

THE NEW AGE

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NOTES OF THE WEEK.

Let us commence with the text: "All-round Debt Cancellation."

All-round. "All-round" sows the vague idea of nations forgiving each other's debts in the sense of cancelling cross-indebtedness. But cross-indebtedness cancels itself exactly as commercial contra-accounts do; and what is left to be cancelled is the *net balance* of borrowings or of loans as the case may be. The forgiveness is not reciprocal: it is not "all-round." Some nations (e.g. U.S.A. and Great Britain) will lose, others (probably the rest of the world) will gain by the cancellation.

Debt. Meaning war-debts or "political" debts, as distinct from commercial or "private" debts. There is no technical distinction between the classes of debt or methods of cancellation. There is an arbitrary distinction and it is made and maintained by the banks for political reasons.

The idea behind the selection of war debts for extinction is that this will deprive national creditor Governments of the right to impose policy on national debtor Governments. It would prevent such acts as that of France's occupation of the Ruhr as a guarantee for Reparations. On the other hand it would not prevent such acts as that of the Bank of England's occupation of Australia as a guarantee for bond-interest. It would prevent French generals from *leading French soldiers into German territory*, but would not prevent International Financial generals like Sir Otto Niemeyer entering Australia and *raising an army of occupation inside her territory* from among her people. Military expeditionary forces would lose their job. Civil Guards on the spot would take on the job.

Thus the "New Guard" in Australia, and the "White Guard" in Ireland—both of them "Niemeyer" Guards—bankers' mercenaries in civilian uniform. Bankers do not cut the throats of refractory debtor-communities; they set them cutting each others throats. The de Groot outrage at the opening

of Sydney Bridge was a portent of the civil war which would have been precipitated if the Australian electorate had endorsed a heterodox financial policy and any State or the Federal Government had persistently tried to carry it out. It is significant to note that in Ireland, as we described last week, the bankers, through the mouths of the Opposition, are provoking some Irish de Groot to follow the Sydney precedent. For the bankers' purposes in Ireland it does not matter whether the potential de Groot assaults or assassinates Mr. de Valera or any follower of his, or Mr. Cosgrave or any other of Mr. de Valera's opponents. In either case there would be irresistible provocation to reprisals, while there exist two mutually hostile military formations ready to act upon it. In the case of Mr. Lang, he commanded no military force, so he was an object of contempt to his powerful enemies—which explains why de Groot's demonstration against him stopped short at cutting a tape. If Mr. Lang had commanded a military force he would have been an object of fear, and therefore of hatred; and might have had his throat cut. Even as it was there were dark suggestions before the outrage that he would be tipped off the bridge to feed the sharks. Yet, on the other hand, it would have suited the bankers equally well—which is the same as saying that it might just as easily have happened—that some anti-Lang celebrity was bumped off first. That would have branded Lang as a murderer and his forces as brigands—and then of course the legality of the use of the Federal Army to deal with him would have been established. The bankers, the judges, and the newspapers would have seen to that.

It must be remembered, however, that bankers have an objection in principle to civil war hardly less strong than to international war. For one thing it reverses their policy of disarmament, not to speak of its forcing them to abandon their rules of prudent finance at the instance of military leaders. Politics, for the moment, interferes with credit-policy. Nor does it follow by any means that in a future outbreak the victorious forces (of course the bankers' army) are going to hand their weapons

over to the keepers of the bankers' vaults. It is well to remember that in this country, when the gentlemen-auxiliaries, so to describe them, had fulfilled their task of breaking the General Strike, they quickly turned round and told the railway directorships where they get off directly these bodies evinced a disposition to exploit the victory in a revengeful and sordid spirit. So with Australia or any other country, it is not to be supposed that after an orgy of mutual throat-cutting the combatants on either side would forget that they once fought on the same side (which was the dominant reflection of the "gentlemen strike breakers" just mentioned) and that they were of the same blood as each other and of different blood from Sir Otto Niemeyer. There are twelve thousand students of the Social Credit Analysis in Australia to-day ready to interpret a civil war and to fix the responsibility for it on the real authors. And woe betide those authors if and when the people realise that the death-roll proceeds from a criminally negligent miscalculation of the pay-roll. No; seeing that the bankers must sooner or later own up to the miscalculation (if no worse) it were better for their necks that no blood were on their hands. From this point of view it can be held that Sir Philip Game, by his unprecedented act of dismissing the Lang Ministry, was (though probably unwittingly) virtually earthing lethal lightning through the rod of "unconstitutional" procedure. Strangers kissed in the streets when they heard of it, so the newspapers told. Incipient fear and hatred were dissolved in gloating. Against this background Philip Game would appear to have exhibited the quality of high-political sagacity; but, let him consider—*short-term* sagacity. He has given the people of the Commonwealth breathing-space in which to learn something. But on *what they learn* depends the duration of the respite. For Spaniards kissed each other when the Republic came; and last week, just sixteen months later, they were killing each other. *Absit omen*—which is Latin for: "Let's hope history doesn't repeat itself."

What can they learn? Or what, for that matter, can any people learn? Well, among other things, perhaps the text we began with supplies a useful lead. There is nothing more useful than to investigate a policy before it becomes what is called "practical politics"—a designation which means in practice that the bankers have decided to put it on the list of allowable items of policy from which political parties may build up their programmes. The necessary counter-strategy is to expose such items before any party has had time to adopt them—for, if afterwards, the party adopting them is psychologically resistant to the idea of abandoning them however sound the technical objections to them. It would affront its self-esteem, injure its prestige in the eyes of the electorate, and play into the hands of other parties. Hence independent critics of the items would be regarded with suspicion, as being possibly disguised supporters of the other parties. Those of us who realise the degree of psychological resistance to the Douglas Theorem which has been created in the Socialist Leadership by reason of its formal identification with the policy of administrative control of the means of production will see how desirable it is to prevent if possible any future identifications of this character until the relative programmes, policies, and principles have been dispassionately explored. Even more desirable is it to expose the nature of principles which all parties alike are in danger of absent-mindedly incorporating in policies and translating into programmes.

