THE

NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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NOTES OF THE WEEK.

Two developments during last week need to be recorded. The first was a leading article in the *Evening Standard* suggesting that in view of the relations between Great Britain and Ireland British patriots ought not to buy tickets in the Irish Sweep. The second was a message from *The Times's* Correspondent (published last Saturday) reporting that Mr. Cosgrave had tabled a motion that the Government of the Free State should suspend collection of the Annuities until the dispute about Britain's right to receive them had been settled. There is nothing surprising in either development, both of which we have anticipated and discussed in principle during the past few weeks. The tenant farmers were incited to withhold payments from the start; and this move to give them the legal right to do so is simply an extension of the same policy. And so with subscribers to the Irish Sweep; first there was an attempt to cast doubts on both the popularity and the management of the enterprise, and now that events have ruled these out there comes this attempt to persuade the British public to support some alternative sweepstake on the ground that British hospitals ought to participate in the benefits afforded by the sweep-pools. Both the above policies are part of a larger policy which can be described as "hammering the Free State Budget."

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To apply the phrase of the *Financial Times* in its famous warning to Mr. Lloyd George, we are witnessing the process of the "destruction of the whole fabric of Government finance" visited as a penalty on Mr. de Valera for having attempted to make the laws of the private credit-monopoly, subject to the policy of a representative government. A careful study of the recent reports from *The Times's* Dublin Correspondent reveals hints here and there that the credit-monopoly—masquerading as the National Debt Commission—are willing to do a deal with Mr. de Valera if only he will plead hardship instead of affirming rights. The amount of debt withheld is nothing; it is the question of the principle on which remission is to be based that is the crux of the dispute. The principle which the bankers insist on is that Governmental obligations arising out of borrowing-transactions shall not be varied except by the will of the lenders. This looks fair enough to the majority of people, who believe that these transactions are the same in nature as those between individual lenders and borrowers. But they are not. In a private transaction the lender may impose heavy interest; or a change in the general conditions of trade may increase the burden of the interest (or, of course, may decrease it), but neither lender and borrower can foresee what is going to happen, much less control it. So the element of fixity in a rate of interest is, in a large measure, a sort of joint gamble between lender and borrower on contingent changes in general conditions. The so-called "sanctity" of the contract rests on the principle that you can't fairly call your bet off, or vary your stake, if your guess is wrong. Whichever party did so would not only throw out the calculations of the other, but would impose material loss on him—a loss directly affecting his personal economic security.

* * *

But to suppose this picture of two innocent sportsmen represents the relationship between the credit monopoly and a government is a mistake at every point. When a government borrows from a bank, it is the case of a whole population borrowing from a small section of itself. And what the small section lends to the population is already the property of the population. For it is created credit—and the legal right and technical power of the bankers to create credit in a familiar and usable form must not be allowed to obscure the fact that the ownership of it properly resides in the population, for the conclusive reason that no section of the population can possibly make out an intelligible claim to own it. Every citizen of a country has the same right, as an individual, to create credit as he has to record his vote. In strict theory (i.e., disregarding the mass miseducation of the public at election-times) when you put your cross on the ballot paper you create a piece of political credit—a right to choose a certain policy that you approve of. This right you delegate to a small representative body as a matter of convenience. (You can't have a Parliament of twenty million members.) Since the right to choose a policy is of nothing worth in the absence of the power to carry it out; and since in our present economy that power resides exclusively in financial credit, the right to vote implies the right to create financial credit. The power of action must accompany the right of choice; and the two must proceed from the same source, or at least express the same will.

* * *

In principle every ballot-paper could be, as it were, divided into two sections separated by a perforation; the one bearing the words: "This is my wish," and the other: "Here is the money." In other words a vote, in its financial aspect, is a cheque drawn against the "real" credit of the voter. It is true that voters desire different, and often mutually irreconcilable, things. But just as the votes of the majority are taken to express the will of a constituency, so the whole of the constituency's created credit would be taken as available for financing the majority-policy. In this way, every member returned to Parliament would enter the Chamber ready, not merely to "vote supplies," as the saying is, but ready to pull them out of his pocket as soon as the Chamber decided the purpose of their expenditure. Certain of them would have to say at one time or another when in a minority in the House: "Well, my crowd didn't put up the money for this—they preferred that," but as a financial democratic constitutionalist he would see that his crowd's minority-cash should follow the majority-cash. And so, to round off the picture, you can imagine to yourself the Speaker at the end of the day's proceedings, summoning Mr. Montagu Norman to the Bar of the House, communicating to him the decisions of the House, and handing him the money to distribute, collect and account for in respect of the given policy. A fantastic picture, most people will say. Yet the reason why it appears so is because we have grown accustomed to something more fantastic still. It can best be illustrated by supposing every newly-elected member of Parliament to tear off the voters'-cheque part of the ballot-forms and hand them over unconditionally to the Governor of the Bank of England. All that would remain to him would be the power to compare aspirations with his fellow members in a Chamber of Proposers while the Court of Disposers settled policy elsewhere. When the late Sir Edward Holden, Chairman of the Midland Bank, paid that tribute to Mr. Lloyd George as Chancellor of the Exchequer during the war, "He did everything we asked him to," nobody thought it fantastic, nor will think so to-day. Yet it reflected, and still reflects, the fact that, instead of the Governor at the Bar of the House taking instructions from the Chancellor, you have the Chancellor on the doormat of the Bank Parlour awaiting instructions from the Governor.

