THE
NEW AGE
INCORPORATING "CREDIT POWER."
A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART
No. 2038] NEW SERIES Vol. XLIX. No. 22. THURSDAY, OCTOBER 1, 1931. [Registered at the G.P.O. as a Newspaper.] SEVENPENCE

CONTENTS.

NOTES OF THE WEEK.

As pointed out recently the leading articles on finance in *The Times* are intended more for the instruction of speakers and writers than for the direct instruction of the public. They indicate, by ideas, arguments and phrases, the current fashion in public propaganda. Editors of other newspapers are able to adjust the cut and colour of their own articles according to the fashion, and know that by doing so they avoid the risk of offending "Authority," and losing their share of advertising given out under the auspices of the City. Their motive is not wholly that of playing for commercial safety. They are, generally speaking, out of their depth on the subject of financial policy and technique, and naturally go for their inspiration to a journal which, they know, reflects the considered opinion of the highest banking authorities. Thus they avoid contradicting each other on essentials, and so can maintain confidence in the public mind that they know what they are talking about. Another reason for the pre-eminence of *The Times* is that it lays down a framework of reference from which the largest administrators of capitalist finance can safely take their bearings in regard to industrial policies and programmes—or at any rate take them with less risk of being wrong than if they rely on any other public source of advice.

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For all these reasons it cannot be doubted that the leading article in *The Times* of September 22 entitled "Suspending the Gold Standard" was carefully studied by those chiefly responsible for moulding public opinion and inspiring industrial action. And for just those reasons the article merits the attention of the Social-Credit student. The writer opens with these words: "The Bill *releasing* the Bank of England from the *obligation* of maintaining the gold standard was passed yesterday by both Houses of Parliament, and received the Royal Assent before midnight." Frankly stated the opening should have been: "The Bill to legalise the action of the Bank in releasing itself from the obligation of maintaining the gold standard without the assent of Parliament was," etc., etc. It is true that the Bank obtained the consent of certain members of the Cabinet before taking action, but since the withholding of the consent would have amounted to an interference with credit-policy, which the banks had the power to punish by "upsetting the whole fabric of Government finance" (as a City newspaper once warned Mr. Lloyd George) the consent was a foregone conclusion. The Bank of England's attitude towards these Ministers can be paraphrased thus: "Here, you fellows, we're going off gold to-morrow: you'd better look slippy and do whatever it is you have to do to make it strictly lawful." And the Cabinet obediently stepped down from the Constitution to legalise the climb down from gold.

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The writer next discreetly remarks of the crisis that "the confidence abroad which had been re-established by the balancing of the Budget had been shaken by the want of unity at home." The "confidence abroad" was the confidence of foreign bankers and allied financial institutions, not, as is generally held out, foreign investing classes in general, for these do not operate in short-term loans—and it was the calling in of such loans which constituted the crisis. The ordinary investor, unfortunately, cannot call in his loans at all. So we have a picture of foreign bankers losing confidence, regaining it when the Budget was balanced, and losing it again because of the want of unity in Britain. But foreign bankers are sophisticated people, and it is incredible that they should regard the Budget as balanced when in fact the Government had only adopted *plans for balancing it*. Assuming that they ever did lose confidence (whatever that may mean) they will only regain it as and when the Budget deficit is reduced by *actual retrenchments* and *actual receipts of taxes*—shall we say a year hence?—or this time?—that time?—some time?—never?

Again: "loss of confidence" means *fear*: and if foreign bankers had been frightened they would have gone on drawing their money out irrespective of whether the Budget were balanced or not. If anyone replies that for them to have done so indefinitely (say, until they had got it all back) they would have injured themselves as much as us: or if he holds that at a certain juncture we could have refused to pay: then the "crisis" was theirs as well as ours, as is indeed suggested by the advice attributed to Mr. Montagu Norman by *Candide* (Paris) as having been tendered to Sir Robert Kindersley a few weeks ago not to go in a hurry to raise a credit in France but to sit tight until France was compelled in her own interest to offer us credit.

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For this and other reasons we hold to our own hypothesis that there was no "loss of confidence" in the sense put forward, but a calm and calculated scheme, contrived by certain Central Banks, for frightening peoples into allowing themselves to be taxed for Budget-balancing purposes. In one sense we are ready to concede that a loss of confidence lay behind the scheme, but the fear was not on the part of banks in any particular country, nor did it concern the safety of their loans to other countries: it was a fear common to all the Central Banks considered as stewards of the secrets of finance and defenders of the political power of finance, and it arose from the fact that the world is slipping into a position where general default will be manifestly unavoidable. That is to say, a position where the balancing of Budgets will demonstrably (i.e., mathematically) require populations to live below the level of physical survival. In that situation, Governments will have no option but to declare default and chance the consequences. But in that situation the population—capitalists, workers, scientists, public servants, and everybody else—will certainly not sit down and bear any sort of consequences which may threaten to overtake them: they will bend all their wit and ingenuity to discovering some alternative way of saving themselves. That is when Social Credit must inevitably emerge into the sphere of practical politics.

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For what is a Budget deficit? It is the excess of Government expenditure over tax-revenue—the difference being made up by bank-advances. *Essentially, a Budget deficit represents a floating, or short-term, loan advanced by the Central Bank to the community.* Given, then, the situation above described, where the Government is forced to default, the whole problem before the country will be to decide how to deal with the consequences. This must lead to a re-examination of the fundamental principles of the credit-system as it now exists. The bankers will have to prove that what they will call "economic disaster" is a necessary consequence of the community's fiscal default. To do that they will have to run the gauntlet of technical cross-examination based on Major Douglas's analysis; and to do so under a psychological handicap, consisting in the fact that the community *will wish to believe* that Major Douglas's conclusions are correct and his proposals feasible. Then at last will the upholders of Social Credit get their long-awaited opportunity to lead the frightened public up to the ghost of "catastrophe" and to analyse it into a stick, a sheet, a candle, and a turnip. And the task will be all the easier because of the recent ludicrous failure of the bankers' prophecies as to the consequence of abandoning the gold standard. Henceforth bankers are suspect witnesses; and they know it. Can they cry out "wolf" again and get away with it? They are not certain—and it is this uncertainty that constitutes the "loss of confidence" which they are attributing to mythical "foreigners." In a sense they speak true words. For in the economic world all bankers are foreigners.

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Their problem is not limited to a single country with a single deficit, but extends over a world in which every country has a deficit. It is computed that the total of declared national Budget-deficits at the present moment is in the region of £500,000,000. The reason why the drive to put the Budget right in Britain is so desperate is because Britain is by tradition the exemplar of "sound finance"; and so long as Britain keeps the Bank of England waiting for the repayment of its floating loan, so long will other countries similarly play off their own Central Banks. The so-called "foreigners" who are anxiously watching what Britain does are the *foreign Central Banks*—junior partners in a Confederation of Central Banks, waiting to see whether the senior partner, the Bank of England, can put the economy-ramp across the British public. If not, then the Confederation as a whole is faced with the prospect of keeping the £500,000,000 loan afloat indefinitely. The danger of this delay is that it will lead the public to conclude that the bankers can afford to wait—and the only conclusive disproof which the bankers could produce would be to declare their own insolvency and close their doors. Directly they did that the political Governments would get to work and open the doors of a new credit-system. So the banks will continue "business as usual"; and the only policy open to them is their present one of causing exchanges, stock-markets and prices to play tricks and keep the public's nerves on edge. But it is futile: the public have not got the money necessary to balance the Budget; and no amount of scaremongering will put it in their pockets.

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There is indeed room for doubt whether the bankers in this country actually expected to get the Budget wholly balanced by the methods and in the time now contemplated. What they may have been more concerned about was to get a Government of their own nominees in power so as to be in a position, if (as has since happened) the gold-standard were abandoned, to control directly the inflationary measures which would become necessary; and, more important, to prevent their being debated in the House, or at least debated only under conditions which would exclude effective criticism of their policy and methods. Already the Press is reassuring the public that inflation, if resorted to, will not proceed to dangerous lengths. In *The Times* of September 23, the writer of the leading article says that

"a disastrous inflation can only occur when the national finances are so recklessly conducted that the Government, *having exhausted its borrowing powers*, is reduced to the expedient of resorting to the printing press in order to discharge its liabilities." (Our italics.)

Translated from cosmopolitan financial jargon into plain English, the passage means this:

"A disastrous inflation can only occur when the Government expands currency beyond the limit the banks approve."