It is this last consideration which applies to the idea of all-round debt-cancellation. We have al-

ready shown that this is not an all-round forgiveness of debt, but is a forgiveness offered in one quarter for acceptance in other quarters. In this game of "put and take" the Dominions would all be "takers"; so the idea looks good to them on the surface. Father Christmas is coming with his sack, and that is very nice. But does the sack contain only I.O.U.'s for the children to tear up? Or are these I.O.U.'s wrappings round burgling instruments? It is as well to inquire before treating his unopened sack as a passport down the chimney.

The line of inquiry begins with the question of identifying the *people at whose expense* debtor countries are to gain relief, and, when identified, ascertaining their *ability to afford* the sacrifice. Social Credit students know that debt-remission is a costless operation and need not involve any *people* in loss. But in canvassing the subject in the field of contemporary politics—which precludes one's expounding the technique of the Social Credit analysis—one must proceed along the line of inviting the public to apply ordinary business acumen to this generous-looking offer within the conventional framework of reference laid down by eminent economists, bankers, press-magnates and so on. Within this framework the public are bound to accept (when their attention is drawn to it) the postulate that somebody must lose what somebody else gains. No putters, no takers. They will, moreover, recall that when Mr. Lang suspended interest-payments the Federal Government hastened to pay the money instead. They will also recall that when Mr. de Valera suspended annuity payments the British Government did the same thing. In both cases the explicit reason was given by these Governments that they were determined to prevent any loss falling upon the *people* to whom the suspended payments were due. The vilification of both the defaulting Premiers was based on this concept of the inevitability of personal loss—a loss which, if it did not fall on investors, would have to be borne by taxpayers. That is common ground.

The next proposition, which again will find acceptance, is that a loss is a loss irrespective of whether the loser agrees to it or not. In any circumstances whatever a man who parts with half-a-crown for nothing is short by half-a-crown. (Since this truth is not claimed as a discovery by Major Douglas there will be no difficulty in getting eminent economists to back it.) Mr. Hoover and other representative Americans explain their hesitancy about cancellation by reference to what they describe as the difficulty of persuading the American taxpayers to bear the loss accruing from it. That is to say, success in persuading them does not affect the fact or alter the measure of the loss. The same spokesmen do hint that persuasion might be successful if European and other debtor-countries altered their policies—particularly concerning armaments. That is to say, American taxpayers might be persuaded to part with money to buy something. What that something is does not matter in the present framework of reference: it belongs to another, in which we have already discussed it. The point here is: Have they got the money to buy it with?

Taking the United States as the creditor, and let us say Australia as the debtor, and using the token figure of £1,000 to represent the debt to be cancelled, what is the position? At the moment the taxpayers of Australia are due to pay it to certain investors in the U.S.A. Upon cancellation the Australian taxpayers' obligation is transferred to the American taxpayers. Can they afford to pay it? Well, on visible evidence, the answer must be "No." The U.S.A. Budget is unbalanced as it is, and

must assume, in spite of every effort of the revenue authorities to close up the deficit. If one saw the U.S.A. Budget showing a surplus of £1,000, or, if preferred, a surplus of say £50 with the prospect of annual recurrence in perpetuity, the case would be different.

But someone will say: "Could not the U.S.A. Government borrow the money on behalf of the taxpayers?" Well, let us see. From whom? American investing classes? That is to suppose them to possess a margin of money available to lend to the Government. But if so, in view of the deficit in the Budget, this margin ought to be regarded and treated as reserve taxable capacity. Its existence in the hands of these classes in a community of taxpayers skinned (by assumption) to the bone, would show that the Government had overlooked a source of revenue, and would entail on them the duty of tapping it. Budgets must be balanced; and in the emergency of a large deficit the largest shoulders should bear all the burden they can when all smaller shoulders are burdened to capacity. Not until there is no deficit in the National Account should there be a surplus in any private account. That's good, sound, orthodox banking and fiscal doctrine, is it not? Ask the "eminent economists" What then? Well, supposing the American investors' funds were sufficient to complete the balancing of the Budget and leave a large enough margin to finance the cancellation scheme as well, it could be done that way. Otherwise it could not be done without involving a flagrant departure from fundamental and universal principles governing high-financial procedure. The spectacle of the United States incurring a Budget deficit with the object of helping Australia to maintain a balanced Budget would give the world something to think about, and Mr. Lang something to talk about. No; the practice of cancellation must accord with financial precept—or at least must appear to do so.

Now turn to the alternatives. Assume (and it is likely to be a fact) that American investors have no reserve funds of their own. The Government would have to borrow from the Federal Reserve Board, or other banking institutions. Suppose it did. We may point out in parenthesis that its doing so would rather intrigue the U.S. War Veterans, who would see—as they could reasonably consider it—their promised War Bonuses being applied to the relief of "foreigners," including those against whom they had fought. ("Tear-gas for us creditors—palm-oil for them debtors.") But let that pass. The loan-transaction would result, in the first instance, in the creation of a new floating debt owing by the Government to the banks. With the proceeds it could buy out the investors and debit the cost against the taxpayers. But the banks do not allow floating loans to float longer than they can help. The principal must be repaid quickly either out of taxation (which is out of the question) or by the Government's selling the debt to investors in the form of gilt-edged stock. In this event the Government could cut out the borrowers of the principal and simply invite or compel U.S. Government Stock—say "Disarmament Bonds." (It might celebrate future anniversaries of the date of the conversion, as "Interdependence Day.") This transaction lays on the Government the responsibility for raising the interest to pay the stockholders, but would have done nothing to increase the taxable capacity of the population—a capacity which, by assumption, was already exhausted, but which, in any case, would be unable to support a new burden of such dimensions as would be involved in a general scheme of cancellation.