* * *

Nobody would suggest that every elector should create credit individually, but this picture of their doing so, and the implications thereof, is important to bear in mind as a background to the debt problem. For example, it is one thing to say that loan-terms shall not be varied except by the will of the lenders, but it is quite another for a particular group of loan-brokers (which is what banks are in one aspect) to put themselves forward as being the lenders, or as entitled to interpret the will of the lenders. In the case of the Irish Annuities the fundamental contractual obligation lies between the Irish farmers and the population of Great Britain. Now, it can be shown that under the rule of the financial technocrats the creditor-population loses as much as it gains by the process of transferring interest or repayments of principal. It is well understood in informed circles that the only way in which a debtor nation can effectively pay a creditor nation is that of robbing it of markets. If the creditor-population were told this and asked for instructions, they would probably decide (presuming the absence of bankers' propaganda) that it did not matter to them what happened to the interest. People who are only allowed to eat on condition of producing things have no use for things produced elsewhere, whose arrival throws them out of employment. For the same reason the people elsewhere would prefer to pay off debts in terms of things if allowed to. The position is much the same as that which caused Bismarck to say that if he ever won another victory over France he would insist on paying an indemnity to her. However that may be, the two principals who have the right to negotiate about the annuity payments are not permitted to meet each other. Instead we have the professional financier insisting that he only has the right to decide these questions.

* * *

Mr. de Valera is not the only party to the controversy whose mind is hypnotised by ancient history. The credit with which the absentee Irish landlords were paid out was new credit created, disbursed and recovered by the banks in this country at the expense of investors or consumers by reason of the inflationary operation of the law of supply and demand. Even supposing that the whole of the Annuity Bonds were now in the hands of private investors (probably 80 per cent. are not) the money equivalent is in the secret reserves of the banking system; it represents illicit cancellations of credit retired many years ago. In physical terms the public paid out the landlords in the sense that the financial operation invisibly imposed a general margin of abstinence from consumption through its dilution of the purchasing-power current at the time. If the bankers' accountancy had been designed to reflect facts, the whole amount of the Annuity Bonds should now appear as a general credit in favour of the community. With this at our disposal additionally to current earnings we should be able to buy Irish produce reflecting annuity payments without lessening our consumption of our own production. If this is too revolutionary a proposition for the bankers to entertain, we can at least insist that they do not billet their bondholders on us a second time. Whatever benefit accrued to Irish farmers by reason of their becoming masters of their own farms was a moral one, not financial. The money was not distributed in Ireland, and therefore could not be collected from the Irish people except as a new tax on their old resources. And however you measure it there is no substance in the idea that because the bankers' granting of the concession to them involved British people in loss, the payments demanded as a condition of it will restore the loss. The British people are only themselves when there's anything to "put"; when there's anything to "take," the "British people" are the banks and insurance combine.

* * *

The whole of the bankers' case for invoking the "sanctity" doctrine rests on an exploded assumption, namely that all credit is private property. Once you grant that you are led on to the conclusion that no credit can be raised except from personal lenders; that, being persons, they are subject to loss of confidence; that if you make them lose confidence they will charge more for interest on their loans, or they will refuse to lend at all; that if they do so economic activity will slacken, or cease altogether. Such is the pragmatic foundation for the moral doctrine that the borrower must stick to his bargain. The truth is that all credit comes into existence by creation, and is public property. It is true that while in circulation it can become private property, but it is not true that a community is dependent for credit on persons who

