payment obviously decreases everybody's subsequent ability to pay money. It therefore reduces his financial credit—hence it reduces the "nation's financial credit." Even supposing for the sake of argument that the whole proceeds were paid out again as incomes to British bondholders, the people's collective financial credit would be no greater than before. But this is not contemplated. So we have a situation where *every individual in the country is to deliver up money*. To whom? Immediately, the Government. But the Government needs it because it has spent more money than it has collected. The source from which it got the balance was the banks. Hence the money is to be repaid to the banks. Repayments of bank loans destroy deposits. (*Vide* Rt. Hon. Reginald McKenna)—i.e., destroy money—reduce the community's ability to pay money and therefore the community's financial credit. On the other hand this transaction is for the purpose of improving the "nation's credit." If so the "credit" must be something other than the people; or the "credit" of the nation must be something other than the ability to pay money; in fact something opposite, namely, the ability to go short of money. That is to say, the credit is not *financial* at all: it is moral. The interest-index a people's "credit" amounts to the same thing as good-conduct marks awarded by the private monopoly who control financial credit.

Look at it another way. One orthodox banking index of the credit of a Government is the interest-rate on which it can borrow money. There used to be a story about Mr. Lloyd George (who has since denied its truth) that he once said that it was his intention as Chancellor of the Exchequer to *raise* the credit of Britain from, say, 2½ per cent. to, say, 5 per cent. whereas improved credit would be represented by a *fall* in the interest-rate. Seeing that the interest-rate is controlled by the banks, the terms on which a Government can borrow reflect the banks' approval or disapproval of the Government's policy. In cases of extreme disapproval the banks will not lend on any terms, as the *Financial Times* once warned Mr. Lloyd George—a warning which last week was proved in fact by the refusal of the New South Wales banks to lend Mr. Lang the money to pay Civil

Service salaries (amounting to £270,000). Again, internationally, the exchange-rate is an index of a nation's "credit." At present the rate is against Australia to such a degree that £100 of Australian money is worth only £70 in Britain. And the reason given is that she cannot be relied on to pay her external debts. This means that if she *did* pay them—if she made herself *financially poorer* internally—then her "credit" would *go up*! This can only be rationally explained on the assumption that the "credit" in question is moral, not financial. According to this reasoning the country whose "credit" would be awarded the highest marks attainable would be one whose inhabitants produced without consuming, and who did not receive any money at all. *Tight belts or tight money!* That is the bankers' ultimatum to all the peoples of the world.

In this country we are faced, as pointed out last week, with the prospect of a Coalition Government with a tight-belts-all-round policy. We suggest that our supporters begin in advance to repudiate its right to be called a Government. A true description of it would be *The Niemeyer Tightbelt Corporation*, because its policy will be that which is being imposed on Australia, its methods of confiscation will be the same in principle, and its constitution will be that of a Trust or other non-representative institution. None of the three Parties has received a mandate from the electors to enter into this arrangement, which though presented as a merging of three interests is really an abandonment of them in favour of a fourth—High Finance—which is directly inimical to all three. Nor, supposing such a mandate had been given—and intelligently given—is there any Minister or ex-Minister in any Party who is technically competent to frame an administrative scheme for carrying out the recommendations of the Economy Report, nor, even if there were, is there any who would or could press his scheme against the wishes of the financial interests who inspired the inquiry. The Big Five Statesmen who are to "consider" the Report might just as well be five little nigger boys. They are not going to consider it either: what they are going to consider (and they are all competent at that!) is how to make sure that if the scheme adopted starts up a rough house they won't get hurt—or at least that the Liberals and Conservatives will incur the same danger as they do. That condition assured, they won't trouble themselves what particular scheme the bankers will tell them to stand for when they return from their holiday. Parliament has risen—which means that the bankers have sat down to run the machine. The Recess is the time when the Real Government takes office.

Among the many letters which *The Times* says it has received from its readers on the Economy Report are saying one which immediately bears on what we are saying. In its issue of August 6 (p. 11, col. 5) a Mr. C. O. L. Gibbons, of Cliff House, Wordsley, Stourbridge, is accorded the privilege of expressing his views. He begins, apropos of a Coalition Government, with a sound piece of analysis:

"... such a Government, would be, in effect, a dictatorship because there should be no effective opposition to reap the benefit of the antipathy which it would arouse in the country. Furthermore, this dictatorship would not be based on the consent of the people, but directly opposed to it, for it would be formed to force on the country measures for which no party, on appealing to the country, could obtain the consent of a majority of the electorate. The National Government would therefore be of an entirely different character from the War-time Coalitions, which were formed merely to carry out more efficiently the determination of the country to prosecute the War with the utmost vigour." (Our italics.)

Now, you would expect from this to hear the gentle-

man condemn the idea of a Coalition. Not a bit of it. He is all for it. But on one condition; namely that "*the National Government, if formed, should have an absolutely limited duration, merely long enough to carry out the necessary reforms.*" This is how he works it out:

"If its life were prolonged further, the scattered cells of opposition throughout the country would join together into a mighty force, which either would sweep away the existing parties or could only be kept down by a strenuous display of arms, and the gagging of public opinion by an effective censorship. It is inconceivable that any of the three major parties of the State should contemplate such action, and therefore the life of such a Coalition must be short." (Our italics.)

It should be explained that this gentleman writes for the guidance of the Conservative Party in considering whether to join in a Coalition. He assures them that they can safely do so under the above time-limit condition. For he says, apropos of the general policy of the Coalition, and with reference to the Protection controversy between the Parties: "*the economy campaign would be carried out before any other sections of Coalition policy were introduced.*"

"Hence the entry of the Conservative Party into a National Government, from which it would automatically withdraw on completion of the financial reforms, would leave it in exactly its present position, with the same freedom of action in the future."

We must thank this gentleman for his frankness, and we hope that he will be allowed to develop his views along these lines as often as he feels inclined to. His analysis and recommendations remind us strongly of the guerilla tactics whereby three hundred odd Sinn Feiners managed to keep the whole army of "law and order" on tenterhooks. But it is a new and exciting idea to conceive of a Guerilla Government engaging in a national hold-up at midnight and separating into constitutional Party-units before sunrise. We must think it over.

In *The Times* correspondence during last week the largest proportion of space was given to correspondents who advocated a policy of "Income Tax For All." It is curious that this theme should crop up within a few days of our having written on the subject of the taxation of all incomes at the source. On the day when *THE NEW AGE* containing our speculations along this line was officially published, namely, last Thursday, there were three letters in *The Times* occupying together nearly a column on the leader-page, all published under the above heading. Others have appeared since. These letters generally (a) suggest that wage-earners at present escape their fair share of taxation and (b) express the view that in any case everybody without exception should pay income-tax in order that he should feel his personal responsibility for Government expenditure. One correspondent would even have doles directly taxed. Under the first head, no writer makes a serious attempt to measure the comparative incidences of direct and indirect taxes on wages, salaries and profits. That they neglect this necessary obligation if they are to sustain their first point suggests that their emphasis is on the second. And in fact, the practical question of fairness or unfairness in the levying of taxes is irrelevant to the moral question of whether the taxes should be indirect or direct. We cannot usefully say more on the subject except to advise readers to watch for developments.