This is as far as we can take the analysis within

our chosen popularly-intelligible framework of reference. It leaves the question unanswered how any creditor Governments can win approval for the remission of external debt, and how—approval apart—it can solve the financial problems arising from it. It should not be difficult to persuade any body of business men that not all the cards are on the table—that either the creditor countries see a way of getting tangible compensation for their ostensible altruism or else that certain interests not dependent on the fortunes of any particular population—i.e. some super-national group—are behind the scheme for purposes of their own. It might be that the two interests coincide in the case of the United States. There is a saying that it is more blessed to give than to receive. But nobody is in business to experience the blessedness of giving without return. So any person or nation had better find out what the return is to be before he accepts gifts.

The conundrum can only be solved by reference to the Social-Credit analysis. At the back of the whole scheme are two facts: (a) that the banking institutions of the world are the ultimate issuers of all loans and therefore the ultimate creditors in respect of all debts; and (b) that the credits they lend cause them no loss on issue, and no gain on return. Regarded collectively their freedom of action is unlimited, and its consequences to themselves immaterial. Regarded severally, e.g., as individual central banks, they are subject to limitations and consequences, but these proceed from rules which they have arbitrarily designed for the protection of their collective monopoly, and to which each of them, for that reason, voluntarily submits itself. Though these rules are held out to be, and in an immediate sense often are, in the interests of the public, they are ultimately in the interests of the credit-monopoly. These interests are mutually irreconcilable, for the reason that the objectives of the monopolists and of the public lie in opposite directions. The public want personal economic security, because thereby they gain freedom to live their own lives in their own way. The credit-monopolists want to impose personal economic insecurity, because thereby they are able to compel the individual to shape his existence according to a pattern of their own design. Let no one scoff at this as fantastic unless he can truthfully say that he has never caught himself laying down rules for regulating somebody else's conduct. Even so, let him look round the political arena. Is not every party programme stuffed full of devices for stopping someone from doing what he wants to, or making him do what he doesn't? Down deep everyone feels: "Life has cheated me." And out of that experience comes the impulse to regard this cheating as the law of life, and to look upon anyone to whom life appears to be giving a fair deal as a law-breaker. "That is like life," says the sententious highbrow; and in every case the ejaculation is evoked by some sordid, harrowing, repulsive or tragic element in human experience. Many of them seem to like life to be like that; and, if they knew it, they are admirable vassers for the credit-monopoly, whose policy is furthered by anyone who persuades people to expect life to be like that.

To resume. It is a fundamental truth that the banker (meaning the credit-monopoly) not only creates the credit for production, but buys, prices, and sells the products. Every day this is more easily verifiable. The capitalist proprietor is extinct. The capitalist director is losing his job to the trained auditor-manager. The Government, in its economic aspect, goes shopping at the bankers' stores on behalf of a public who would prefer to do their own shopping, and could do so in many respects if allowed to. Soldiers and police stand ready to help

the Government screw the bankers' prices out of the public. And throughout society the initiative in every plane of enterprise has passed to the banker, who enjoys the sole rights of ownership over all the products whoever may be the titular owners. (We develop the differentiation between *legal titles* to property and *effective rights* over it in another article elsewhere.) The bearing of this on our context is that if and when cancellation of war debts takes place, it will mean that the bankers, who financed the war on both sides, bought the war, so to speak, and are making the world a present of it. They will be letting the world off paying the cost on condition that the world divests itself of the power to have another war. Notice that the remission of debt applies to a transaction which involved the destruction of physical assets. True it involved construction of war-plant and so on, but most of it has been scrapped and rationalized. So it is true to say that the world has nothing to show for the expenditure. It is simply being let off paying for what it hasn't got and cannot make use of. Now supposing an alternative hypothetical case, that a remission of debt lifted the burden of capital charges on useful assets like railway and power systems, spinning and weaving installations and manufacturing plant of various kinds, so that these charges could be cut out of retail prices without loss to the industrialists, then that would be something to talk about and do something with.

Now this alternative is precisely what we want to get talked about and done something with. Directly there is a firm offer of war-debt remission we would like everybody to be ready to ask for more. The proposition to call a part of the world's debt off in respect of property since vanished, and to leave the rest of the debt unremitting, and embodying bankers' rights of ownership over the world's usable assets, is not good enough. The cost to the bankers of remitting the whole is the same as that of remitting the part—"nowt"! This can be made clear by students of Social Credit. So can the fact that all so-called "owners" of enterprises are in the position of managers under rigid supervision. If any country accepts the offer on the conditions anticipated the supervision will become more restricted still. For example, suppose Australia and Italy (among the rest of the world) to be disarmed, there would be nothing to prevent the bankers, if they thought fit, from substituting Italians for Australians on the sugar plantations. The "owners" could not refuse the change. The men might start a rough house about it, but this would soon be stopped by the police or, if necessary, members of the New Guard or some other *ad hoc* force recruited for the occasion. At present the Federal Government would probably discountenance the proposed immigration in case it became embroiled in diplomatic exchanges with the Italian Government in respect of assaults on Italian subjects, as happened a year or two ago. And popular sentiment in Australia would encourage such assaults on a scale likely to endanger the friendly relations between Australia and Italy—with the risk of war ahead. But in a disarmed world these considerations would be absent, and the whole matter settled by the decision of a bankers' arbitrator.

Notice.

All communications requiring the Editor's attention should be addressed directly to him as follows:

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Renewals of subscriptions and orders for literature should be sent, as usual, to 70, High Holborn.

Property-Titles and Property-Rights.

In the article "The Ultimate Ownership of Property," published last week, it was argued that the ultimate owners are the bankers.

The act of production must precede the act of consumption. Property (of all kinds) must be made before it can be acquired. In a money-economy credit must be spent on production before anybody can get money to buy anything. Credit must begin to circulate before *things* exist. Credit cannot circulate except through the act of the bank in lending it. So, in principle, economic activity begins with bank-loans without security (using the word in its conventional sense). The security appears as the result of the use of the loan, contrary to the prevailing idea that loans have to be based on pre-existing securities.