Since the "we" who approve *are* the Government, of course the danger is averted. Such a Government could not "exhaust their borrowing powers"—for how could the banks as banks go on strike against themselves as the Government? The assurance comes to this: "Inflation is quite safe now that the bankers are able to dictate the amount and purposes of Budget expenditure and the methods of raising the necessary revenue." Technically the passage in *The Times* is all nonsense. According to established banking doctrine, an expansion of currency automatically causes a rise in prices; and it is on this assumption that expansion is conventionally spoken of as "inflation" instead of as the cause of inflation.

Granting this doctrine of automaticity, the question of *who* expands currency, and for what *motive*, has nothing to do with the question of "danger." The danger depends on the degree of expansion. If *The Times* likes to say that the late Government would have resorted to a larger measure of expansion than the present Government will permit, the statement may be passed. But to say that expansion adopted for the purpose of balancing the Budget is more dangerous than the same expansion adopted for other purposes, is to contradict the doctrine of automaticity, and to suggest that the effects of expansion are controllable—in which case, how?—and why not as easily by a representative Government as by an Emergency Cabinet holding office at call or short notice from Threadneedle Street? We are not arguing against this idea—far from it, seeing that we know how to produce the phenomenon of a lower price-level and in the presence of a larger volume of money.

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Anybody can see that there is no *technical* necessity for prices to rise when money is added to circulation. Thus, take a given situation as represented by the following token figures—

Ten people using £10 are producing ten articles at a cost of £10: price (at cost) £1 each: total consumption ten articles.

Suppose you let them have another £5 and that this enables them to produce twice the number of articles. The following situation is obviously a possible one—

Ten people—£15—twenty articles—price (at cost) 15s. each—total consumption twenty articles.

The bankers hold that it is impossible, and that the best result achievable would be as follows—

Ten people—£15—ten articles—£15—price (at cost) £1 10s. each—total consumption ten articles.

As their spokesmen have often put it: "The more money you have the less it will buy"—so that, as illustrated in the above example, the total consumption will remain at 10 articles however much money you use. Clearly this cannot be true in a technical sense unless it be shown to be impossible for you to produce more than 10 articles—i.e., that the whole of your resources, machines, mechanical and labour power are engaged in making that quantity. But it can be true—and is true—in a practical sense under the existing financial system. The difference arises from what Sir George Paish and others vaguely call the "psychological factor." They leave it to be assumed that the snag lies in the psychology of sellers, whose trading principle is summed up in the formula: "The price of an article is what it will fetch." On that principle it is easy to see that consumption would be pegged down to 10 articles; for why should the sellers trouble to make twenty when they are able to exact the £15 for ten?—which, of course, they can, since their customers have got to have the goods and cannot refuse to buy them. But Major Douglas's analysis has shown that this "sellers' psychology" is a by-product of "bankers' psychology." Capitalism is shown by him to be merely the nozzle of the bankers' vacuum-cleaner. Its suction-power is not self-generated, but is the result of attaching it to the flex of the investment-system, which in turn is plugged into the credit-circuit of high-financial policy. The dominant psychological factor is the will of the bankers. They look upon money in the consumers' possession as they might dust in a carpet, and they run the industrial mechanism over them to suck this money into the dust-bag of loan-repayments, from whence it is carried off to the destructor. "The repayment of a loan destroys a deposit," said Mr. McKenna. The issue of a loan creates a deposit, which becomes a cost, which becomes an income, which pays a price, which repays the loan—whereupon the loan and deposit disappear. That is a credit-cycle, completed let us say in a period of a few weeks. What of the production set going by this loan? At the completion of the credit-cycle probably only a small proportion—and perhaps no part at all—has come into the consumers' market. When it does arrive the money which should be there to meet its costs has already gone to cancel the loan which created these costs.

We may fancifully imagine, let us say, a little company of perspiring gramophones trotting up to the gate of the market hoping to sell themselves for 100 pound notes, and at that instant meeting the identical 100 pound notes which were spent on making them marching out of the gate. "Hi," shout the talking-machines, "where are you off to." "Back to the bank, mates." "Yes, but wait a minute, you can't go back till you've bought us." "Sorry, but we can't stop—an overdraft's been called in." "But you were the gramophone-loan." "Yes, we remember." "Well, we're the gramophones—and you said you would wait in the market to buy us." "Yes, we thought we should be able to: we heard an economic professor say that all notes could stay here till their mates arrived. But it's a lie; we've been spent on something else." "What are we to do?" "Can't think of anything except you like to wait outside. Our banker might lend us out to somebody, and if he does, we'll come along and take you inside, and buy you before his goods come along to be bought." "All right. Is there anywhere to sit?" "Well there are seats for surpluses round the corner there. But you'd better hurry—they are always pretty full." "Seems a rum go that you shouldn't be allowed to buy us as well as what notes you've bought, seeing you're here and we're here." "Yes, we've thought of that; but it isn't done, we're told—it would throw out the books and cause a crisis. Well: we'll say au revoir and not good-bye."

Under this system the world has to produce a new surplus in order to consume an old one; and as its consumption is pegged down to a fixed rate irrespective of the rate of production, the new surpluses appear in the form, not of products for consumption, but of products for production, i.e., machinery, factories, etc., etc., and other long-lasting assets, on the basis of which money is extracted from the consumption market in the form of long-term loans from investors, and is cancelled by the banks. The consumer-investor is saddled with so-called revenue-earning assets by a process which destroys the revenue which those assets are expected to earn. When God insists on producing usable things out of the earth and the beasts of the earth, man destroys them. And when man produces machines for producing other usable things, he scraps the machines to avoid the trouble of destroying their product. This is called rationalisation.

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Now, once accept the bankers' premise that the laws governing credit-policy and credit-technique are immutable, and you have to accept their conclusion that an expansion of credit is dangerous. For the growing popular agitation in favour of expansion is founded on the desire and expectation that when there is more money put into circulation there will be more production. But if consumption is to remain fixed in quantity while production is to be increased in quantity, then an expansion of credit will result in an increased margin of unsaleable products. Although the expansion is reflected at first by "more work and more employment," it is bound later to lead to less work and less employment. The increased margin of production must either go into the homes of consumers, or, if it does not, it will take the form of new or improved mechanisms and methods whereby the individual's labour is dispensed with and he ceases to be a consumer at all.

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Needless to say, this outcome would cause no concern to the bankers. Far from wanting to prevent it they want to make sure that it happens in the event of expansion being resorted to. The reason why they are taking a firmer grip on the reins of political government in addition to having got the control of credit-administration, is to make sure that whatever expansion of credit takes place it shall enter circulation at the production end of the industrial system, and by no other route. Given that, and they need not interfere at any later stage of the process: they can just sit back and watch the community wander into a mix-up, in which employers, managers, workers, and investors get at worse loggerheads than before, upon which the bankers will offer disinterested advice on the subject of how they should adjust their differences ("equality of sacrifice" once more!) together with the moral: "Now you see how wise we were to warn you against the futility of inflationary finance."

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In their attempt to ensure this they have had to adopt methods of coercion on the late Cabinet which could not be concealed from the knowledge of the public. They could have avoided doing this, and undoubtedly would have been glad to; but they have been driven to it by the fact that, while they could have relied on the late Government's agreeing to their policy, they could not rely on that Government to prevent indefinitely Parliamentary discussions of that policy, especially when (as they had foreseen) the gold standard would have to be abandoned. They realised that directly gold ceased to be the automatic arbiter of credit-policy (as it was held out to be) some *thing* or *someone* would have to accept the reversion of the function. What thing? There was no substitute ready. Who? Well, of course, the Government. But if the Labour Government, the House of Commons would insist on debating its proposed policy—and in the debates who knows but what certain innocent Cabinet Ministers and certain curious Member of Parliament would between them suddenly involve the House in a general investigation into the principles and methods of the old policy under which the crisis had arisen? That would not do at all. Hence the split in the Labour Cabinet (created by the bankers' insistence on the dole-cut) and the ursurpation of power by the National Government—the formal announcement of the abandonment of the gold-standard being delayed until the "Bankster Ministers" were safely in office and in possession of emergency powers to control what was to happen, not only in the country but in the House. That is to say, the House will now have to debate finance under bankers' standing orders, or not debate it at all. The bankers are blockading Hansard to prevent the entry of illicit financial doctrine. And thus the British public will be kept ignorant of the fact that there is a way of making credit-expansion safe for the country, and in that state of ignorance will be rounded up for the polls in a month's time.