happen to own credit. The creation precedes, and is the cause of, the ownership—the community creates the potential lender. The nervousness of potential lenders cannot affect the technical power of the community to create credit—new, active credit to fulfil the objects from which the private idle credit is withheld. Any obstacle is political, as when the potential lenders are allowed to get control of the machinery of creation, and to use it as they will. Allow that, and then they can fix their own limit to the creation, and thus engineer the community into dependence on personally owned credits. Otherwise, the community can be the lender to itself in respect of all credit for public purposes, in which case the doctrine: "Don't frighten the lender" becomes meaningless. You can illustrate the position in this way. Take a community of 10 persons in a closed area. Number them from 1 to 10, and let the odd numbers be borrowers. There is, we'll say, a co-operative bank serving them. The banker lends £10 each to Nos. 1, 3, 5, 7, and 9. They buy materials or service from the others. In this way, let us say, Nos. 2, 4, 6, 8, and 10 come into possession of £8 each. Imagine these "evens" to be able to save the £40 up as a deposit in the bank. That need not stop the banker from issuing another £50 to the "odds," assuming that their production was of a kind useful to the community. It is true that there would be no reason for the "odds" to go on producing indefinitely at a £50 rate against a consumption at a £10 rate; but the point is that the non-consumption by the "evens"—the savers—need not stop them if they wanted to go on. And if they did go on long enough to produce a situation in which the accumulated savings of the "evens" came, to, say, ten or twenty times the maximum amount they could possibly spend on themselves in any given production-period supposing they altered their minds and decided to buy something, the "odds" could safely sell their production to themselves at a corresponding fraction "below cost," particularly if they were conscious of the ability to speed up production when necessary. And certainly the co-operative banker would have no difficulty in devising a system of co-operative accounting accordingly.

* * *

But now look and see what would happen under your present-day banker. He would tempt the whole ten people to save by offering them interest (that is the real reason for the interest-system) and then refuse to supply the "odds" with more credit unless and until they had recovered the first £50—which they could only do by getting the saving "evens" to "invest" in the unsold goods the £40 they would not spend for consumption. The latter would want a dividend (whether they got it or not need not be considered) higher than the bank-rate: but ignore this, and say they only want their £40 back, in instalments of some size or other. The eventual outcome of this policy would be the reverse of the other; the abstinence of the "evens" would have become an instrument for imposing abstinence on the "odds" instead of widening their opportunities for increasing their consumption. There would be hardship and resentment on the one side, and disappointment and nervousness on the other, all of them resultants of the unreasonable, arbitrary act of this banker, whom you can then picture gravely wagging his beard over all the trouble and declaring that

"The difficulties are so vast; the forces so unlimited, so novel, and precedents are so lacking, that I approach the whole subject not only in ignorance but in humility. It is too great for me. I am willing to do my best."

Thus Mr. Montagu Norman at the Bankers' Dinner, prefacing this diagnosis and confession with the sentiment: "For most of us, 'One step enough for me.' That is as far as, on the whole, I can see."

It is a pity that he did not quote further from Dr. Newman's famous hymn. We will do so.

Lead, kindly Light, amidst th' encircling gloom;
Lead Thou me on;
The night is dark, and I am far from home,
Lead Thou me on.
Keep Thou my feet; I do not ask to see
The distant scene—one step enough for me.

I was not ever thus, nor prayed that Thou
Should'st lead me on;
I loved to choose and see my path, but now
Lead Thou me on;
I loved the garish day, and spite of fears,
Pride ruled my will: remember not past years.

News Notes.

Mr. Montagu Norman at the Bankers' Dinner last Friday made the curious remark that he hoped they would all meet there again next year. Mr. Finch, President of the State Council of the Social Credit Association (N.S.W.), speaking at the all-Australia Annual Conference, at which a thousand members and delegates were present, declared his belief that that would be the last conference it would be necessary to hold—that within a year Social Credit would be an accomplished fact, and they would be "enjoying economic Christianity for the first time in history."

* * *

Mr. Montagu Norman's declaration of his good intentions reminds one of the saying: "Don't shoot the pianist: he's doing his best." Contrast this attitude with that of Captain Rushworth, M.P., the leader of the Douglas Movement in New Zealand, who has publicly declared that he would undertake to pull round the affairs of that country even if the price of failure was that he would be stood against a wall and shot. This is not the empty bravado of an irresponsible demagogue, for in the first place everybody knows that Captain Rushworth is not that type of man; and in the second, that events may at any time put on him the responsibility of fulfilling his undertaking. In any case he has incidentally touched on one of the major scandals of modern political life, namely the immunity of public men from penalties for failure. Here is Mr. Montagu Norman saying in effect: "I've got you all in the devil of a mess: let's hold a prayer-meeting"