At the heels of this set of correspondents is another who wants to see savings made on the Road Fund. They say that local authorities, tempted by Government grants-in-aid, have been constructing "redundant" roads in order to attract traffic and trade into their localities. Here again they do not attempt to show whether the roads are redundant in the sense that the construction has failed to bring

about the expected benefits to the municipalities. Some correspondents emphasise the spoiling of scenery, and others the added risks to pedestrian life and limb occasioned by making subsidiary roads safe for motoring. Well; aestheticism and humanitarianism are good things, and the more we have of them the better—but this narrowly specific application of them does not ring true although the writers may feel them. Last week a girl got the sack from her job, went straight home, and promptly killed herself. Every week *The Times* contains some advertisement asking for money to take slum-children for their first peep at the countryside or sea. Don't let us forget that whereas ugliness and pain may appear occasionally as accidental by-products of spending, they are continuous and inevitable main-products of saving.

Now to revert to our central theme, the Economy campaign, what can be best done in the popular polemical field to sustain a counter-campaign? (What can be done in the way of positive action will be discussed later on in connection with some further remarks on the Co-operative Society.) It depends on the temperaments and abilities of our various supporters. Some will prefer to attack the principle underlying the campaign; and if they have the ability to sow doubts in the public mind on the economy-principle well and good. But these must be prepared for a boycott by newspapers high and low; and even for the Niemeyer Dictators to proclaim such teaching subversive, as they would do if it proved to be effective. The alternative for them, as for all our supporters, would then be to turn round and become more thorough economisers than the Coalition Tightbelts. In public the Social-Credit supporter would drop all reference to his own theories, adopt (by implicit assumption) the doctrine of the other side, and press it to its logical application in every new direction that his ingenuity can discover. Remember that the official economising-scheme, when in action, is bound to be a ramshackle contraption, and that if you cannot stop its progress by getting in front of it, you can go round and push behind it with an equal prospect of success. None of its designers knows what is its safe limit of speed—all they know is that if it goes too fast it will smash up. They dare not say so in public—they cannot say, in the teeth of their own Report, and of their panic-talk about catastrophe, that there can be such a thing as *too much economising*. Right. Then, like the three Parties who have dropped their names and doctrines for the period of the Coalition régime, we too (as individuals) can drop ours for publicity purposes and join in to force the pace of the campaign. We are speaking all this time with reference to *mass publicity*: the Social-Credit doctrine should be preached just as vehemently as before where it is likely to be listened to; and nobody should neglect opportunities of this sort for the sake of the man-in-the-street. The injunction: "Answer a fool according to his folly" conveys the sense of what we mean. Now for the application.

Take a hypothetical Social-Credit publicist—or a group of such. He—or we'll say they—through the local newspaper might call for a "Vigilance Committee" to help the Government to discover new opportunities for economy. Private extravagance and public extravagance would have been provided for in the scheme. But what about business extravagance? There are two outstanding examples of this—the Press and the banks. Here then is a rough layout of a letter which the leader of a group could send to the newspapers in his district.

"Sir,—In these times of unprecedented gravity, etc., etc.—(a good dose of this: it can be lifted out of any newspaper at the present time)—it behoves every patriotic citizen to help the Government to detect and stop

extravagance all round." (Then suggest a Vigilance Committee.)

"Sir, here is an example of what could be considered by such a Committee. On my way to the station this morning I passed five branch-banks, all within a stone's-throw of each other, each of which I suppose had a staff of from four to ten officials, and in only one of which did I see any customers, and these numbered two! Now, I am an ordinary man, but I venture to submit, Sir, that the temporary closing of four of these banks would show a large saving without impairing our wonderful banking-service. It would inconvenience the public to some extent to have their accounts transferred to one bank, but, Sir, what patriotic citizen would regard his convenience at such a time as this? I, for one, am prepared instantly to do my business with any bank that might be selected as the one to remain in action.

"But, Sir, this is not all. On my arrival at the station I noticed the placards of no fewer than six Party newspapers. The thought suddenly struck me: why should there be several Party newspapers when all Parties are united in a Coalition to save our people? Why not a single Coalition newspaper? I am told by a journalist that one printing press could supply enough copies of a newspaper for everybody, and could save an enormous amount of money by doing so. I, for one, am ready to buy that newspaper, holding that as we all have one newspaper, and one object we do not want more than one newspaper.

"May I suggest, Sir, that you open your valuable columns for the expression of your readers' views on this urgent matter."

What form the letter took would be a matter to be decided locally, but the principle would generally be that of arousing a public demand for "Coalition All Round" as a complementary policy to "Economy All Round."

Our recent Notes on the position and possibilities of the Co-operative Society have brought us more correspondence from readers than we can remember having received on any previous occasion. A fair proportion of them had already been members of the Society, but had not realised, so they say, what a powerful instrument it could become for redirecting the credit policy of the country conformably with Social-Credit principles. They, and others, have taken steps between them which ensure that our arguments will at least be brought to the notice of prominent directors of the C.W.S. in England and in Scotland. So correspondents who have urged us to make sure that what we have said is sent to the "right quarters" may rest assured that this is being done, and that already in certain directions there is evidence of active interest having been aroused.

Several readers have expressed the intention of joining the C.W.S. This is a right move whether one makes it on account of what the Society can become in the future or what it is at the present time. Even if the Society were not to change its policy the facilities it already affords would justify one's joining it purely as a business proposition, especially in view of the critical developments in industrial affairs at the present moment. One reader sends us some particulars from the general rules of the Army and Navy Co-operative Society in Victoria St., Westminster. Rule 12 provides that a "Deposit Order Account" may be opened with a nominal amount. The member is allotted a Ticket Number which he quotes on every order sent to the Society—this number, and the member's signature, authenticating the order. If he desires, his dividends can be credited to this account as they fall due. The account does not pay interest, for it can be closed at any time at the option of the member, who receives the full balance. If he should wish to pay from his Deposit Order Account for purchases made elsewhere, or to make withdrawals for personal use, he can, "at the discretion of the Management," obtain a cheque-book—the cheques of which may be cleared through any banker. There is another account called the "Deposit Interest Account."

Into this a member can pay any amount of not less than £25 and receive one per cent. above Bankers' Deposit Rate subject to 7 days' notice; or at a fixed rate of 4½ per cent. "subject to 1 or 6 months' notice on either side for withdrawal." Special terms will be quoted for large amounts subject to a longer period of notice for withdrawal. If the depositor has a Deposit Order Account he can have his interest credited to that account as it becomes due. The Army and Navy Co-operative Society accepts "Honorary Members" upon the nomination of a subscribing member, and these are then entitled to deal with the Society without payment of any subscription. Our correspondent, who lives in Lancashire, says that he has a "number" with this Society, and sends a postcard bearing the number and signature when he wants anything, receiving it normally by return. He comments:

"Let a man have a number at the Co-operative Wholesale Society, and therefore credit at a local branch for goods, and the distribution will follow."