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But truth will out. There is a gaping leak in Australia, where avenues of publicity for Major Douglas's policy of Consumer-Finance based on the Economic-Price-Calculus are opening in all directions in all social and business circles. Our friends down under will have been amused to note that the British bankers' clinching argument against "inflation" in this country is an argument for trying it out in Australia. Britain might, so they suggest, safely expand credit if only she were *independent of overseas food supplies*. Very good. Then why not let Australia make the experiment? The British public, though they do not know that the success of the experiment can be assured, would, in their present state of bewilderment and desperation, be only too glad to see something attempted that might provide a possible alternative to the policy which now faces them. As readers will see in a letter published elsewhere there will have been held in Sydney (on September 5) a Conference to which (as we learn privately) about one hundred Societies and Associations have arranged to send delegates, and at which the following Agenda will have been considered, the object of the promoters being to formulate practical proposals to be submitted to the Federal and State Premiers as the groundwork for what they call the "Douglas Sales Equation Act." The Agenda is as follows:—

AGENDA.

1. A National Credit Authority shall be constituted by the Government of the day.
2. The power to grant loans and overdrafts on security shall be taken from Private Trading Banks. These banks shall, however, have power to look after individual current accounts.
3. A National Balance Sheet showing all national and commercial Assets and Liabilities throughout the Commonwealth shall be taken out. This Balance Sheet to show the total value of unconsumed goods (goods that may be used for human and animal consumption and for any branch of building or manufacture).
4. The National Credit Authority to inform the Government of the day, after considering the Balance Sheet, the amount available for distribution as the National Dividend. The Government of the day to declare the National Dividend, specifying amount and time of payment.
5. All primary producers, manufacturers, wholesalers, retailers shall sell their goods at 50 per cent. of 1928-1929 values and shall be reimbursed the other 50 per cent., after proved sale, by the National Credit Authority per medium of their regular banking accounts.
6. Income Taxation will exist as at present but the sums recovered in taxation will be used in cancellation of credit.
7. The Treasury in conjunction with the National Credit Authority shall control the currency, and the currency shall exist in its present form.
8. All exports and imports shall be cleared through the National Credit Authority.
9. Legislation to be passed—that the portion of the National Dividend equal to the declared Basic Living Allowance shall not be available for sequestration or other legal processes.

With regard to point 3, readers will notice in the letter that the promoters—the Douglas Social Credit Association—have got out an Australian National Balance Sheet which shows, on Social-Credit principles of accountancy, that there is a distributable surplus (actual or potential) of £800,000,000; and they propose that it be distributed as a National Dividend. No doubt in due course we shall see how they have worked it out, and for the moment we are not concerned so much with the technical accuracy as with the publicity value of such a Balance Sheet. It is one thing for a man on a soap box in a furtive street to talk astounding figures like this to his audience and feed the fantasies bred of their poverty; but it is quite another for a body of men to challenge the criticism of financial experts on this proposal before a public representing every condition of education and experience. We shall be interested to know how they have got on with it.

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In the meantime the following tip might be worth their following. It is to borrow the familiar designation which appears in the *News of the World* week by week over a feature which is more closely scrutinised by its readers than any other. It is: "Unclaimed Legacies." The source of the National Dividend which the Social Credit advocate speaks of as the "heritage from the past" can be aptly described as the "Unclaimed Communal Legacy" left to us by our forefathers. The reasons why we have not received it can be stated thus: (1) that the testators did not know that they had it to leave, and so made no dispositions: and (2) that their self-constituted executor—the banker—who alone knew, has kept his mouth shut on the ostensible and moral ground that we should make pigs of ourselves if we

got the money, but on the real and self-interested ground that we should use it to govern our lives in our own way and not remain the instruments of his lust for the power of commanding obedience. In such an analogy the Social Credit Association in Sydney would naturally appear as the solicitor for the legatees, who was preparing to prove their claims before a judicial and scientific tribunal. It is amusing to reflect that logically the Association could treat the matter on business lines, constituting itself the National Legacy Recovery Company, and inviting capital, or raising money by charging fees for registering claims. Of course the Secretary might be charged in Court with obtaining money by false pretences. Or he might have to bring an action for libel against a newspaper which charged him with it. In either case this also would be amusing—for the bankers would either have to try to rig the Court's procedure, or else allow the charge to be adjudicated on by reference to the Social Credit analysis. We are not suggesting that anybody tries this on, but we are showing that it is the sort of thing which could be consistently done by the most conscientious man if and when circumstances made it practicable and necessary. In view of Lord Hewart's *The New Despotism*, and Lord Justice Scrutton's judgment in the Waterlow Appeal, we feel that the Law has something yet to say about financial legalism, and will not hesitate to say it when it learns a little more about financial technique. And, as indicated above, the occasion can be made on the initiative of our side whenever we choose to risk the challenge.

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Reverting to the situation here; at the same time as this leakage of constructive information is happening in Australia, there is a leakage of destructive information happening in the foreign Press respecting the financial intriguing which led to the crisis. The method generally of this new diplomacy is to rely for bargaining power on the movements of credits instead of the possession of armaments. Under the old system the function of bargaining was exercised by accredited diplomats responsible to the Cabinet. When they could not agree and their demands were mutually irreconcileable there would come a stage when on one side or the other there would be a semi-public disclosure of the fact consisting in an unexpected speech by a Cabinet Minister, and, at a more urgent stage, in a minor demonstration of military character—the import of which would be apparent to everybody. Later would come, if necessary, mobilisation, an ultimatum, and then a declaration of war. The essential feature of that system of procedure was that, up to the last and final stage—war itself—neither set of bargainers did anything—nor could—to disorganise the other's internal economy. For that to be done (e.g., as could be hypothetically by the erection of a discriminatory tariff) Cabinets and Legislatures would first have had to debate and decide the action.

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To-day the bankers have got hold of the diplomatic machine—or rather have superimposed one of their own—wherein the super-diplomats have been actually and deliberately inflicting disorganisation on each other's internal economy. Even if this has been with the antecedent knowledge and consent of the national Cabinets (which is extremely doubtful) nevertheless it has been out of the power of those Cabinets to control whether they liked it or not, because they have renounced the right to interfere with credit-policy, and even the right to know what credits the bankers are using or what they are doing with them. Now the danger in this infliction of disorganisation is that it foments internal disorder which may reach uncontrollable dimensions—in which event the statesmen of the country concerned have to choose between appearing as tyrants violently suppressing their own subjects, or as heroes leading them out to fight external tyrants. The emergence of Herr Hitler as Germany's "champion" against the "tyranny" of France is an example of the result of this banker's diplomacy. How indeed shall a nation refrain from war when by the operation of credit-manipulation its people are plunged into conditions worse than war itself could impose on them? It is grimly humorous to recall the precious Fellowship of Reconciliation with its diatribes against the "outworn secret diplomacy" which "caused the last war," and to look round and inspect the "open diplomacy" which has replaced it. If the murder of an Archduke could precipitate a war, how much more dangerous the sudden disemployment and bankruptcy of hundreds and thousands of men and masters by a sudden secret coup of a financial interest? The murder of an Archduke could wait—and, comparatively speaking, did wait—for diplomatic attention: but an outrage of the latter kind and dimensions might easily sweep all diplomacy aside and precipitate a military cataclysm at an instant's notice. When Germany, before the last war, sent a gunboat to Agadir to signify that she resented her exclusion from the Anglo-French-Spanish conversations about Morocco, what an outcry went up about Germany's bullying, provocative, endangerment of peace. Yet if it is true, as is asserted in Paris, that Mr. Montagu Norman lent Austria £4,000,000 to enable her to resist France's financial pressure on her to make her abandon the Austro-German customs-union, we are confronted with a situation in which already war is virtually being waged over all our heads. Against this background the German gunboat incident looks like a friendly gesture!

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We can only hope that the abandonment of the gold standard portends, or will give rise too, a clean-up of international financial relationships. Moreover, while these remain unexamined and operative, we are not sure that the institution of a National Government supported by a coalition of all Parties may not turn out to have been a wise preparation—whether designed or not—*for military eventualities*. This does not clash with our interpretation of the bankers' reasons and intentions for compelling its formation. Lord Milner once said that bankers, as a class, were the most narrow and stupid set with whom he had ever had dealings in matters of high policy: and so it is quite possible that the political mechanism which our bankers have constructed for their own purposes may yet serve other purposes not contemplated by them. In plain words the National Government may find itself a War Government.

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"Ex Nihilo Nihil Fit"?

By John Hargrave.