Apply this principle to the hypothetical case of a bank (representing the banking system), a builder, and a factory. The bank lends the builder £10,000. Let us call him and his workpeople the "community," and consider the community cut off from the rest of the world. They all work, put up the factory, and divide up the money. *Ex hypothesi* they consume nothing. Their money is free to buy the factory at cost—which we will suppose they agree to do. They resolve themselves into a Co-operative Investment Trust, with the builder as chairman-manager. He collects the £10,000 (including his own "wages"). What is the relation of the Trust and the factory to the banker and the £10,000 loan? The Trust, if it repays the banker, acquires the title of ownership. The title potentially belongs to the banker, who actualises it and transfers it. But the banker may agree to convert the £10,000 loan into an investment in the factory. In that case the title of ownership is acquired by the banker, who actualises it and retains it. So much as concerns the legal title to own the factory. But besides the *title* of ownership, which is a matter of form, there is the *right* of ownership, which is a matter of substance. To illustrate: There was a joke in some magazine once concerning Christmas time when Dad brought home a model steam-locomotive for little Jack's stocking. Jack's title of ownership was duly bestowed upon Jack. But thenceforth Jack found that his *right* of ownership in the engine consisted in that of watching Dad play with it.

Similarly with this factory. The Trust, if it repays the banker, acquires the title by surrendering the £10,000—and surrendering it irrevocably. Now, money has been truly defined as a *right of action*, and the exercise of the right depends on the fact that the possession of money is the power of action. So the Trust, in the act of repayment strips itself of its power to use the factory. "I'd world resign to call thee mine," sang the lover of the "Lass of Richmond Hill." That is literally all the Trust and its investors would get by repaying the loan—the title to call the factory theirs.

In the other alternative, where the banker would be the effective user. But that is not so. There are two reasons. The first is that the banker would have acquired the legal right to dictate how the factory was made of the factory, and to decide how the £10,000 should be spent. The second is that he has, in any case, the legal right and the power to create as much credit as he likes. The builder and his fellow investors would be faced with the alternatives of working the factory under the

orders, or of clearing out with their £10,000 and leaving the banker to make his own arrangements. (Within the framework of the example this second alternative would have some measure of practicability, but nothing parallel to it could be done in present-day business life.)

The truths which emerge from this analysis are that the bankers exercise the rights of ownership over industrial property both ways. Inasmuch as they invest, they exercise the rights in the rôle of legal owners; and inasmuch as they get their loans back they exercise the rights in their rôle of chartered moneylenders. In the first instance they embody their commands in administrative orders, and in the second they embody them in their loan-policy. If you pay them back you are left without money, and have to do what they tell you in order to borrow some more. If you do not, your money has to be used under their administrative direction. The "Capitalist" giant and his majestic production-plant is simply little Jack and his little engine. Dad gets all the fun.

"The Government's Credit."

This familiar expression would puzzle most people to explain. In the City they would tell you that rate of interest at which the Government can borrow money is an index of its "credit." Thus if investors first lend to the Government at 5 per cent., and afterwards are willing to lend at 3½ per cent. that signifies, they would say, a rise in the Government's credit. So the "credit" is essentially the *attitude of mind* of the investing classes towards the Government.

But this "attitude" can be either of two kinds, selfish or moral. Thus, while the disposition of investors to lend can reflect their estimate of the risk to themselves of lending, it can alternatively reflect their disinterested approval or disapproval of the Government's policy. For example, if the investors were all teetotallers and pacifists they would be indisposed to finance a wet and warlike Government irrespective of the question of the "safety" of their loans. The Government might have to offer higher interest to induce them to lend; and in that case there would be a decline in the Government's "credit." Although the decline would be expressed in terms of finance, the "credit" itself would be something deeper than Government's financial solvency.

In practice investors as a class do not hold a single collective view on such impersonal questions. They simply seek to secure the best terms they can compatibly with the safety of their money. But they are, as a class, incapable of assessing this safety, and therefore incapable of calculating any particular interest-rate that would reflect any particular degree of safety. Yet such interest-rates are obviously calculated or arrived at by someone or other. By whom, and how? Well; not the Government; for no borrower free to settle the interest-rate would put it up against himself; yet the raising of rates against Governments happens just as frequently as the lowering of them. There is continuous fluctuation in every country, as well as differentiation between rates in different countries. "British credit," as the saying goes, is at present higher than, let us say, "Austrian credit" or "Hungarian credit."

If, then, neither investors in general, nor Governments in general, can calculate, or impose, rates as the case might be, they must proceed from some third

party, and be fixed either at that party's discretion or as the outcome of bargaining between it and the Government. There exists such a third party; and it is a combination of joint-stock banks and insurance companies trustified under the direction of High Finance, whose visible embodiment is the central bank in each country.

Does the central bank dictate terms to the Government, or does it bargain with the Government? Little reflection is needed to show that the Government has no power of bargaining. It is compelled to borrow from the bank, but the bank is not compelled to lend. What is the Government? It is a collection of individuals who receive salaries for lending their names severally to Departmental policies and collectively to National policies. Thus we hear "Mr. Chamberlain's Budget," or the "Government's Conversion Scheme" spoken of in the newspapers. Severally and collectively these gentlemen are incapable of preparing Budgets or Conversion Schemes; they cannot bargain, because, apart from their inability to hold out for terms, they lack technical knowledge, and do not know what terms to hold out for. All the knowledge resides in the Civil Service. The Civil Service is under the direct control of the Treasury. Hence any bargaining powers conceived as belonging to the Government reside in the people in supreme control of the Treasury. These are not the "Lords of the Treasury"—who are merely another set of gentlemen hired to lend their names to Treasury policies which they are incapable of initiating. The people who are in supreme control of the Treasury, and who are technically capable of bargaining with the central bank, are the directors of the central bank! The authority for this statement is the Governor of the Bank of England, who told a Committee of Members of Parliament that the difference between the Treasury and the Bank was simply "the difference between Tweedledum and Tweedledee." Moreover, even without this direct testimony the truth of the statement is a corollary of the doctrine explicitly accepted and declared by high statesmen all over the world—that *credit policy must be free from political interference*. This rules out the very principle of bargaining by a Government. The application of the principle, and the nature of the kind of "bargaining" to which Governments are reduced, were epitomised in the late Sir Edward Holden's famous testimonial to Mr. Lloyd George as Chancellor of the Exchequer during the war: "He did everything we asked him to."