It is of course true that much the same facilities are afforded by the large "Capitalist" stores—for any trading concern is glad to get prepayments for its goods—but the point we are making is that anybody who thinks of joining the Co-operative Wholesale Society is, at the worst, not incurring any new risk or obligation by doing so as things are at the moment, while on the other hand, if things get worse, his act in joining may easily turn out to be a wise policy of insurance against unforeseen and incalculable risks. On general grounds it appears a sound proposition that in a period of industrial chaos a trading concern whose membership is 6,250,000 people who are at one and the same time shoppers, shareholders and depositors will survive longer than other trading concerns. This of course is on the assumption that the banks do not use their power to handicap the co-operators—but even so it is possible to conceive of a crisis of such a character as would transfer effective initiative from interests dealing with money to interests dealing with things. The things would have become the money. In that event the banks would be out of the game; and not only would the Co-operators be free to fight off "Capitalist" interference, but something of a higher import than that would happen, namely that both parties would automatically become merged into an Industrial Coalition on a co-operative basis. We have previously remarked that "Capitalism," in its derogatory connotation, is simply misdirected Co-operation. Remove the misdirection, and Capitalism will join with Co-operation in the service of their common and natural master, the Consumer.

The question of joining the Co-operative Society recalls a suggestion made by Major Douglas ten years ago to members of the Social Credit Movement when they pressed him to tell them what they "could do." His reply amounted to this: If it is *action* you want, as distinct from educational propaganda, the only thing you can reasonably attempt to do is to persuade groups of consumers to concentrate their custom on certain selected shops in return for special discounts. The principle underlying this advice was that by gathering up a diffused consumer demand and directing it to a limited number of shops you put those shops in a position to cut prices to an extent measured by the ratio of the extra revenue they received to the fixed charges they were paying. In some cases the custom of only 200 new customers would enable a shopkeeper to knock between 15 and 25 per cent. off prices with an increase of profit to himself. Major Douglas fully appreciated the practical difficulties—the inertia of consumers; the lack of numbers, resources and time in the Movement itself; the dependent position of local shopkeepers; the prevalence of protected prices, and so on. But, as he said to people who raised these

objections: Any action that is to produce a useful result is bound to be difficult: you must make up your minds whether you want to engage in *easy* action or *efficient* action; for you cannot have both.

Now a lot has happened during the last ten years to modify the situation, and the threatened Niemeyer raid on incomes is going to transform it. Assume the raid to take place. Consumers will be driven to seek some way of stretching their reduced incomes; and local shopkeepers will be tempted to break official price agreements with manufacturers and unwritten selling-arrangements among themselves. Generally, the rule: "Each for himself and the Dictators take the hindmost" will govern the action of both parties. Consumers will have to take positive steps to get more for their money, and individual traders will be driven to all sorts of devices to attract more money to their respective shops. In a word, the stage will be set for the entry of the "Social Credit Advisor" with his scheme for a *Coalition of Consumers* and a *Concerted Price-Compact*.

His reasoning would be easily followed. Take any town, and make a rough calculation of the collective fixed charges resting on the shops—suppose 1,000 shops with aggregate annual charges of, say, £200,000; and a population of 10,000 families. In that case every family is paying an average of £20 per annum for the service of the shops alone. Suppose next that the local trade is "rationalised," and that half the shops are closed down. Then the fixed charges on the surviving shops are, say, £100,000, and the charge on each family reduced to £10. This is probably a very low estimate of what the saving could be, but even so, £10 a year to a large number of families is likely to be a matter of life or death, and we suggest that such a saving would be a sufficient inducement for consumers to take action. We must leave readers to fill in this rough outline, or modify it in whatever way they see fit; and we must defer any discussion of secondary consequences, except to say that in a crisis such as is here hypothesized the dominant consideration in people's minds will be "immediate relief," whatever may be the ultimate results. The whole point is that the consumers take a hand in the game and start something moving which yields them a quick financial advantage.

Here is where the Co-operative Wholesale Society comes in. By means of its size it is able to serve a substantially increased number of new buyers; and by reason of its structure it is able to strike a bargain on the terms for supplying them. In an emergency its general directorate could delegate discretionary powers to its local managements so that price-compacts could be settled town by town according to varying circumstances. In localities where the Co-operative stores were unable to do the whole retail trade, the shops selected to do the rest could be supplied with Co-operative products in the event of difficulties with their present suppliers. We must finish our exploration at this point. Our readers can go on with it. In the meantime it would be of great importance if the Co-operative Wholesale Society would give an estimate showing how many customers, in addition to the present 6,000,000, its existing machinery of production and distribution is capable of serving.

We see in vision a great *Flight From Overheads* through the seas of the Co-operative Movement, which shall divide and open a passage for the fleeing population, and shall then close in upon the pursuing armies of the Financial Pharaohs. The Passover is at hand, and the Exodus is preparing.

Financiers' Fiddlers.

Last week, when the Bank of England borrowed £25 millions in Paris and New York, and, to quote constitutionally, obtained the consent of the Treasury to increase the fiduciary issue of currency notes by £15 millions, the British Press inferred from this the strength of British credit. The need for credit did not prove weakness. The ability to obtain it demonstrated strength. While the negotiations were going on, however, the *Berliner Tageblatt* published a realistic statement of England's position under the headline, "England's Crisis." After it was perceived that the extreme measures taken were not having the effect anticipated, it was no longer possible to hide the fact that England was truly in the throes of financial crisis; that the so-called gold standard was in jeopardy; and that the whole banking system was threatened with ruin. It became immediately necessary to find a scapegoat. Acknowledging that the English financiers had been lending abroad in excess of the country's "exports over imports balance," the Press did not observe that scapegoats, even villains, thus discovered themselves. The scapegoats on which the Press pounced were those they had been instructed to seize, namely, the unemployed, who are guilty of taking an excessive share of the surplus commodities of an impoverished world.

The report of the May Committee on Economy—the associations of the name, May, with the awakening of Spring and with Nature's plenty, make it an excellent title for an economy committee—contradicts the report of the Macmillan Committee on Finance and Industry. The Macmillan Committee, in a dunderheaded way, at least wanted to bring an end to the contraction of the country's economy. It wanted to expand currency, and to raise price values, certainly the only way to save "Capitalism as Mr. Montagu Norman knows it," since it was the only way to extend for a year or two more the taxpayers' nominal capacity to meet the Budget expenditure, including the sacrosanct National Debt charges. The May Committee, consisting of business men lacking both foresight and imagination, believes that the expected deficit of £120 millions in next year's Budget can be met by cutting down unemployment benefit, and, in addition, salaries and wages. The consequent reduction of demand at the shops would, of course, cause a further fall of prices, a further increase in unemployment, and a lowering of taxable income for the following Budget. It would be possible to contract incomes until beer was a farthing a gallon (excluding excise) and Rolls Royces ten shillings apiece; and until every cost that would not fit into those prices had been rationalised and reorganised out of existence. How the Budget would be balanced then, however, though nothing but the debt-charges remained, is not shown by the May Committee, nor by the Press chorus of demand for the rigorous application of its report.