In the current issue of *The Age of Plenty* I have just read an article, entitled "Modern Science and Economic Problems," by Professor Soddy, M.A., F.R.S. A mere nobody, with no scientific attainments, must tremble to question definite statements made by a man of Professor Soddy's standing in the world of science. Trembling like an aspen leaf, I yet venture to submit the following quotations and observations.

The first quotation is:—

"The truth upon which the successes of modern science are founded is simply that of the old Latin adage, 'Ex nihilo nihil fit,' in positive form, as the laws of conservation of matter and energy, for wealth in the sense of what is used or used up in living, is subject to these common-sense laws."

Are we to understand, then, that matter and energy are destructible? If not, how are they "used up" in living? One understands, of course, that matter and energy are used, but how "used up"? Do we, in living, use up solar energy, or do we just use it? In other words, are we in danger of running short of sunlight? If the answer is Yes, then what is the use of bothering? This year, next year, some time—1,000,000,000,000 years hence—we shall have exhausted our supplies? In that case, why put off the evil day? Let us eat, drink, and be merry—a short life and a gay one. Why not? If the answer is No, then *Ex nihilo nihil fit* has no practical meaning, and we can go on getting something from "somewhere"—a long life and a gay one for ever and ever. But on this point Professor Soddy is quite definite:—

". . . We live in a world where everything is strictly accounted for, at least so far as concerns the energy and matter used or used up in living. There is no such thing as ever really getting something for nothing, and the appearance of any such phenomenon merely means that the analysis has not been sufficiently fundamental to disclose the source."

I was brought up from early childhood to have, and I still have, the greatest respect for science and the scientific method, but I never knew that any scientist regarded it as possible to make an analysis sufficiently fundamental to disclose the source of matter and energy.

I have always supposed that the matter and energy known to and used by man on earth was solar matter-and-energy. Is there any sufficiently fundamental analysis that discloses the source of the sun's matter and energy?

It may be useful to paraphrase the last quotation as follows:—

We live in a world where (sunlight) is strictly accounted for, at least so far as concerns the (solar) energy and matter used or used up in living. There is no such thing as ever really getting (solar energy) for nothing, and the appearance of any such phenomenon merely means that the analysis has not been sufficiently fundamental to disclose the source (of solar energy).

There is a very great difference between:—

(*a*) Something from nothing, and
(*b*) Something for nothing.

In physics it may not be possible to get something from nothing, but it certainly is possible to get something for nothing, i.e., free of any sort of money charge.

I feel that Professor Soddy tends to slur the difference, with the result that in denying the physical possibility of (*a*) something from nothing, he skids into a denial of the financial possibility of (*b*) something for nothing.

Mankind, in common with all other forms of life, finds himself with:—

Space and the Stellar Universe,
The Solar System,
The Earth,

absolutely free, gratis, and for nothing. It is a present from Cosmos for a good boy. Man did not, and does not, have to do a single hand's turn to keep these things going or to "pay back" anything in the form of money. In certain parts of the earth he may have to live "by the sweat of his brow"—by working to get what he wants—but that sweat is not a financial fact, and cannot be calculated by any numerical system whatever. Moreover, if he chooses to live in a warm climate on nuts and bananas, caterpillars and grubs (as some primitive peoples do, or did), he need not even sweat. He can have all the something he needs for nothing—without either sweat or money.

It seems clear that we on earth receive a regular and apparently limitless supply (about one ton per twenty-four hours, I am told) of solar energy direct *from* the sun *for* nothing—free of charge. If this supply of life-food is strictly accounted for it must surely be by some Cosmic Accountant of whom we know nothing. One understands that we "account" for it by using it, but there seems to be no limit to the constant supply nor any known limit to its use. As Professor Soddy so ably and convincingly explains, we are not using enough of this "something" that we ought to and could get for nothing.

To say that we do not know where matter and energy come from (the source), and that we do not really know what they are, is a truthful and, therefore, scientific statement. But having made such a statement (and I suppose most scientists would agree to it), it is impossible to assert that matter and energy are being "used up." The term "used up," as distinct from "used" in this connection, can only mean that it is possible in time to run short of necessary supplies of matter and energy for the purpose of living. Is there any evidence to prove this to be so?

At this point coal will be dug up as evidence. It always is. But it cannot be admitted as evidence. If we use all the coal contained in the earth we still have not "used up" the matter and/or (?) energy released from coal. We have only used it. In so many hundreds, or thousands, of years all earth's coalmines may be empty of coal—enormous rabbit-warrens that may be useful as "funk-holes" from air-raids. It may be a coalless world.

Will that mean that it will be a world where coal-energy (solid sunlight) has been strictly accounted for? It will, obviously. But the point is that it is not the coal we want—it is the energy from coal. And it need not matter to us whether we use a form of solid solar-energy (coal), or some other form. It is to be hoped that science will enable us to use sun-power direct from the sun long before our coalmines have been emptied. I understand that a German inventor has already succeeded in constructing a model electrical engine that gets its power in the form of direct sunlight. Whether this is so or not, there can hardly be a doubt that the time will come when man will be able to use direct solar energy for power. I suppose, when that time comes, our bankers and financiers will have devised some sort of shilling-in-the-slot meter, and will charge us so much per unit of sunlight "used up"? They do so now with gas (which is coal-energy) and with electricity (which is derived from coal-energy or water-power-energy). If we paid only for the energy used in producing gas and electricity—what price gas and electricity? But we are paying not only for energy (the "sweat of our brows") used in production, we are paying a bankers' tax for the use of "something" that costs nothing. In time, *ex nihilo nihil fit* will apply to our empty pockets—but does not, and never can, apply to the unknown source and apparently limitless supply of energy-matter. Here the

only adage that can hold good is "Out of —(?)— comes everything."

The bankers, financiers, and politicians—City and Parliament—never tire of telling us, and themselves, that "You cannot have something for nothing." You must pay for it, even if you cannot.

To find Professor Soddy telling us that we cannot have "something for nothing" seems strange. Having told us that there is no such thing in this world as ever really getting something for nothing, he explains further:—

"So it is with the 'something for nothing' which the issuer of any new issue of any form of credit money cannot help getting, whether the issuer is the State, a bank, or a counterfeiter. It comes from those who give it up to the issuers, and it is owed to them."

I do not think that is an accurate statement of what takes place, but I take it to mean that the issuers get "something for nothing" by creating credit-loans. It is *our* something that they get for nothing. If we had enough sense *we* could get it for nothing. The something is our purchasing-power.

In reality, of course, we want our something, not for nothing, but *for use.*

My point, therefore, is: *that all the Something (real wealth) needed by mankind has come, or is each moment coming, direct from the sun for nothing.*

The sun does not charge us in cash or credit, or any other form of money, for the solar-energy by which we live. So why should we pay the bankers and financiers for "intercepting," and then taxing us in money for Something we could have for the taking?

However, we must listen again to Professor Soddy explaining the common-sense laws of physics:—

"The efforts of perpetual motion fanatics and the like who claim to be able to get something for nothing, as conjurers drawing rabbits out of a hat, invariably leave the world poorer than they find it."

But surely the source of matter and energy, once disclosed by a sufficiently fundamental analysis, will—must—appear to us to be a Perpetual Motion Fanatic, not merely claiming to get, but actually generating, everything from "nothing" (?), and extraordinarily like a conjurer drawing rabbits (and everything else, ourselves included) out of a hat?

One other point: how is it possible to leave the world either "poorer" or "richer" than we find it?

I submit that it is not possible either in theory or practice. And now, of course, I apologise and ask to be forgiven for stepping in where angels certainly might fear to tread.

The Films.

Hindle Wakes.

The silent version of this picture was among the half dozen best English films ever made. The sound and dialogue *réchauffé*, for which the Gaumont-Gainsborough organisation is responsible, will do nothing to enhance the prestige of the contemporary British screen. It lacks the sincerity and grip of the original; the real drama, which is that of the clash of wills between daughter and mother, is under-emphasised, with the result that the moments of highest tension are largely lost; and if the adapter has closely followed the late Stanley Houghton's play, which I have not seen, then the dramatist was a better contriver of plot and situations than a writer of dialogue. That the theme dates does not matter; better direction would have breathed fresh life into it.