Summing up; the "credit" of a "Government" is primarily its moral character in the opinion of bankers; and only secondarily its financial solvency in the opinion of investors. (For all practical purposes the bankers are the investors, so that the moral and financial opinions are two aspects of a single judgment.) Students of Social Credit will grasp the distinction more readily than others, because they are able to see how a Government, by taking a first step towards commanding its own financial solvency could have its "credit" destroyed by an act of the bankers, whose chief concern is not Government solvency as such, but Government solvency *achieved under their own rules*. The Government may only use *means of solvency controlled by the bankers*; otherwise they will mark it with the visible stigma of insolvency by putting up interest-rates, and in the last resort refusing to lend on any terms.

The curve of the present Government's "credit" rating is ascending steeply. It is the curve of the bankers' smile. There is another steeply-ascending curve, at which nobody is allowed to peep—the suicide-curve. "Beer and Bible" was a popular saying a generation ago. "Bier and Budget" has come to supersede it.

Conversion and Insurance.

In a recent issue of the *Daily Express* the following prices of Stock were quoted:

Converted Stock	97½
Unconverted Stock	101¼

"Very unfortunate," as a bank-manager agreed when a correspondent of ours called his attention to it. Loyalty at a discount and disloyalty at a premium make a pretty spectacle for the cynic.

We caught a glimpse the other day of a headline over a leading article in one of the London financial newspapers. It ran: "Insurance Against Drawings." Presumably it referred to insurance against loss involved by further conversion-schemes. To nine people out of ten this will look a fair deal to offer the public. For they have a sort of notion that the Prime Minister, like little Samuel of old, is awakened from sleep, and says, "Speak, Lord, for thy Servant heareth," whereupon the Lord announces: "Now is the Day of Conversion." Any act of God, of course, is beyond the control of man, and is therefore a proper subject of insurance. The idea never enters these people's heads that the same institutions which would pocket their premiums are able to choose the time and terms of conversion. As we say, we saw only the headline in the paper, so our inference as to the contents of the article may be wrong.

The Scottish Equitable Life Assurance Society, in a circular dated July 23, 1932, points out that holders of Life Assurance Policies have made provisions for capital sums to be payable at death "on the assumption that these capital sums would produce a certain income." (Their italics.) "On the new basis they will produce a much smaller income." How can the deficiency be made good? The answer is by a Conversion scheme applied to Endowment Policies. This is it:—

"An opportunity will be given of increasing the sums insured either by the extension of the term or alteration into Whole of Life Assurances without any increase in annual outlay."

This means that if you are insured for £1,000 payable at the age of fifty-five you can push back the date to the age of say sixty-five, or to the end of your life. Assuming that your provision for £1,000 was made in expectation of its producing you 5 per cent., or £50 per annum, you would now have to make provision for about £1,400 to produce £50 per annum on a 3½ per cent. basis. If you do you are giving an order for a further £300 worth of insurance and binding yourself to pay premiums to cover it commencing at the expiry of the endowment-term. It is a good enough proposition if you expect to die before the new series of premiums begins. In that event the Insurance Croupier pushes you over £400 winnings without raking in any stake from you. The offer, it should be noted, is based on the assumption that the gilt-edged interest-rate of 3½ per cent. is perpetual. Of course the insured individual has to act as if that were so, for he might die while that was the prevailing rate. But nobody can tell what may happen to the rate over the periods contemplated. Suppose it goes up to 5 per cent. again: will the policy holder have the option of reverting to the original term and drawing the smaller capital sum at the earlier date? He might write and find out. Our bet is on the negative. Looking at the scheme comprehensively, and assuming the whole insurance combine to adopt it, the result will be that they will virtually increase their revenue by the collective amount of endowment policies maturing day by day from now onwards. Seeing that a mug is born every minute, a mug reaches the age of fifty-five every minute; so the insurance combine, if every-

body insured, would be better off by the amount of the endowment every minute under the new scheme as against the old. This will tend to have a deflationary effect the degree of which depends upon what use the policy-holder would have made of the endowment had he drawn it. For it is not at all certain that all drawings would be reinvested. However, this discussion is not of practical use to any individual. Life is uncertain; and you must gamble at the odds the insurance companies choose to offer.

The Cost of Credit.

[The following article is an extension of an answer to a correspondent sent last week.—Ed.]

There is no pamphlet explaining how the purchase of War Loan, etc., by a bank "costs it nothing"; (1) The statement derives its validity from, e.g., Mr. McKenna's explanation of how the loans and purchases made by banks create deposits. (2) Using the word "bank" to denote a complete banking system in a closed credit area, the bank can acquire any property it likes by creating the credit with which to buy it. (3) Mr. J. M. Keynes has declared that there is no limit to the amount of credit which the banks (i.e., the central banks of the world) can safely allow to be created provided they all "keep in step." This confirms section "2"—for a banking system in a closed credit-area has only itself to keep in step with!

It should be particularly noted, and emphasised by Social Credit advocates, that the above facts are not "Social-Credit" discoveries. They were known, and taught in banking text-books (e.g. Macleod) before the war.

Major Douglas apprehended them independently during the war; and in that sense re-discovered them; but in our judgment Social Credit advocates will lessen the force of their propaganda if they attribute the credit for the discovery to him, or allow such attribution to pass unchallenged by other people. For it is of the utmost debating-value to be able to state that these "discoveries," which orthodox bankers are now challenging, were once orthodox truisms. Establish that, and then you can proceed to show that those critics who challenge them are impugning the infallibility of the bankers; for if orthodoxy taught errors before the war on this fundamental question of credit-creation, contemporary orthodox teaching relative to the fundamental question of credit-accountancy and costing is just as likely to be found erroneous by orthodox later on.