It is clear that the bankers, regarding themselves as the priesthood of a caste community, have decided that all the recent Parliamentary reports shall be applied at least to the extent of taking away from the unemployed the little purchasing-power which they have. A National Government is to make it impossible for the people to fix responsibility on individual persons for the maddest and worst policy any country has undertaken. The lag between the enormous power of industry to deliver good, and the miserable incapacity of demand-purchasing-power to buy them, is to be increased. The alleged necessity for this violation of common-sense and humanity is the preservation of the financial system: a system which was

thrown together by ignorant monopolists to meet an industrial position which ceased to exist in 1914.

What a week-end for Mr. Garvin to be absent from *The Observer*, presumably as much on holiday as the Members of Parliament. But the Financial Editor of *The Observer* gallantly adopted the ranting style of Mr. Garvin. He went even farther, and in the middle of a prosy rant about politicians, rose unconsciously to verse.

"The writing on the wall has been evident to all." The writing on the wall was the conduct of politicians during the spendthrift years. "The root cause of our economic decline," according to the Financial Editor of *The Observer*, "was the thriftless expenditure of public money on endeavours to alleviate hardships and gloss over difficulties which needed drastic treatment." The Financial Editor of *The Observer*, and all who hold his views, refuse to see that nothing in the world has failed except demand. The power of production and of distribution has increased as never before. Need is evident, not only among the unemployed, but among the whole of the middle-classes, who are worried nigh on to suicide by debts, incurred at a time when purchasing power was easier to obtain. In addition, almost the whole of productive industry is threatened by bankruptcy because it cannot, at the price-level prevailing, recover the costs which were incurred at a higher level in the past. Only the stimulation of demand, by the introduction of the National Credit Account method, could any longer save England or Europe. The acknowledged expert advisers of England are wrecking their country and their fellow countrymen at top speed.

The English Press might, given a little courage and disinterestedness, have gained honour by hastening a true credit reorganisation. From day to day it grows worse. The first leading article of *The Times* on Saturday was as woolly and senseless a piece of writing as ever disfigured a newspaper of reputation. A whole column except an inch was used to say that we are all internationalists now but . . . The leader writer glowed visibly between the lines at an incident which happened when Mr. MacDonald addressed representatives of the German and foreign Press. When Mr. MacDonald added that

"its (youth's) latent idealism should be turned from thoughts of fear and enmity and directed to mutual understanding and mutual assistance," there was a burst of applause, as spontaneous as it was unusual, from the heterogeneous members of the world's Press gathered round him."

If it be not too late, God save the world from the Press and MacDonald. Then the world might save itself from Professor Sprague and Montagu Norman. What is wrong with youth's latent idealism is that it is latent: and it is latent because the bankers, and the politicians and Press which have helped them, have tried to put the clock back to August, 1914. Youth joined Mr. MacDonald because it thought he meant something different. It was misled by his uplift into the notion that he was prepared to live by it, that it had a significance beyond that of a gas to raise the MacDonald balloon to the highest nominal political office. In actual fact youth is trying to contract economy when it was promised something different. There are no careers for it, no jobs for it, and youth is "hiking" to try to prevent the flow of tears provoked by frustration. The way to turn youth's latent idealism into kinetic idealism is to give it purchasing power whether there is a job or not, and to suggest a new goal of life other than a successful career, a goal, that is, of culture and character in a leisure state. Since the real credit of the world provides for that, it is the duty of any

person, banker, politician or press-man, who does not stand for that, to acknowledge himself the oppressor of youth and of all mankind.

On Saturday, August 8, the London newspapers devoted up to two columns to the plebiscite to be taken in Prussia on the following day. A vote withheld, it was emphasised, was stronger than a negative vote, because the plebiscite failed if less than half the electorate voted. The Government prayed for a fine day, inasmuch as sunshine would tempt the people away from the ballot boxes into the country. So much for democracy, whose passivity and activity is the difference between a fine and a wet Sunday. In spite of this very sensible comment on democracy in the news, the leading articles on Sunday ranted about what the result of the plebiscite would mean. Needless to say, the leaders did not realise that the plebiscite means the same thing whether it fails or succeeds. The people who would go into the country are those who would vote for the continuance of the present Government. The people who have to stay at home include those whose patience with existing institutions is nearest the end. A State may be in danger when nearly everybody votes; it may be in greater danger when hardly anybody votes. In a sense it is a condemnation of a state if the people take an interest in it as compared with the countryside. That so many people in Germany are positive enough to demand a referendum is a danger signal. It looks daily more likely that Germany is to be a battleground between what Hitler may stand for and a Soviet system united with that of Russia. Without a vision beyond both, however, the war will take place inside the financiers' ring, with finance distributing the prize-money, but continuing to retain the gate-money; unless the crisis becomes so widespread that it is simply impossible to contain the world in the financial ring any longer.

Bernard Shaw came home from Russia bubbling over with enthusiasm. He would probably have come home from Italy equally so. For Shaw has fundamentally no test of anything except its efficiency within its own frame of reference. If a dictatorship maintains itself in power it is for Shaw an efficient dictatorship, and what happens to the people under the dictatorship is of no importance to him. A dictatorship is a logical thing which can be defended in accordance with a rationalist-feminist philosophy. No other system can be supported logically. It would be foolish to deny that Soviet Russia is an immense force, domestic and imperial. Out of the mixture of news, views, and propaganda about Russia, however, it is possible to conclude definitely that as yet it is a place of contentment for neither dictators nor subjects. The religion of the Soviet is the conquest of the world to make it safe for dictated Communism. This is fundamentally opposed to the leisure state of individual freedom for which the European, by temperament and trading power in an economy where everything is exchanged by money or ticket is no more satisfactory in one State than another—call it Communist or Capitalist.

That we know when the sun will rise and set, when the moon will be at the full, when seed should be planted, and when crops will ripen does not make us subject to the solar system and the calendar. It makes us free of them, as the ability to swim makes us free of the water. That is, not democracy, but a kind of anarchy within the frame of the universe. The object of Western European economics should certainly be to extend that anarchy, to make us as free of the financial system as of the solar system,

by working it according to a technique accommodated to its purpose. Neither Russia nor Shaw appears to have solved the problem. Russia has apparently not yet reached it, since her production is as yet below her urgent requirements. But Shaw has refused to see it. He belongs to the oppressive and drug administering forces of the banks, the politicians, and the Press.