As Jenny Hawthorn, Belle Chrystall is disappointing. Not that this newcomer to the screen does not show distinct promise, and she certainly has what the chocolate box darlings of Elstree lack—personality. But comparison with Estelle Brody, who was given the opportunity of a lifetime and seized it with a perfect sureness of touch, as did Mabel Poulton in "The Constant Nymph," is that of planet with star of the second magnitude. Sybil Thorndike, as Mrs. Hawthorn, is too stagey; she has refused, or been unable, to subdue her personality to the part, and despite her noble impersonation of Nurse Cavell in "Dawn," I doubt whether she has yet mastered, or ever will master, certain essentials of cinema technique. Norman McKinnel, in the role of Nat Jeffcote (his part in the silent version) is responsible for the best acting performance, but could have been better directed, and John Stuart, as Alan Jeffcote, might, as usual, have with advantage put more fire into his role. Edmund Gwenn (Chris Hawthorn) increases in mellowness; as Hornblower in the screen version of "The Skin Game," he sandpapered some of the rough edges of the stage Hornblower, and in this film he has shed some more. Mary Clare and A. G. Poulton contribute admirable character studies of Mrs. Jeffcote and Sir Timothy Farrar, respectively, while the selection of Muriel Angelus as Beatrice Farrar again makes me wonder why she ever appears on the screen.

The best features of this film, which was directed and adapted by Victor Saville, are the photography, especially of the cotton mill and Blackpool sequences, for which credit is due to Mutz Greenbaum; the cutting; and a certain economy in the use of the spoken word. But in spite of these characteristics, I find myself unable to endorse the producers' claim that here is "a talking film that inevitably must be regarded as Britain's greatest screen achievement."

Incidentally, I repeat my suggestion that some enterprising exhibitor should revive the silent version. I present this idea to the management of the Academy, which has in the last few months made a name for itself with its policy of revivals.

Mystery Ships.

I extract the following from the *Daily Worker*:

"The Navy is always news. Except when it goes on strike. Then the 'Silent Service' is ringed in by a conspiracy of silence that no cinema news reel organisation dreams of breaking. Here at Invergordon, last week, occurred the most amazing demonstration in the history of the British Navy, yet the various news reel companies dare not touch it. Hot news, but so inflammatory that any capitalist concern that handled it would burn its fingers very badly in the process. So the strike of the Navy had to be frozen out—it's too dangerous to be filmed; too likely to act as an example to all other workers threatened with cuts; too damaging to British capitalist credit in the eyes of the rest of the capitalist world. The most astounding occurrence in British naval history completely ignored by organisations that pride themselves on presenting the most up-to-date and striking items of news. What a commentary this is on the function of capitalist 'news service.'"

This Week's Films.

Academy—"Earth," the Russian epic of the soil that would be worth seeing for the sake of its superb photography alone; and "Tartuffe," one of the German Golden Age films, which is noteworthy for Jannings's most macabre impersonation.

Stoll—"East Lynne," with Ann Harding, and "Hell's Angels," the stupendous spectacular production that incidentally introduced Jean Harlow, "The Platinum Blonde," to the screen. "Hell's Angels" has a cretinesque story, and you will appreciate it more if you arrive twenty minutes late.

Tussaud's—"East Lynne" and "The Easiest Way," the latter with Constance Bennett.

I understand that "Hindle Wakes," reviewed above, is due at the New Gallery in the immediate future.

DAVID OCKHAM.

Social Credit Philosophics.

FREEDOM.

Six years ago, having mixed in Europe and America with individuals of every grade of intelligence, and on every rung of the social ladder, from aristocratic ornaments of society to the goriest toughs that ever congregated in Chicago's State Street saloons, I had formed the reflection that freedom was a myth, that existing economic and social conditions compelled one sooner or later, and in some degree, to adopt a life in which hypocrisy and cant were prominent features. The very factors that in large measure compelled prostitution of the body compelled, too, prostitution of the intellect, of decency, of honour. For mankind in the main, the only alternative to the justification of moral degradation and crawling sycophancy under the banner emblazoned with the words "one must live," was suicide. I was convinced there was no means of escape from these fetters.

And then in 1925 I came across THE NEW AGE. A cursory examination of the Social Credit theory gave me the idea that here at last was a system of economics which promised to provide in its adoption a means of release from the chains which bind the individual so firmly and so cruelly. A subsequent closer study convinced me of the truth of this.

Every discussion of freedom and its promotion is valueless that does not accept as axiomatic the impossibility of securing freedom for the individual in a state where one must earn in a competitive market the means of living. Because of this, under present conditions, the lover of freedom is compelled to live his life in tragic circumstances. Psychologically his position is analogous to that of the unjustly condemned prisoner who beats helplessly against the bars of his jail.

Actually, democracy crushes freedom ruthlessly and without apparent effort. Actually, too, and all unconsciously, the upholder of democracy assists in the burial of individual freedom. He commits intellectual *hara-kiri*. Possibly—one cannot but admit the possibility—he enjoys all this. The success of democracy lies largely in the cheers with which members of society greet the gangrene which afflicts their own mentality. It is as though the ghost of a dead person followed the coffin and cheered lustily as the corpse was lowered into the grave.

The cult of freedom becomes a vanishing cult. The word, as employed to-day, is meaningless. Its use by socialists, communists, et al, merely expresses a wish for a change of tyrrany, real or apparent. There is neither a realisation of, nor an attempt to get at, the root cause. At the other extreme, the Imperialists are too busy singing "Rule Britannia" to realise their mental slavery.

Perhaps, in a way, in the slave state, the unawareness of freedom, or the illusion of being free, which are but two phases of the same thing, is a blessing. One does not cry out for what one has never seen or heard of. To the majority, a suddenly granted intellectual freedom would be as dangerous perhaps as was, after the American Civil War, the unloosening of the chains which bound the negroes in the Southern States.

But to the few the position is an intolerable and a terrible one; all the more so through the fact that, ironically enough, they are chosen to bear democracy's cross. The bulk look upon any who quarrel with the spoon-feeding by those drum-bangers of democracy, the daily newspapers, as mild, uninteresting lunatics.

The cry for freedom—what does it mean, after all? Merely the right to live one's life as one wishes, to engage in the particular futility that pleases one. "I don't agree with a word you say," cried Voltaire, "but I'll fight like hell for your right to say it."

Society wastes talent: it wastes that immensely rare thing, genius. It compels many of its most gifted members, through sheer self-preservation, to expend the bulk of their time, and in many cases all their time, in doing work that others could do just as efficiently. It crucifies genius on the altar of a worn-out financial system.

Revolution does not necessarily mean release from genius. One looks neither to Russia nor to Italy for freedom. All revolutionary systems that have ever been tried have trodden individualism underfoot. The freedom they have offered with much banging and spluttering has been merely an overthrow of established authority in favour of a new dictatorship. It is a freedom only in name. Actually, socialism, fascism, communism propose to do openly and completely what capitalism does vicariously and incompletely. They do not propose to go on putting freedom in chains: they intend to strangle it to death. All this is because they fail to realise that dethroning capitalists and allowing others to jump into the vacancies provided is as childish as knocking down skittles. It is "skittle-alley" psychology.

No system of reform which does not recognise that every member of society has a right to the means of existence irrespective of whether or not his labour is required, can offer to the individual any release from slavery, physical and mental. The Douglas system alone offers such a release.

GEORGE RYLEY SCOTT.

Reviews.

Egyptian Civilisation: Its Sumerian Origin and Real Chronology and Sumerian Origin of Egyptian Hieroglyphs. By L. A. Waddell, Ll.D., C.B., C.I.E., Luzac and Co. 12s. 6d. net.

A mass of detailed evidence, amply illustrated, to prove that civilisation had its origin in Sumeria, and that that of Egypt was really due to Sumerian colonists. Menes, the traditional founder of the First Dynasty of Egypt, is regarded as being none other than King Kuni, the Mesopotamian world emperor whose name (Sha-Kuni) has been arbitrarily Semitised into Sargon the Great; he is also identical with Asa Manja ("Manja the Shooter") of the Indian epic Puranas and with Minos of Crete who gave a name to its rulers and founded the Minoan civilisation. This monarch, who ruled an empire greater than that of Cyrus or Alexander the Great, was, it is stated, killed by a wasp or some other insect (and not by a hippopotamus as has hitherto been supposed) in Atlantic Island—Urani or Erin. The Sumerian characters were used in Egypt and gradually evolved into the Hieroglyphs. The west was civilised from Egypt, the east—India, Indo-China and Oceania of "The Children of the Sun" and America—direct from Sumeria. The Sumerians, a "fair long-headed, broad-browed and blue or grey-eyed Aryan race," and not the dark "Iberians," were thus the originators of civilisation and culture, which, however, are spread by social contact and not by heredity. "Seeing that it is much easier to control social contacts than to change heredities we may derive . . . far better auguries for the future of mankind . . . than can . . . those who look upon certain physical strains . . . as indispensable conditions of human progress."