Having painted this dilemma on your background you can proceed to stage your next argument, which should commence with the proposition that the reversal of the orthodox bankers' attitude to their own discoveries took place, not because Major Douglas re-discovered and popularised them, but because he also realised their practical import and showed vividly of the late Lord Melchett, who, when addressing his fellow Zionists in New York, was full of enthusiasm about the enormous economic potentialities of Palestine, but who, subsequently in the debate in the House of Lords, belittled those potentialities when the late Lord Thompson, in the same debate, had manifested some interest in them.

The possibility of costless credit-creation means of acquiring property and power was an orthodox axiom just so long as the control of it was an unchallenged prerogative of the bankers. The moment that Major Douglas showed how that control could be exercised for the benefit of the public—which was equivalent to showing also why it should be so exercised—the bankers began to turn round and repudiate the validity of the axiom, and thereby, to disparage the value of the control.

"A Liberal Fascisti."

By John Hargrave.

[Being the article entitled "Liberal Fascism," reconsidered and rewritten.]

Having, as he tells me, read the article *Liberal Fascism* (NEW AGE, August 11, 1932) "with interest and admiration," Mr. H. G. Wells has been good enough to send me the full text of his address on *Liberalism and the Revolutionary Spirit*, delivered at the Liberal Summer School, Oxford. Mr. Wells says I quote him twice "in each case incorrectly." With the full text of the address before me, I propose to reconsider and re-write the original criticism.

The quotations contained in the article of August 11 were taken from the report published in the *Observer* of July 31. In order to judge to what extent the *Observer* report differed from the verbatim address, I now set forth extracts from each in parallel columns:—

THE OBSERVER REPORT.

"As a party it is plainly feeble-minded, feeble in thought, feeble in will. It is amazing what it failed to do." ("It" refers to the Labour Party.)

"What is going to happen in this Liberal flutter of the Renaissance? What are you after? Is it the same old story over again—seeking for jobs, brilliant careers, and so forth, or has it really got hold of you far off to your predecessors of the Fabian movement is now an urgent necessity for mankind?"

Mr. Wells told the Liberals what he told the Fabians. He said:—

"To change administrative areas is to change not merely the range, but the nature and quality, of government. It is a revolutionary project, I insisted, that you have in mind, and you cannot avoid the quality of revolution if you are to succeed. But your tendency, I told them (i.e., the Fabians), is a legal one, because you are mostly politicians and civil servants. You are too deferential. You ask established institutions to change, amalgamate, and abolish themselves. You want the voting machine which elects certain types of people to alter itself suddenly so as to elect different types of people. And it cannot be done like that. You are evading the revolutionary part of your work."

So you see Mr. Wells did not suggest (as I suggested he did) that the Liberal Party should feed on Fabianism and live again. He told the Liberals what he told the Fabians twenty-five years ago—that they lack the "quality" of revolution. How it is possible to have the "quality" of revolution without having a revolution is not explained.

To continue the parallel columns:—

"Now is the opportunity for the Liberal giant. If Liberalism had a voice and a backbone, and went out now and proclaimed liberty and liberation from old entanglements, Liberalism could sweep out and conquer the hearts of seven-eighths of mankind."

(Note: It will be seen that, in the verbatim report quoted in the opposite column, Mr. Wells makes it very clear that the "Liberal giant" is just as feeble as the Labour giant—not more so. This was not clear in the digest of Mr. Wells's address published in

VERBATIM REPORT.

"But as a party it is plainly feeble-minded. Feeble in thought and feeble in will. As a party. "It is amazing what it failed to do."

"What is going to happen to this little flutter of Renaissance in Liberalism, here and now? What are you after, my dear audience? Is it the same old story over again? Parliament, jobs, brilliant careers, tinpot electioneering—or has it occurred to you that the World State, which seemed, perhaps, still very far off to your Fabian predecessors twenty-five years ago, is now an urgent necessity for mankind . . . ?" (Mr. Wells's italics.)

Mr. Wells explained to the Summer School that, "in short," he was "asking for Liberal Fascists." He wanted them to be the Western response to Russia.

tangling institutions, and from ignorance—Liberalism could sweep up the conquered hearts of seven-eighths of mankind.

"But the fact is that Liberalism has no voice worth speaking about, and so the call never gets to mankind—and as for a backbone!"

"I am asking that we Liberals shall bring together all our dispersed good intentions and aspirations into an effective phalanx to enforce the stated principles that we hold in common. I am asking for a Liberal Fascisti, for enlightened Nazis; I am proposing that you consider the formation of a greater Communist Party, a Western response to Russia."

" . . . The world is sick of Parliamentary politics."

" . . . If your Liberalism is ever to produce any fruit for mankind, this idea of the creation of a competent receiver is absolutely the central idea."

" . . . The Fascists of Liberalism . . . must prepare, they must set themselves to build up from now onward a competent receiver for all the present disorders of our bankrupt world."

The world was sick of Parliamentary control. They must be prepared to build up from now a competent receiver to deal with our bankrupt world. If Western Liberalism could not rise to organisation on a world scale, it was to Communism that outsiders would have to turn.

Mr. Wells said:—

"And the first movement of this new banded Liberalism, this league of Liberal action, this world renaissance, must be not a return towards the dreary corridors of Westminster, but an advance on the points where activities will be most effective. . . ."

"And do not let me leave you in the slightest doubt as to the scope and ambition of what I am putting before you. These organisations (*Fascism and Communism*) are not merely organisations for the spread of defined opinions; they are not ancillary, not sub-Parliamentary—the days for that sort of amateurism are over—they are organisations to replace the dilatory indecisiveness of Parliamentary control. The world is sick of Parliamentary politics."

"If Western Liberalism cannot rise to organisation and planning on a world scale, then since we must have some comprehensive plan on which we must work, it is to Communism we shall have to turn, we outsiders, that is, the young people with foresight, everybody in the world who still holds to hope and enterprise and is bored—Oh! how bored! by want, anxiety, and danger in the midst of potential peace and plenty."