Shaw is to be pitied somewhat because the inferiority of those around him excuse his perpetuating his own egotism. In reply to him the *Daily Herald* still believed in democracy; in the system in which the humble are as significant as the great. It says something for the fluidity of a society that a miner or an engine-stoker may become a knight or the consort of princes. It proves that the humble, by sacrificing their virtues and joining in the scramble, may acquire as much significance as the great whose freemasonry they then adopt. The newspaper, however, which features its faith in democracy, features also the fact that the poor are denied justice because, although equal before the law with the rich, they cannot afford to have it applied. Mr. Galsworthy, of course, featured this long ago, without much effect. The fact about the Government organ, of course, is that nowhere has the nascent intelligence of the people, including youth, been treated with greater contempt. The *Daily Herald* asserts belief in democracy and practises belief in Mr. Hannen Swaffer, the latest adherent to Mr. MacDonald's faith in youth. The *Daily Herald* lives by a series of competitions so closely resembling lotteries that if lotteries were forbidden by the State, it would have to be suppressed. It joins with the rest of the Press in patching up the cracks of the world with MacDonald uplift and stampeding. A. N.

TWO POINTS OF VIEW.

LIFE'S.—A letter published in the *Daily Sketch* of July 29. "Do not grumble about the price of bread, you people in the Old Country. I am a wheat-grower's wife in the Australian Bush, and last year, working from sunrise until sunset, my husband planted and reaped 500 acres of wheat. Every bushel cost him 4s. to produce, and we were paid 1s. 8d. per bushel. For our work we received nothing and still have to find the money to carry on with this year's planting.—F. Gould, Bending, West Australia." . . . "Are you content to receive bread at to-day's price while we of your own flesh and blood labour as no galley-slave ever laboured, from before sunrise until after sunset, and very often seven days a week, and in return receive insufficient to obtain the ordinary necessities of life?—Arthur E. Gould, Bending."

AND THE LEDGER'S.—Comments in the National Bank of Australasia's Monthly Summary for April:—"The first winter rains fell during the month and proved of benefit to the pastoral districts." . . . "In the agricultural areas seasonal operations have commenced, following the softening of the soil by the recent good rains."

FINANCIAL DIRECTORY.

Niemeyer, Sir Otto E., K.C.B., 8, Addison Crescent, W.14. Telephone: Western 5369.
Norman, Rt. Hon. Montagu Collet, P.C., D.S.O., Thorpe Lodge, Campden Hill, W.8. Telephone: Park 3751. Club: Athenæum.
Strakosch, Sir Henry, 45, Chester Square, S.W.1. Telephone: Sloane 7394. Also: Heatherside, Walton-on-the-Hill. Telephone: Burgh Heath 350.
[The following two Peers are advisory members to the National Bank of Australasia in London, and may therefore be regarded as responsible for financial policy in Australia.]
Inverforth, Lord, P.C., The Hill, Hampstead Heath, London, N.W.3. Telephone: Hampstead 1324. Was Mr. Andrew Weir. Ennobled in 1919.
Stanley of Alderley, Lord, K.C.M.G., 1, Gloucester Square, London, W.C.2. Telephone: Paddington 4088. Also Alderley Park, Chelford, Cheshire. Peerage dates from 1839.

Money Troubles.

By A. W. Coleman.

[Extract from a longer thesis written by the author.]

II.

So far, the industrial system has been considered only in the light of its functions as a producer and distributor of goods and services. But, at present, it has another function—the provision of employment. The New Economists assert that the sole objective of modern co-operative industry should be the provision of the goods and services which individual consumers desire. Its objective should not be employment; that is an incidental factor. Under a rational system, industrial unemployment should be a measure of economic efficiency.

Production, to-day, is being carried out more and more by lifting the work of the world off the backs of human beings on to the backs of machines, so displacing human labour and creating unemployment, yet purchasing-power is still being distributed only in respect of this human labour.

There is a general assumption, scarcely questioned outside the ranks of the New Economists, that only this labour of human beings entitles them to purchasing-power. It is, in the words of Major Douglas, "the root assumption of a world philosophy which may yet bring civilisation to its death-grapple," and which "denies all recognition to the social nature of the heritage of civilisation."

If, then, we insist upon work, as conceived by the modern Labour-leader and Capitalist alike, as the only title to purchasing-power, we get a state of affairs in which the making of work is a desirable end in itself, so long as purchasing-power can be distributed thereby. We get a state of affairs in which such economic sabotage as the production of all sorts of tawdry and rubbishy articles, and their sale by the agency of highly imaginative and hypnotic advertisement, is regarded as quite normal. We get a state of affairs in which one section of the community profits by the losses of another section. For instance, when anyone accidentally breaks some article—say, a glass—it is not uncommon, after the first momentary annoyance, for such a person to observe, by way of consolation, "Ah, well, the folk who make glasses have got to live; it's an ill wind—etc." Now the replacement of that broken glass by a new one necessitates the expenditure of energy-units on the part of a number of persons, and unless those persons enjoy making and transporting glasses, and prefer this method of occupying their time to any other, this expenditure of energy is a misfortune, and a rational economic system should account it a loss to all concerned and a gain to none.

Further, this insistence on human labour renders scientific discovery, as applied to industry, the deadly enemy of the worker, since it aims at displacing his efforts by those of machines, and using other and mightier sources of energy than are available in human muscles.

It is, however, often contended that though the introduction of labour-saving machinery may have the immediate effect of throwing certain persons out of work, yet—ultimately—the demand for this machinery will have the effect of re-absorbing these persons, and more also, into the industrial system.

It should almost suffice here to point out that machinery to-day is only made by human labour to a small extent. New machines are largely—and increasingly—made by already existing machines. But the contention merits further notice.

Let us suppose that a particular manufacturing firm purchases certain labour-saving machines, whereby it

is enabled to maintain its original output after discharging half its workmen, thus saving half its wages costs. But though the labour costs are now halved, the price of the product cannot be halved, even if raw material costs were negligible, because the "plant-charge" in connection with the new machines has to be accounted into prices. The result is that, although the issue of purchasing-power by this firm is approximately halved, the price of the product is not reduced in proportion, and not only is effective demand reduced but the ratio of incomes to prices is worsened. If now the firm purchases another similar batch of machines and re-engages its original labourers, it doubles its original output; but, though it re-establishes the original total issue of purchasing-power, the ratio of incomes to prices remains permanently worsened. But suppose, as more likely, that this firm did not adopt such a procedure, then the workmen which it has dismissed have now to find employment at the same rate of wages with the machine makers. As between the two firms, they can only do this if the machines already sold to the original firm require renewal and repairs at a rate represented in cost by the labour charges which this firm has just saved, in which case, of course, it cannot pay the firm to buy these labour-saving machines.