I. O. E.

"The Economic Consequences Of Power Production." By Fred Henderson. (George Allen and Unwin, Ltd., London. 6s. net.)

Advocates of the Douglas Social Credit Proposals frequently make the mistake of assuming that many more people are acquainted with them than, in fact, is the case. The author of this interesting book is fully aware that the technical problems of producing enough for everyone on a lavish scale have long since been solved, and that it is merely lack of purchasing power which prevents the great majority from satisfying all their needs. And yet, he has, apparently, never heard of the A + B Theorem, nor of the Just Price remedy for this lack of purchasing power. Mr. Henderson—we are told on the cover—sets out to answer the question: "By what adjustments can we adapt the new circumstances so that they shall fulfil their natural purpose of giving us prosperity and enriching our lives?"—and does not even suggest that our monetary system requires any adjustments! In fact, the "automatic" nature of our monetary system is taken for granted and the whole mechanism of distribution is ignored, except for an appreciative reference to "that great human convenience by which, through a common token of value, particular goods can be exchanged for general purchasing power instead of having to be clumsily exchanged for other particular goods in barter." "Private property" is Mr. Henderson's obstacle to human happiness, and, after devoting almost half his book to demonstating the enomous capabilities of modern labour applying power to production, he proceeds to tilt at "ownership"; "master-and-serf structure of society"; "feudalism in ownership"; "differential class distribution" and offers hazy explanations of—"trade depression after trade depression by sheer weight of accumulated goods which cannot be marketed for lack of the purchasing power which a class society necessarily fails to distribute to its serfs and hirelings." The author recognises that purchasing power is distributed during the process of equipping factories and the subsequent production, but completely ignores the cancellation of such purchasing power on its recollection via prices, by the banks. The doctrinaire Socialist is obvious throughout and we are left with his ideal of a Co-operative Commonwealth, with a social control of production without profit. Mr. Henderson has, however, read Foster and Catchings and recognises that one of the causes of the obvious shortage of purchasing power is the reinvestment of savings in more production, rather than in articles for personal consumption. If this author will now extend

his reading to Major Douglas's books and other Social Credit literature and then re-write his book, say, from Chapter X., he may produce a useful work. In the re-writing, the length of some sentences could be re-edited; over one hundred and sixty words without a full stop leave one rather breathless.

T. K.

Cinema: A Record of Thirty Years' Achievement. By C. A. Lejeune. (Alexander Maclehose. 5s.)

Celluloid: The Film To-day. By Paul Rotha. (Longmans, Green. 7s. 6d.)

Both Miss Lejeune, the distinguished film critic of *The Observer*, and Mr. Rotha bring enthusiasm to their authorship. The quality is essential, but attention should be drawn to its existence in view of the fact that so many of our many film critics take no pains to hide their dislike of, or at best their indifference to, the films. Both writers also possess another essential characteristic; they have formulated their own artistic theory of the screen; they know what they want and what they do not want, what they like, and what they dislike, on the screen. Miss Lejeune's book covers the wider field of the two, despite the fact that she has, perhaps wisely, omitted all but the most cursory reference to the British film, on the ground that its contemporary achievement is of no significance to the world. Many of her judgments are extraordinarily acute, as when she says of Anthony Asquith that he has "a cultured uncommunal ideaology that has little contact with the urgencies of the age and too fine a fibre for the method of the machine," and that "it is one of the most curious anomalies of the cinema that Mary Pickford, who has never come to grips with real movie, who has never created a part of first-rate importance, nor contributed anything by her productions to the pioneer development of cinema technique, should be accepted all the world over as a figurehead of the industry, as the first woman, and with Chaplin the foremost representative, of the motion picture screen." And she says with terse emphasis what every critic jealous of the art of the screen should repeat at least once a week, "The human figure has always stood in the way of cinema progress. The silly little affairs of men, their silly civilised gestures, their schooled faces . . . have ocupiecd the camera lens for years past, just as to-day their flat passionless voices are monopolising the microphone. . . . The American movie has never had any use for actors. As soon as a man shows any particular aptitude for film-playing in Hollywood he is schooled and specialised and exploited as a star in embryo; 'typical' parts are built up round him." I should like to quote much more from this most quotable and suggestive little volume, which I recommend to anyone to whom the films represent more than an after-dinner diversion. Mr. Rotha's book is more documented and less personal, although the author's screen reactions emerge clearly enough. Conceived as a sequel to his larger work, "The Film Till Now," the present volume is a survey of promise and performance since the beginning of the talkie era. Unlike Miss Lejeune, he devotes a not inconsiderable space to the British film, his treatment of which will not endear him any the more greatly to Elstree, although some of our producers and directors might prifit by reading his detailed criticism of "Tell England," which fell to the ground between two stools, and is "sweet and gentlemanly." That is another way of saying what Miss Lejeune has said of Anthony Asquith, a director of imagination and a sense of the cinema, who has since "The Ring" always seemed on the point of bringing it off and has never done so, as is also the case with Hitchcock. *Celluloid* is also a book that I recommend to the attention of intelligent "film-fans."

DAVID OCKHAM.

FINANCIAL EVENTS IN ENGLISH HISTORY.

Extracts from the *Political History of England* (by Dyke Ackland and Ransome).

A.D. 1672, *Jan.* 2.—Notice is given that the principal of loans due this year is not to be paid, but only the interest (which amounts to a declaration of national bankruptcy).

A.D. 1694.—The Bank of England is established.

A.D. 1696.—The Bank of England advance to William £200,000. Parliament passes three resolutions to secure the credit of England.

A.D. 1797.—The Bank of England stops cash payments.

A.D. 1834.—New charter granted to the Bank of England.

A.D. 1844.—Mainly owing to a revival of commercial prosperity there is a surplus this year, and further duties are remitted.

A.D. 1844 (*July*).—Sir Robert Peel's Bank Charter Act is passed.

A.D. 1857.—Commercial panic in England. Suspension of Bank Charter Act.

A.D. 1866.—Commercial panic in the City. The Bank Charter Act is suspended.

City and Suburban Souls.

I.

There stands in the Broadway at Barking, set back a pace or two, a curious looking erection. At first sight it looks like an advertisement hoarding on account of certain garish legends that it bears. Second sight it demanded of the onlooker by reason of the shape of its upper contour. Instead of the expected dead straight top, its sky line silhouettes a church! When closely examined, the secret is discovered. It *is* a church, hiding its face—for its light has gone out—behind the announcement in six-foot letters, "*Broadway Amusements, Admission Free.*" A peep behind reveals a Portland stone building of Gothic architecture, belonging to that prosperous period when the Non-Conformist conscience brought forth abundantly, and sowers went forth to sow. It is of the comfortable Congregational order, but the names of the generous donors can no longer be seen on the foundation stones. As a free home of amusement it seems to have had a short life, for the aforesaid legend is superseded by another. "*This important commercial property to be let.*" Enquiry of a local loiterer in the market place opposite, a loiterer who is never certain where to lay his head, elicited the opinion that it would make a good Rowton House, for the district stood in great need of such accommodation, and "nobody knew that better'n ee."

II.

In the Charing Cross Road hangs a plaintive appeal to passers by on a building which looks not like a Church, except at night when a spot light reveals the effect of a previous sale for cash. The appeal departs from the present prevailing fashion in notices outside Churches, for it asks not your silver, your gold, nor your specialised paper, but only your signature. You are requested to accredit the prayer of the clergy against whose desire the holy place is to be liquidated into cash. If you ask the genial priest in charge of the scroll what is the qualification to make the signature valid, you will probably get the reply which was given to the present writer who confessed that he was neither a parishioner nor an Anglican. "You need only be a human being for this purpose," said the priest, whose demeanour clearly breathed sombre sadness at the thought of removing a lighthouse whose lamp was always trim and burning amidst the rocks and shallows that beset the souls around Charing Cross roads.

J. G.

News Notes.

BANKERS BEHIND THE SCENES.—Sir Donald Maclean (Minister of Education, at Newquay, Cornwall): Do not be led away by the story that this was a manufactured crisis and a bankers' manoeuvre. It fell to me to be in hourly touch with those splendid men who are shaping the destinies of the nation at this juncture through that great national institution, the Bank of England. They make no speeches, and very few of you even know their names. They are indifferent to praise or blame, but their one object is the welfare of their country.