To revert again to the parallel columns:—

Mr. Wells added that if they could not do something along these lines then "Let us eat and drink and see Oxford for to-morrow, politically speaking, we die."

"If Liberalism cannot produce an adequate effort let us at least face realities. Let us eat, drink, and see Oxford for to-morrow, politically speaking, we die."

Although not absolutely accurate, and although many points were omitted and the sequence jumbled, Mr. Wells's address was fairly correctly reported in *The Observer*.

The full text of the address in no way invalidates my general criticism of Liberal Fascism, but, on the contrary, strengthens it.

I submit that the call for "a Liberal Fascisti" is absurd.

Mr. Wells pointed out that the idea of a "competent receiver" runs as a recurring motif throughout his writings. It appeared first in his *Anticipations* (1900) "as a special class of people called The New Republic who would supply just that coherence of ideas and will, that unorganised democracy cannot give." The same idea cropped up again in the *Modern Utopia* (1904), this time called The New Samurai.

Mr. Wells said:—

"Undeterred by half a lifetime of ineffectiveness, I still keep on turning over that idea and republishing it as a new idea, with very slight variations. Recently I have been presenting it under the name of the *Open Conspiracy*. I shall go on turning over that idea and trying out its possibilities, under fresh labels, until I die. I look to see a militant organisation coming into existence to do for scientific, social, and political Liberalism throughout the world what the Communist Party has done for the Communist idea in Russia."

What Mr. Wells calls a "receiver," I have called an "idea-carrier," or human instrument. The point is that such organised and disciplined groupings cannot be liberal (a) in their methods of internal organisation, or (b) in their external action within, through, and upon the community in which they operate. They must be intolerant, and therefore must always seem to be, and often are, forms of tyranny.

But, as Mr. Wells pointed out at Oxford in his definition of Liberalism, Liberalism objects "to all intolerance, to all those things we associate with the word 'tyranny.'"

Yet, at the same time, he calls for "a Liberal Fascisti," a body of "enlightened Nazis," "a responsible organisation, able to guide and rule the new scale human community that is struggling to exist to-day among the entanglements of the old."

This idea of a *competent receiver*, he explained, "is flatly opposed to those conceptions of parliamentary democracy in which my generation was born and brought up. To grasp it we had mentally to be born again."

It is quite clear that Mr. Wells was calling for a Liberal Fascist-Communist-Nazi organisation standing for the World State against nationalism of any kind.

Unless such an organisation (such a "disciplined sect," as Mr. Wells calls it) were dogmatic, fanatical, and utterly intolerant, not only in its faith in its one objective—the Wellsian World State*—but also in its methods, it could not possibly do what Mr. Wells says it must do: "advance on the points where activities will be most effective," and "replace (Mr. Wells's italics) the dilatory indecisiveness of parliamentary control."

How could a Liberal Fascisti take such action and, at the same time, proclaim its fundamental objection "to all intolerance, to all those things we associate with the word 'tyranny'?"

In the course of his address Mr. Wells said:—

"We have seen the *Fascisti* in Italy and a number of clumsy imitations elsewhere, and we have seen the Russian Communist Party coming into existence to reinforce this idea (the idea of a 'competent receiver'), which was at first nothing more than a deduction from contemporary difficulties. Parallel riddles produced a very remarkable parallelism at certain points between those Samurai (of the *Modern Utopia*) and Lenin's reorganisation of the Communist Movement."

It must, surely, be clear to anyone that the "backbone" both of Fascism in Italy and of Lenin's reorganisation of the Communist Movement in Russia is to be found in the rule of (voluntary) absolute obedience, later enforced by force when those movements came to power.

If Liberalism, its imagination fired by the idea of the World State, could develop such a backbone, it would have to be intolerant—and would at once cease to be Liberalism. If, on the other hand, this "league of Liberal action" failed to show such a

* As regards this objective, Mr. Wells does not appear to acknowledge the fact that we are all under the Invisible Tyranny of the International Financial Fascisti and that this tyranny can only be broken (and a sane world inaugurated) by making a national "break" in the magical ring of the World Credit Monopoly. To be mentally born again as regards the futility of the voting system is a great stride forward. But another rebirth is overdue, in order to grasp the fact that the Credit Combine already rules "on a world scale."

backbone, its action could be no more than mildly educative. Certainly it could not hope to replace parliamentary control.

This idea of a Liberal Fascisti is just as impossible as a Company of Liberal Jesuits. How can there be a Liberal Catholic Church? (There is such a thing—but what a thing!). The call for Liberal Fascism is an attempt to produce tepid boiling hot water. It is like asking for harmless poison gas. It is like trying to carry water in a holed bucket—

"There's a hole in my bucket, dear Liza, dear Liza . . ."

—and the hole is Liberalism, a nice open hole through which the water can flow freely with full liberty of action.

The nearest thing we have ever had to a Liberal Fascisti is the Society of Friends. But, to-day, it is just its Liberalism that makes it unable to come up boldly with and take hold of harsh and intolerant circumstances.

The nature and quality of the Social Credit analysis and proposals open up a different line of action. A line of action that does not jib at intolerance and is frankly intolerant, with an intolerance that springs from a logic-tight sequence of social-economic reasoning. It is a line of action that, once put into operation, cannot become a tyranny—but, on the contrary, must act as a liberator from all forms of tyranny. Moreover, this line of action applied to any one country in the form of economic nationalism leads directly and begins to force its way towards the Social Credit World State—which is the exact opposite of the Bankers' World State.

There can be no tolerance on this point. Mr. Wells is either for the Social Credit World State, or he is—with the bankers—against it and playing, consciously or unconsciously, for the widening, strengthening, and consolidating of the international credit monopoly—the Bankers' World State.

Variations On the Hitler Theme.

By Hilderic Cousens.

I.