The displaced workers can only be absorbed by the machine-makers on condition that these machine-makers obtain sufficient additional orders from new buyers. But these new buyers will be ordering the new machines with the express object of displacing a portion of their own workers, and of displacing a portion of the problem of finding employment for these latter—again with the machine-makers. And so on, indefinitely. Failing planetary export it cannot be done. Nor, from the point of view of physical realities, ought it to be done. Labour-saving machinery should save labour, not merely provide the occasion for transferring it to other grooves of industry.

But if we consider this aspect of the problem solely from the point of view of one particular nation, it is, of course, quite possible to absorb all labour displaced owing to improvements in tools and processes, and a good deal more besides, if this nation can obtain sufficient orders for either ultimate commodities or Capital goods, or both, from foreign and relatively unindustrialised nations; such goods being paid for largely by imports of raw materials, etc., which will provide the occasion for a further export of finished manufactured products.

Where a particular nation is thus "favourably" situated, as was the case with this country during a large part of the nineteenth century, it is quite possible to provide employment for a rapidly increasing population in spite of a rapid increase in labour-saving contrivances. In fact, the existing system, which, as we have seen, fails to provide sufficient purchasing-power in the hands of nationals to buy its total ultimate products when marketed, can be made to operate with a certain measure of success if considerable quantities of that nation's products can be exported.

But what the system demands is the clear export of a nation's surplus goods and services, not simply the exchange of this surplus for a corresponding surplus of other kinds of goods, etc. If a community has not sufficient purchasing-power to buy its own surplus stock, then equally it cannot buy any foreign goods for which this surplus stock may be exchanged, however much it may desire them.

Hence the necessity for an excess of exports over imports—for the "favourable balance of trade," for which every industrialised nation is striving. But as all nations are either already industrialised, or are rapidly becoming so, the impossibility of this is

A Plea for Politics.

Major Douglas has recently, both in speech and print, emphasised the importance of two things, namely, the political machine and the governing aspect of the financial system.

Such emphasis is new in the Social Credit movement. The tendency to ignore politics, traceable, one suggests, to Major Douglas himself, has now been challenged—and by Major Douglas.

This tendency was very marked. We found implied in the phrase "economic power precedes political power" the essential futility of politics and politicians, and this attitude was certainly not weakened by Mr. Orage when he asserted that a change over to Social Credit was as feasible as a change in the drainage system.

For myself, having little interest in politics, these views were acceptable. A growing doubt, however, has at last been quickened into a growing conviction that the battle for Social Credit will be fought on the issue of Government and on the field of politics. It was impossible to ignore the sustained indifference of intelligent people to any economic discussion not clothed in political dress. The book, "Politics," published last year, was to me an impressive vindication of the subject, and now Major Douglas underlines it in his own way to a growing chorus on the other side of the world.

I suppose a new idea can only take root and grow in an individual or a nation in so far as there are feelings in that individual or nation sympathetic to the idea. Social Credit on its purely economic side makes little appeal, apart from the æsthetic pleasure of contemplating harmony. Social Credit is perfectly reasonable, but one does not fight for reason, one affirms it. I rather think that Englishmen do not even affirm reason. If they do not find it dull, they find it suspicious. It is curious, by the way, that the personal consideration of material advantage offered by Social Credit carries so little weight amongst its adherents.

Social Credit, however, has an immense potential appeal to this country. When Major Douglas described the political system as the only system at all comparable in size, complexity and ramification with the financial system, he was drawing attention to a national quality, a genius for politics—politics organic, opportunist, and flexible. The English love of liberty and order has evolved a loosely knit and adaptable constitution unrivalled in the world to-day and in history.

In this evolution we have discarded for ever the despotism of divine right and military dictatorship, and yet we submit to despotism, the despotism of a private finance company, the Bank of England.

We must suppose that however glibly men may talk of the power of the Rothschilds and such like, the truth is not at all realised. It is taken for granted that finance, based on immutable laws, serves the economic ends of production, distribution, and consumption to the best of its ability. As we know, it would be more true to say that finance, behind the triple veil of orthodox economy, the British Constitution and the Law of the Realm, governs absolutely by its absolute power over money.

The Englishman, lover of liberty as he is, venerates and obeys the law. I suggest that this extreme law abiding attitude is largely responsible for the Englishman's blindness to his real government.

Not long ago at a show given by the Film Society, I enjoyed a brilliant sound film, an extravaganza distantly related to our Beggar's Opera. In this version Polly Peachum buys and runs a bank, acting on the dictum of her rascally father that "crime is

obvious, and the fact that it should be a necessity—which is not questioned—indicates an alarming and radical defect in our present system.

We are now in a position to summarise the defects of the existing financial and economic system, and of all the counts against it perhaps this last one of the necessity for unbalanced export is the most damning.

Our ability to export goods and services to a greater extent than we imported them in years gone by has proved to be the means of veiling from our eyes the essentially defective nature of the system under which we live. We viewed Industry from what we saw of its operations in this country; we did not view World Industry as a whole, and it is not until we do so that we can see through the tangle of cross-branchings and counter-branchings which render it almost impossible to see the wood for the trees.

When we view World Industry and Finance as a whole, we see that, apart from trifling and negligible hoardings of currency by individuals, the world-pool of money—currency, bank-credits, bills, etc.—is in constant circulation through industrial channels, being continually distributed as purchasing-power and recovered again in prices.

Some industries, in some countries, may control increasing portions of this pool at certain times; other industries, in other countries, at other times; but world industry in the aggregate cannot increase this pool. It is not possible to obtain from industry as a whole more money than is put into it; the only institutions which can make money, in the sense of issuing new money, are Banks, and with these institutions every new money issue commences life as a debt.

Practically all business to-day is carried on with borrowed money, principally obtained from Banks in the form of overdrafts and loans. These have to be repaid with interest, and banks demand the payment of this interest in money. But industry does not make money—it makes goods and renders services. So that Finance, as a whole, calls upon Industry, as a whole, to accomplish the impossible, unless Finance itself comes to the rescue and issues an amount of new money at least equivalent to the interest charges. And this issue, as just stated, will be a debt.

So we are faced with the astounding situation that if, at the end of any accounting period, the world of industry as a whole, on balancing profits against bankruptcies, realises a surplus of money, that surplus becomes a new debt. It may be a profit viewed in retrospect; it is a debt in prospect, and industry cannot proceed and develop without a constant and spontaneous increase of such debt!

This is the crux of the matter. The constant increase of financial indebtedness means a constantly increasing draft upon the future. It is no manner of use to imagine that we shall muddle through somehow; this mortgage on the future is cumulative, and collapse of the system is inevitable. Every nation is striving to obtain profits that are not mortgaged to Finance. They can only accomplish this by selling their surplus goods abroad, since the necessary purchasing-power is not available at home.

But the less industrialised nations, aided largely by the export of capital goods from the more industrialised nations, are rapidly entering the manufacturing arena themselves, and we are faced with the pathetically absurd spectacle of all the nations competing with each other for a rapidly diminishing export market. At this pitiful competition only some can win; and quite inevitably, the winners will be those nations which can bring the most formidable armaments to back the diplomacy which acquires "interests" and obtains "concessions." And at the end of this, also quite inevitably, is War.

most successful when conducted within the strictest letter of the law."