CANCELLING OVERDRAFTS.—Arising out of our answer to W. J. H. recently, we have just received from a correspondent particulars of another cancellation of an overdraft exceeding £250,000, which he had been told directly by an official of the bank concerned. The particulars include the exact amount of the overdraft, the name and place of the local bank to whom the overdraft was due, and the name of the town where the debtor-company was located. If our correspondent, who is not connected with banking, and who is in no better position to command such confidences than the average reader of this journal, can get to hear of these things, it is surprising that W. J. H.'s "bank-auditor" friend should be unaware of them. It suggests that bank-auditors are nothing more than tobacconists' window-dressers whose duty it is to arrange the display of boxes and tins without enquiring whether they are full or empty.

"A DOUGLAS SALES EQUATION ACT."—This proposed "Act," which is referred to in our "Notes of the Week" in the current issue, is explained in principle by the Douglas Social Credit Association of Sydney, N.S.W., in a leaflet from which we make the following extracts:—

"We will term wages, salaries, and dividends 'A.' Overhead charges as set out above plus materials we will call 'B.' The consumer receives 'A,' he does not get 'B,' but must get the latter if he is to equate his purchasing power. Major Douglas set out to find a system whereby we can solve this problem, so that the consumer shall always have 'B' placed to his credit to enable him to buy all the goods on the market. Such a system would equate the cost of production and the price of consumption on all goods, making them balance. Mathematicians would call this an equation method. *A Douglas Sales Equation Act* would legislate, firstly that the Clearing House become a Government institution, and that such Clearing House be the only place where bills, cheques, and drafts can be cleared. The right to issue credit will be vested in the Government, not in the hands of the trading banks as at present. The credits required to finance production shall be supplied, not by savings, but by new credits relating to new production, and such credits shall be issued by the Government. The Government could, if it so desired, use the existing trading banks for this purpose. The Treasury would open an account termed the *Sales Subsidy Fund,* which would equal 'B,' i.e., overhead charges, depreciation, bank charges, etc., the amount which forms the portion of prices which the consumer does not receive. This fund would be used to subsidise prices. If wages, salaries, and dividends equal 50 per cent. of the sale price of goods, the Treasurer would issue vouchers which would be attached to retail goods which would be sold at 50 per cent. less than cost price. The voucher would be forwarded to the Treasury, where the retailer would be paid from the Sales Subsidy Fund. This would mean that if a man received wages amounting to £5 per week he would be able to purchase £10 worth of goods, and so on. The plant and machinery in the State would then be able to work to its full capacity, and everyone would participate in the national dividend. It would follow in time that the distribution of cash credits would become less dependent upon employment. That is to say that the dividend shall progressively displace the wage and salary. Hence unemployment and unsold surplus goods would become a tragic absurdity of the past. This Equation Sales Act would replace our present unscientific banking and financial systems, by one based on scientific and mathematical principles, so that the cash credits of the population of the State shall at the moment be collectively equal to the collective cash prices for consumable goods for sale in the State; and such cash credits shall be cancelled on the purchase of the goods for consumption. There is no need to socialise our industries, for they can be utilised and worked scientifically by the Douglas Credit System. The Douglas Credit technicians confidently guarantee that given a few months and the facilities to accomplish their system, every man, woman, and child in Australia can have abundance of the necessaries and luxuries of life without the possibilities of a recurrence of this present scarcity and famine amidst plenty."

THE LONDON CO-OPERATIVE SOCIETY'S "CITIZEN" SERIES OF NEWS-SHEETS.—The current issue of this series, numbered "30" (but, curiously enough, bearing no date) is well worth the attention of Social-Credit students and teachers. Mr. A. V. Alexander, M.P., the late First Lord of the Admiralty, writes an article explaining How The Cabinet Broke, in which he refers to "outside influences" controlling Government policy. He points out, incidentally, that the May Economy Committee was not appointed by the late Government, but "by the House of Commons on a private member's motion." His article is full of interesting information about the discussions leading to the fall of the Labour Administration. Another article, unsigned, bears the title, "Bogy Of Inflation—Why Not Finance Consumption." The writer is driving straight for a system of price-regulation on the principle advocated in these pages. For instance:—

"Assume the Bank of England desires to solve this problem (which it doesn't). This is what it would do. *It would say to the retailers of goods in over-supply: 'Sell your goods at half-price and we will reimburse you the difference.'*" (Author's emphasis.)

He goes on to state that the Bank could "*create*" the money, "crediting the accounts of the retailers exactly as it would give them a loan now: *but there would be no repayment.*" (Our italics.) Again, he says later, if the Bank wanted to assist home production it could say to retailers:

"Your Belgian kettle sells for 4s., and the British kettle at 5s. Let your customers choose between the two kettles both at 4s. We will reimburse you 1s. for every British kettle you sell."

He says that it would be necessary to examine the manufacturer's costings, but "he would not mind this as long as he got the extra business." Lastly, he states that evidence was put before the Macmillan Committee on which the feasibility of the above devices can be demonstrated. "We Can't Afford the City" is the title of another article, which argues the primacy of "industry" over "usury." A short paragraph, headed "Anti-British Money Market," refers to bankers printing tickets for the "market" to gamble with, and the market as often as not "uses them to finance industries abroad to compete with our own." The last sentence runs: "If it is not 'inflation' when bankers create money out of nothing, it is not inflation when the State creates money out of nothing." The *Citizen* is published by the London Co-operative Society's Political Committee, 58, Romney Street, S.W.1. Its price is not stated. As, henceforth, this publication looks like devoting most of its space (as this number does) to finance-economics along the lines above indicated, we need hardly point out the advisability of our readers keeping in touch with it. For those who are not aware of it, *Reynolds's* is the Co-operators' (Sunday) paper.

MR. A. V. ALEXANDER'S WARNING TO AMERICA.—Mr. Alexander, M.P., the late First Lord of the Admiralty, has an article in the *San Francisco Chronicle* of September 13, in which he says, speaking of the fall of the Labour Government: "*I am concerned that United States citizens should understand that there is a grave danger of the working classes in this country believing that the attitude adopted in the United States and elsewhere on the Labour Government's proposals for balancing the budget is largely responsible for ending the Government and for the extra sacrifices they will be called upon to make, whether in unemployment insurance payments or in consequence reductions of already low wages.*

BANK OF ENGLAND'S EUROPEAN POLICY.—The *San Francisco Chronicle* of September 13 contains a long article by Eugene J. Young, describing Mr. Norman's activities. The writer alleges that Mr. Norman's policy was to achieve British Financial Dominance in Austria, and British-American Dominance in Germany. This has now failed, and both countries are at the "mercy of France." The purport of the article is to show that France has "outgeneraled him," and the writer asserts, "as a matter of record," that the French withdrawals from London were made *in order to effect Mr. Norman's retirement,* and that they "did not stop until Norman left the scene." (This looks as if it were *not* the British Government's Budget deficit that caused the run on gold.) Norman, he says, will still be in nominal charge of the Bank, but "it will be interesting to see what his relations will be with the Bank of France; for the latter institution has the whip-hand of its former foe."

LETTERS TO THE EDITOR.

MUSIC: A CORRECTION.

Sir,—In my article of last week there was a criticism of "him of the *Radio Times,*" which ought to have read "him of *The Times,*" as it stood in my manuscript. Will you please call attention to the mistake in your next issue to prevent any misunderstanding?

KAIKHOSRU SORABJI.

SOCIAL CREDIT IN AUSTRALIA.

Sir,—The weekly meetings of the Douglas Social Credit Association held at the Lower Savoy Theatre, Bligh-street, Sydney, each Thursday at 8 p.m., have now become a permanent centre for the State and are attracting large audiences.

We are still holding our meetings each Tuesday, when the technical side of the problem is dealt with and speakers are trained for the work of propaganda.

We receive a large number of requests from associations and other bodies to send speakers to explain the Douglas System, and at present are addressing from six to ten meetings of this sort each week.

Our propaganda is reaching the outer country towns such as Mudgee, Parks, Dubbo, Singleton, etc., and we are receiving a number of inquiries for literature and information.

The branches at Bathurst, Lithgow, Manly, Eastwood, Marrickville, etc., are on the way to do good work. The branch at the Sydney Trades Hall has circulated over 100 unions and associations, and is sending out lecturers to these bodies to explain our proposals.