In Formal Logic there is an operation known as the Quantification of the Predicate. Readers with a very nodding acquaintance with this arid and formidable subject may be reminded that in the proposition *All brown men are humans, humans* is the predicate, or what is said about the subject *all brown men*. If we quantify this predicate, the proposition will read, *All brown men are some humans*, which will enable us to amuse ourselves, if we wish, by drawing a Euler's diagram in which a circle standing for *Humans* contains a smaller circle standing for *All brown men*. In Politics there is a process which I will call the Stuntification of the Electorate, which results infinitely surpass, chiefly for evil, Sir William Hamilton's invention of quantification. And whereas the latter is designed to assist right reasoning, the former is meant to prevent it.

Not to refer to the many examples in recent English history, I would suggest that the choice in Europe at the moment is Hitlerism. Time when Hitler and Co. seemed about to embark on some useful business, but their present antics constitute a principal attraction in a glorified Donnybrook Fair.

Various sources of information have failed to reveal, at least to me, any coherent idea of what the Nazis want, much less how they propose to get it. Their intellectual and emotional stock-in-trade seems a conglomeration of vague and incompatible sentiments. They collectively cherish so many, that

would be impossible for them all to be nonsense. Now the only mural decoration I clearly remember from my schooldays was a magnificently printed and coloured map of Germany in the middle of the eighteenth century. It showed several score of the kingdoms, principedoms, dukedoms and other sovereign states, precisely partitioned by customs duties and local legal systems, into which the country was then divided. The whole effect was that of a large patchwork quilt with most various sized and variously shaped patches. The Nazi movement, both in membership and "aims," resembles that map. It is a composition of complete confusion, with the items stuck on to the background by negations and hatreds. No two Nazis, I am assured, agree together about anything positive and rarely anything negative, except a hatred of the Communists and the Poles, and even the Communists are supposed to be suborned, inspired and maintained by the Poles. It is the incarnation of the "get together" spirit.

There appears, however, considerable method behind the madness, and as in all precedents, the disciples supply the madness but not the method. There is an enormous anti-capitalist sentiment in Germany, a hankering back to the eighteenth century in fact. This sentiment has been largely swept up by Hitler, and the rest is mostly with the Social Democratic and Communist parties. Now Jews are very largely identified with the control of certain sections of German finance and industry, with exporting trades for example. Nazi anti-capitalism is switched over against Jewry—and so that its effect shall be greater against Jewry without discrimination. For example, many Nazis in the north are violently anti-Catholic, but anti-semitism secures a good deal of support for them from Catholic sections traditionally hostile to Jewry. Then of course Nazi-ism is anti-Communist, and the happy result follows that anti-capitalist sentiment cannot be united, spends its energy warring with itself, and the German capitalists, mostly not engaged in export trades and boasting non-Jewish antecedents, get their money's worth for the financing of Hitler and Co.

(To be continued.)

Political Purge.

Edward Carpenter wrote a book called *Towards Democracy*, and the Labour movement took it to itself and used it as its own *Bhagavad-Gitā*. Yet the ideals of complete individual freedom given forth by Carpenter in rhythmic prose are the exact opposite of, and run entirely counter to, the accepted ideas of Labour-democracy, and can never be attained by the political mechanism of the ballot-box. In fact it is our sham democracy, its social and organisational mechanism and technique, which is defeating the attainment of individual freedom.

C. H. Douglas wrote a book called *Economic Democracy*, and the Labour movement, sunk in the quagmire of democratic action—voting—put it aside as of no use to the workers' cause.

Both Carpenter and Douglas look towards something that does not exist, that has never existed: the aristocracy of the individual. In both cases the use of the word "democracy" is unfortunate, for neither the one nor the other had in mind the type of democracy we know nor anything like it. Inwardly, it is not really any kind of democracy to mean anything at all, means government by the people; a form of government exercised through a system of representation and delegated authority periodically renewed, as in a constitutional representative government, or republic. Both Carpenter

and Douglas point towards the aristocracy of the individual, and both look towards the passing of politics. They look beyond the present notions of government—beyond the idea of the political state: Carpenter towards psychological development, Douglas towards economic security.

This word "democracy" befores the progress of the New Economics. Not only is democracy as we know it defeated, it is not even towards economic democracy that we are driving. It is towards an economic security which will allow the development of individual personality. Such security does not depend upon government by the people. It could be introduced and maintained by a monarchy, by a dictatorship, by a republic, or by a limited monarchy plus representative authority. *Economic security does not depend upon any one form of government; and, once established, places politics in an altogether secondary position.*

But many who have accepted the economic analysis and proposals known as "social credit" have not recognised the implications involved, and have not been able to clear the mind of orthodox democratic and socialistic notions.

Crowd-democracy, the democracy of the ballot-box, such as we know to-day, cannot lead towards the integration of individual personality; but, on the contrary, sinks the individual in the mass.

The committee-system and its voting technique defeats, and is specially designed to defeat, the individual. It defeats not only the individual "will," whatever that may be, swamping it by an average abstract nothing called the "will of the majority," it also defeats the individual need—the biological need for food, warmth, and shelter—keeping the individual sunk in mass poverty under financial control. Committee-ridden democracy is designed to prevent any one individual from standing out from the mass in order to begin to clear up the muddle.

Democracy—so very useful to hidden financial forces—automatically defeats any such hope, because, above all things, democrats fear domination by any strong personality, or by any outstanding intellect.

The moment a democracy says: "Douglas is right," that democracy has been completely dominated by the insight and intellectual clarity of *one man*—and bang goes the clutter-minded notion of "Government by the people," of the "Will of the majority," and all the other futile fantasies.

It is no use saying: "Oh, but in that case the will of the people would be expressing Social Credit, and so the people would have decided in favour of it."

The fact remains that the people would have been absolutely brought under the intellectual domination of the thought-processes of a single individual. The fact also remains that that is exactly what democrats are taught from the cradle to hate like poison. And so we see the abject fear of any one man's discovery being accepted and put into operation.

Democracy (the stalking-horse of the Bankers' Combine) having defeated every individual and pulped all individuals in the pulping mill of its social system, is the most potent weapon to use against Social Credit. In fact there is no need to "use" it—it works automatically.

S. R.

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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.

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

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