This is the point. If, despite a few perfunctory grumbles, we obey the law without question. If the banks are unquestionably right because their dealings are strictly legal—then we must see to it that they are ruled illegal by the only body ultimately capable of doing so—Parliament—and this cannot be done until a wave of anger sweeps the House to a realisation that the Mother of Parliaments is at the beck and call of money dealers. Even a single stubborn member, by voicing the frustration and resentment of his fellows might release, and release in a key position, that force which the truth of Social Credit needs.

But, as Major Douglas hints, there is no time to lose. Our historic political system, technical expression of our national genius, is failing. We have watched so long the declension of politics that we are losing faith, and it is not corruption which is making us cynical. It is not, in fact, easy to say when corruption is harmful to the body politic. The 17th Century which witnessed such advances in our Constitutional growth and power abroad, witnessed also political corruption of a fantastic order. At one time half our statesmen seem to have been in the pay of the King of France. It is evident that a nation may thrive on statesmen intent on gratifying their personal ambitions, if these ambitions are, so to speak, functional and racy of their nation. In some mysterious way national ends also may be served.

It is not corruption but sterilization which is ruining our Constitution. Westminster, to change the metaphor, is become a puppet show. When the City financed the Wars of the Spanish Succession and Marlborough crushed the megalomania of Louis XIV. at Blenheim, the puppet show was already begun and that landed aristocracy which, with all its faults, at least supplied statesmen who could and did, in cant phrase, "throw their weight about" for themselves and their country, was already doomed. These men were Englishmen and in the public eye. They could be impeached, sent to the Tower, and, if necessary, executed. Finance is international, invisible, and inviolate.

In conclusion, I suggest that Social Creditors reconsider the situation in the light of Major Douglas's warning. I suggest that we concentrate, not so much on A + B, the cultural inheritance and dividends for all, not so much on the ludicrous inefficiency of the economic system, but rather on the fact that this economic system is the most efficient weapon for subduing men that the world has ever seen.

On the floor of our House of Commons there is due a last and greatest impeachment. N. D. S.

A Middle Class Panic.

By John Hargrave.

During the last year or two there have been at least three manifestations of the political panic of the middle classes. These three represent the Press, Big Industry, and Party Politics:—

1. Rothermere-Beaverbrook (United Empire Party and/or Crusade);
2. Sir William Morris (National Industrial Council);
3. Sir Oswald Mosley (The New Party).

In each case the attempted "national awakening" was stillborn. These three abject failures give food for thought.

One might imagine that men of the social status and with the financial resources of Lord Rothermere, Lord Beaverbrook, Sir William Morris, and Sir Oswald Mosley—"men with all their power and influence!"—could do something.

And so they could. But the fact is either (a) they do not know what to do, or (b) they do know

but dare not do it. I think we can assume that (a) above states the case.

We find that these men, in spite of their financial resources (which, however, are not theirs, but the bankers'), have practically no power at all when faced with the present economic crisis. Titles, of course, are more a hindrance than anything else.

These three abortive attempts represent only the first phase of political panic. There will be many other such failures.

In each case failure is due to panic-action following panic-thought. Panic—the "get together" herd instinct—is not an effective policy, and therefore no effective strategy and tactics can result.

Any policy put forward, so far, by these and other groups has been a wriggle, a squirm, a twist, and a turn within the economic "rat-trap" of the present financial system.

Not one of them attacks that system. The policies, programmes, and manifestations put forward are, therefore, non-effective. They are no more than the squeals of the rat caught in the rat-trap.

An effective policy cannot avoid a direct attack upon the International Banking Combine, its policy and technique. Political panic is no solution, no matter what form it takes nor who puts it forward, whether Jimmy Snooks, taxi-driver, or Lord Tom Noddy, newspaper millionaire.

Sir William Morris's attempt is included under the heading "political panic" because his Industrialists' Council simply called upon—begged and prayed—an impotent (political) government to do something not very clearly defined.

Because it has steadfastly held aloof and taken no part in any of these panics Social Credit is in a stronger position than ever.

News Notes.

SMUGGLING ACTIVITY INCREASING.—The *Daily Mail* of August 3 reports a revival of smuggling, and attributes it to the great post-war increases in customs and excise duties (which, of course, are a measure of the profits obtainable) and to the attenuation of the coastguard service (which is one of the results of the economy policy). Readers will recall our allusion to the latter point in connection with the yachting fatality off the Cornish coast not long ago.

A BANK'S RECIPE FOR PROSPERITY.—The National Bank of Australasia, Ltd., in its Monthly Summary for April, says, regarding Australia, that: "There is no actual shortage of money for carrying on the country's business to-day. If people were reasonably confident that they could widen their productive and trading activities without undue risk of loss, they would not be prevented from so doing by shortage of currency or credit facilities within Australia."

SOUTH AFRICAN BANKERS' CHARGES.—The *Natal Mercury* of July 11 is up in arms against a sudden decision of bankers to increase their charges for keeping accounts and to make them retrospective. In a leading article under the heading "Unconscionable," the writer insists that this action will drive people onto currency for the settlement of transactions, and he warns the banks that there may be a revival of the question of instituting a State Bank run by the Government.

THE N.S.W. SAVINGS BANK.—The National Bank of Australasia, Ltd., in its Monthly Summary for April, reassures its readers that "the suspension has not involved the resources of other banks." It adds: "Finally, we wish to make it clear to our readers that this bank feels a deep sympathy for those people who have suffered, and are suffering, through the closing of its old established Savings Bank; so the suffering referred to here is not clear. If anybody is suffering it means that the other banks have swallowed his lost deposits. ("I weep for you," the *Watsons* said.)"

THE CHURCH AND ECONOMY.—The Archbishop of Canterbury, preaching at Dover on August 2, declared that the

nation would have to make sacrifices in order to maintain its position in the world. For reasons familiar to our readers, the Archbishop may be designated Mr. Pierpont Morgan's Chaplain. Dover is a port of call for Morgan's yacht, the *Corsair*, when on this side of the Atlantic. Dover is the site of Lord Reading's castle. Lord Reading is *persona grata* in New York. Mr. Pierpont Morgan is now in Europe, and, probably, by now, in England. Our Anglican readers might piece these facts together and ask the Archbishop if he is aware of the kind of game he has got mixed up in.

THE NATIONAL BANK OF AUSTRALIA, LTD., whose London office is at 7, Lothbury, E.C.2, has a London "Board of Advice," consisting of R. H. Caird, J.P., Lord Inverforth, P.C., and Lord Stanley of Alderley, K.C.M.G. This bank may be considered as holding the mandate, under Mr. Montagu Norman, for maintaining financial law and order in Australasia. It has a "State Administrative Office" in each of the following capitals: Sydney, Brisbane, Adelaide, Perth, and Hobart. Its headquarters are in Collins-street, Melbourne. It has 467 offices and branches in Australia. Paid-up capital is £5,000,000; reserve fund £3,300,000; total assets exceed £45,000,000.