A Conference is to be held at the Trades Hall on September 5, 1931, at 10.30, and on the following Monday and Tuesday, if necessary, to prepare proposals to submit to the Prime Minister, Mr. Scullin, and the Premiers of the various States. It is proposed that deputations will wait upon these gentlemen requesting that Major Douglas's proposals be put into operation to solve our financial problems. A balance sheet for the year ending June, 1931, for the whole of Australia has been prepared, which shows a credit balance of £800,000,000, which is available as a national dividend. It is proposed that this sum be distributed among the 6½ million people of Australia immediately, which would give immediate purchasing power to set the wheels of industry in motion and prevent the impending collapse.

Three of our members have been giving evidence before the Select Committee of the Legislative Assembly of the N.S.W. Parliament into "The Methods of the Private Trading Banks and the Restriction of Credit." Their evidence lasted three days, and the balance sheet mentioned above was included in same. The evidence outlined how the Douglas proposals could save Australia and remedy the faults of our present banking and financial system.

Mr. McReadie addressed the annual conference of the Agriculturists of N.S.W., which was opened by the Governor, and at which a number of prominent men attended. He did excellent work, the effect of which will be felt through the whole of N.S.W.

At the request of the Social Committee of the Anglican Church of N.S.W. two of our members explained the proposals at the Deanery, St. Andrews Cathedral. Dean Talbot presided. The Professor of Economics of Sydney University, Professor Mills, and the lecturer on Public Administration, Mr. Bland, were present.

One of our members is still giving short lectures over the air every Tuesday at 11 a.m.

The Junior Douglas Social Credit Association hold their educational class at the rooms, 27, Bligh-street, each Monday night. Two short lectures are given, one on World Affairs and the other on Technique of Social Credit. The Juniors are now a very efficient body of young people, who are giving lectures and holding debates. It is extremely interesting to hear the young people state their view of the state of present society and how everything is pointing to the frustration of their lives.

The Juniors have introduced a fine social spirit, and a social and dance are arranged for the evening of the Conference on September 5, so that the delegates may meet socially.

The new executive was elected and constitution adopted in the last week of July, and we hope to be the first to make Douglasism practical politics.

Members look forward to THE NEW AGE, and hope that it will continue its reviews on the Australian situation. *The New Economics* is following the high standard set by THE NEW AGE; each issue is improving on the last.

R. P.

THE TREASURY ON SOCIAL CREDIT.

Sir,—At a dinner at the Hotel Victoria last May, Sir Basil Blackett, addressing the Royal Empire Society, said, "It was absolutely true that a large part of our troubles to-day arose from our unshakeable habit, in which bankers always gave the lead, of thinking in terms of money instead of in terms of the things that money would buy."

Sir Basil Blackett is an ex-Treasury official.

About ten years ago, when THE NEW AGE was under the editorship of Mr. Orage, it stated that there was a Treasury minute to the effect that the Douglas analysis was correct if the banks created credit. But they didn't.

I believe I am not mistaken in thinking that this statement appeared in THE NEW AGE.

Does all this afford any clue to Sir Basil Blackett's mysterious reference to the "very simple device, etc.," as reported in your answer to "J. T.," p. 239, of your issue of September 17?

P. M.

THE WORLD'S GOLD.

Sir,—The ways of the International Banker seem strange, but doubtless there is method in his madness.

Apparently there is a world hunger for gold except in the U.S.A. and in France, in which countries there appears to be too much of it.

But whether a country have gold or not it seems to make no difference to its internal condition of trade and employment; the U.S.A. cannot balance its Budget and has many millions of unemployed, and France appears to be on the edge of a financial crisis, in common with ourselves.

As far as the U.S.A. is concerned, that country deliberately set out to collect this apparently useless gold during and after the war; one must assume that its financiers had some object in so doing, other than that of the miser. For what purpose, then, was this corner in gold brought about? By a process of elimination one's thoughts turn towards the International Bank. This concern functions at present, I believe, without a gold reserve; it is the Bank of International Settlements, and so needs none. But now that war debts have gone, and if it is proposed to continue this bank as a true International Bank it will need gold, more than a half share of the world's holding, to make it the predominant partner, and a use for the U.S.A.'s hoard of sterile gold becomes apparent.

ARTHUR WELFORD.

THE BANKERS' RAMP.

Sir,—Two recent public pronouncements, one by the Prime Minister, Mr. Ramsay MacDonald, the other by the Chancellor of the Exchequer, Mr. Philip Snowden, deserve notice. Both statements are, of course, carefully worded, and in both cases the crucial word of the sentence is identical.

In his preliminary speech to the House on September 8, Mr. MacDonald said, "never in the whole of the negotiations did the banks interfere with *political* proposals."

In a Radio Broadcast talk on September 11 Mr. Snowden said, "Whenever a *political* issue was raised we were told (by the bankers) 'That is your business; we are not politicians, and we leave that to you.'"

The identity of the statements is obvious, and both are carefully calculated to evade a disclosure of the treatment accorded by the money interests to *financial* proposals. My italics.

Incidentally, Mr. Montagu Norman's Canadian "sick leave" seems to have been very appropriately arranged. One of its results appears to have been the leaving of Dr. Sprague "in charge" during the preliminary canter of the political team.

W.

RUSKIN ON BANK RAMPS.

Sir,—The following passage is a footnote in John Ruskin's *Sesame and Lilies.* The italics are Ruskin's.

"It is announced that an arrangement has been concluded between the Ministry of Finance and the Bank of Credit for the payment of the eleven millions which the State has to pay to the National Bank by the 14th inst. This sum will be raised as follows: The eleven commercial members of the committee of the Bank of Credit will each borrow a million of florins for three months of this bank, which will accept their bills, which again will be discounted by the National Bank. By this arrangement *the National Bank will itself furnish the funds with which it will paid.*"

This passage was quoted in 1864 by the *Daily Telegraph* in some connection or other, and I am relying on that fact as authentication. I have not verified it by reference to the book itself.

M. A. P.

"ALTERNATING CURRENCY."

Sir,—The allusion in last week's "Notes" to the "Law of Alternating Currency" is more apt than the writer probably suspected.

The attempt to "polarise," i.e., to "magnetise" a bar of iron by the use of "alternating" instead of "*continuous*" current, simply raises its temperature. You ask the molecules to do what, in the nature of things, they cannot do. Treat a bar of iron properly, with continuous current, and its molecules will unite to exert the maximum magnetic force with the minimum of heat loss, which latter we call "hysterisis."

Under "alternating" treatment the molecules have no sooner begun to turn South than the order is given to turn North; and, in a fraction of a second, South is again demanded, so on until a condition is produced which is neither North nor South, very like your compound "stlarboard." Hence, if a power-engineer *desires* to polarise a body and give it directive force, he supplies "continuous" current. If he desires to pulverise it or simply raise its temperature and does not want a magnet, he supplies "alternating" current. If he knows what he *desires,* but does not know the difference between the two descriptions of current, he has no business to be giving orders.

An iron bar when magnetised by the induction of an adjacent electric current, becomes endowed with the powers which characterise human personality. These are the power of attraction and the power of repulsion. It is important to note that the *power of repulsion only* is the test of polarity. Any piece of ferrous metal will *attract* a magnetic needle, but only a magnet possesses the power to *repel* it. Even a magnet will have its internal economy deranged if the supply current be changed to alternating.

There is no reason to suppose that intellectual energy is exempt from this natural law of polarity, applicable to all other forms of energy. Hence our cerebral coils simply rise in temperature and pressure when "spend-save" is the order which is to be enforced by the legislative powerhouse when it turns on its alternating "juice" in January.

It cannot be denied that a vessel may be propelled by oscillating its own rudder. What can be denied is that a ship can be navigated in two opposite directions simultaneously.

J. GOLDER.

The Social Credit Movement.

Supporters of the Social Credit Movement contend that under present conditions the purchasing power in the hands of the community is chronically insufficient to buy the whole product of industry. This is because the money required to finance capital production, and created by the banks for that purpose, is regarded as borrowed from them, and, therefore, in order that it may be repaid, is charged into the price of consumers' goods. It is a vital fallacy to treat new money thus created by the banks as a repayable loan, without crediting the community, on the strength of whose resources the money was created, with the value of the resulting new capital resources. This has given rise to a defective system of national loan accountancy, resulting in the reduction of the community to a condition of perpetual scarcity, and bringing them face to face with the alternatives of widespread unemployment of men and machines, as at present, or of international complications arising from the struggle for foreign markets.

Published by the Proprietor (ARTHUR BRENTON), 70, High Holborn, London, W.C. (Telephone: Chancery 8470), and printed for him by THE ARGUS PRESS, LIMITED, Temple-avenue and Tudor-street, London, E.C.4.