"THE LEADER" ON THE FINANCIAL CRISIS.—This is a London weekly paper with a circulation of something like 660,000, and caters for people who enter for prizes in crossword and other newspaper competitions. Recently it has been enlarged to include features of general interest. One of these is called "Secrets of the 'Street,'" and is contributed by Sydney A. Moseley, who is described as "Fleet-street's best-informed journalist." On frequent occasions this writer publishes financial gossip of a piquant character, and our readers are recommended not to miss reading him if they take the paper for other purposes. It costs 2d. and is on sale everywhere. In the issue for July 28 he speaks of an "unfounded rumour centring round one of our big banks," and says that Downing Street issued a statement to the Press asking them "to make no reference whatever to this scandalous attempt to upset British credit." He also refers to a rumour that "a fortnight ago the question of closing the Stock Exchange was under consideration," saying that he did not believe it at first, but has since been told by a prominent member of the Stock Exchange that it was an actual fact. Another reference is to a well-known firm of stockbrokers who called their staff together and got them to ballot among themselves as to who would have to leave at the end of the month. "Twenty were fired, each member being given three months' salary in lieu of notice." Referring to Gandhi he says: "Tremendous interest has been taken in my paragraph that Gandhi will not only come to London, but may broadcast." (Our italics. This is very probable. America is pro-Gandhi; and America influences B.B.C. policy.) An item of interest for journalists is his statement that Mr. Oscar Pulvermacher threw up his job as acting-editor of the *Daily Mail* "in forty-eight hours," after having served on the paper for nearly forty years. Lastly, he announces having heard that Sir Oswald Mosley's election war-chest contains "just over a million sterling in cash and guarantees."

THE SCRAPPING OF SHIPYARDS.—According to the *Newcastle Evening Chronicle* of July 31, eight shipbuilding yards on the North-East Coast, comprising thirty-nine berths, with a maximum annual output of 276,000 tons, are to be scrapped under the buying up scheme of National Shipbuilders' Securities, Ltd. This company was formed in February, 1930, with a capital of £10,000 in £1 shares, and borrowing powers up to £3,000,000. It buys up and dismantles "redundant" yards, disposes of their contents, and re-sells the sites under restriction against further use for shipbuilding. (Our italics.) Previous purchases by the company have been confined to the Clyde, where "large passenger and warship building yards and two cargo-boat building yards were bought for dismantling." (This company, with borrowing powers three hundred times the total of its capital, is virtually a banking syndicate representing the mortgagees for a stop to new building in order to lever up freight-rates of the "bankers' fleet." The policy of the syndicate is to stand for the benefit of the ships on which they have loans outstanding. See our News Note (July 16) on the Lord Mayor of Newcastle's speech on the banks as mortgagees of 95 per cent. of the world's tramp tonnage.) One of the yards now to be scrapped is the Hebburn Yard, which was built by the late Sir George Renwick and Mr. R. S. Dalgleish during 1920-22. Work on its completion was postponed during 1922 and not resumed. It was designed to be one of the most magnificent yards on the river. It cost £700,000. It has never built one ship. (When Mr. Hatry created cor-

poration securities Mr. Justice Avory called it an appalling crime. We cannot guess what he would think of this destruction of national security, nor is it likely that he will be required to express judgment on it. That may be the duty of a court martial one day.)

LORD READING'S SECOND MARRIAGE.—Lord Reading married Miss Stella Charnaud on August 6. Her father, the late Mr. Charles Charnaud, represented Britain on the International Public Debt Organisation in Turkey. She appears to have spent her earlier years in travelling about the world, where she is said to have everywhere secured entry into the highest and most exclusive circles. What the talisman was is not stated. Linguistic abilities and "charm" do not of themselves constitute a rover-passport in high society or high finance; and these were her only visible personal qualifications—her alleged organising abilities not having become manifest until later, when she settled down as a member of the Vice-Regal Staff in India. There is only one reasonable explanation of her easy ascent and progress, namely, that there were high-financial or high-political influences behind her from the beginning. Apparently they were not Jewish influences, for the Charnauds are Gentiles. Press adulation of her may be largely discounted, because Lord Reading and his associates are able to direct the spending of large sums on company-advertising, and so the waving of hats in Fleet Street means nothing more than the holding out of hats by Fleet Street. We may put her down as an efficient diplomatic agent of the high-financial intelligence-service, who got her start by being the daughter of her father.

LETTERS TO THE EDITOR.

Sir,—I enthusiastically and practically support Social Credit and C. H. Douglas. I am a socialist. I find many socialists and communists (who don't understand the economic situation, by the way) are against Major Douglas because they believe he is a capitalist "trying to bolster up capitalism," which is the system of "Production for profit and not for use, or consumption." I always deny that Major Douglas is a capitalist and for capitalism, as defined above.

Social Credit advocates "Production for use, and not for profits for capitalists alone." To me, this is the aim of socialism and what is meant by socialism. Therefore, according to my understanding of socialism, Major Douglas is as much a socialist as myself, speaking in terms of economics: my definition of economics is "the science concerning production and distribution of goods and services for consumption." And socialism is an economic theory to me.

Capitalism to me means a portion of a community, bankers and capitalists, controlling (the bankers) and owning (the capitalists) production, to distribute for public consumption as they think fit and to their interests—which is not to the interest of the public or community as a whole.

Major Douglas is certainly not in favour of capitalism as I conceive it, and he is in favour, broadly, of socialism as I view it. The average socialist, I believe, conceives in general socialism as I conceive it—all socialists agree on the principle of producing for consuming's sake, and not for the sake of cornering as much money as is possible.

If Major Douglas thought out what theory of economics he favours, capitalistic or socialist—these are the only two theories we have at the moment—and stated which he favours (his books have stated it to be socialism), he might get millions of socialists to look into social credit.

At the moment, those who are for capitalism, on reading or hearing his theory, plump him as a socialist, and those who are for socialism, or some of them, plump him for capitalism. So Major Douglas to one crowd of people can be at the same time a capitalist, a socialist, and not either.

The two theories crystallised are:

Socialism: Production for use.

Capitalism: Production for money.

F. FRIDAY.

THE PAPAL ENCYCLICAL.

Next week we shall publish a long series of quotations from the last Encyclical. They have been extracted by an old and advanced student of Social Credit with the object of giving readers of THE NEW AGE a general idea of the attitude of the Church of Rome to financial and economic policy. In a large measure the Pope's declarations clearly accord with Social Credit principles, and our supporters will find these extracts most useful in carrying on propaganda in Church circles. To us there is a logical relation between the Pope's views and recent rumours of a move to get him superseded by an American!

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