* * *

Mr. Norman's humility need not necessarily be in his heart; it may be on his brief. We fancy—we hope we are wrong—that the intention of the speaker, or of those who inspired the speech, is to sound the keynote of the official anti-Douglas music in all the centres of the world. It is obviously a beautiful get-out for the bankers to be able to say that the critical faculties of man are powerless to explore the mysteries of economic phenomena. Already one Australian paper pronounces Major Douglas's diagnosis "too simple to be true." Professor Copland, also, alluded in Melbourne to his ten-day struggle with the "wretched" A + B Theorem—as if to say that, whether true or not, it was beyond the power of reason to verify, and that to act on it would be a long leap in the dark. ("One step enough for me"!)

* * *

This mystification, unfortunately, looks like being deepened by the increasing numbers of non-Douglas "Social-Credit" publicists who are coming out on the platform. They neither declare for, nor against, him, which suggests that the correct attitude towards his theorem and remedy is that of the "open mind," or "suspended judgment," that people should get together and study the views of all sorts of propounders of theories, comprising those who favour a Douglas-minus-something policy or those who favour a Douglas-plus-something policy. We credit these reformers with the best intentions, but they are playing into the hand of the bankers, who will of course excuse themselves from pronouncing upon any "Social-Credit" policy until the get-together schools agree on what policy to put forward.

"I do not know anything, except it be humility, so valuable in education as accuracy. Direct lies told to the world are as dust in the balance when weighed against the falsehood of inaccuracy; and accuracy can be taught." (Sir Arthur Helps.)

"The great tragedy of science—the slaying of a beautiful hypothesis by an ugly fact." (Huxley.)

Benn On "Providing Employment."

"Expenditure upon reproductive purposes in the shape of new factories, plant, machinery, and equipment for our industries will give perhaps 50 or 100 times the amount of employment which the same money spent upon baths, libraries, or museums would provide." From letter by Ernest J. P. Benn and W. W. Paine published in *The Times* of October 18, on the subject of "Private and Public Spending."

The assumption behind the above proposition is that the provision of employment is the proper end of expenditure; and the proposition itself is that e.g. factories provide more employment than e.g. libraries.

The expression "reproductive purposes" implies that the expenditure is expected to be recovered. The proposition therefore is that factories will recover expenditure more certainly or quickly than will libraries. Quantifying the difference in token figures we get this:

(a) To spend £1,000 on building a library which will afterwards provide employment at a collective rate of £1 per week is less desirable than

(b) To spend £1,000 on building a factory which will afterwards provide employment at a collective rate of £50 per week.

If you convert the £1,000 in each case into terms of annual depreciation charges on a 5-per-cent. basis, and add this to the annual wage bills, the permanent yearly costs involved by the respective expenditures come to

(a) For the library, £50 + £52=£102 per annum, and
(b) For the factory, £50 + £2,600=£2,650 per annum.

Now the expenditure *on constructing* either would provide practically the same amount of employment, and can be ignored for the purpose of comparison. The difference in the employment-provision occurs when you begin to *run* them. But wages for running come from extra funds put up initially by bank loans ultimately recoverable from the community in prices.

So the proposition now is that it is more desirable for the community to put up £2,600 per annum to support a factory than £52 per annum to support a library.

But "more desirable" in what way, and to whom? Certainly so in terms of money, and to those who receive it; but not so in terms of money to those who pay it. On the purely financial aspect of the case, whether it is the factory or the library that is built, the community has to foot the bill for the employment provided—the provision of the employment depends on their doing so. And by whatever sum the wages paid to the employed now exceed the doles previously paid to them, that sum is a new tax on the community, and the financial consequences are exactly the same as if you had raised the dole-rate to the wage-rate and paid it to the unemployed without asking them to work for it. From this point of view the Benn proposition must be reversed: it is more desirable to build the library than the factory.

But there is the physical aspect of the matter. Let us disregard the question whether it is better for people to buy articles than to borrow books. The present question is not what they get for the money charged, but whether they have the money to pay the charge, and if so, how they get it.

Mr. Benn's proposition implies that they would have the money to buy articles from the factory, but not to borrow books from the library—otherwise his distinguishing the factory as "reproductive," implying that the library is non-productive, has no meaning. He must now prove the distinction; for all existing evidence goes to show that the problem of recovering the cost in respect of libraries is the same in respect of factories; and that if the community cannot pay the library's cost of providing books they cannot pay the factory's cost of providing articles. Moreover if you take Mr. Benn's ratio into account he is suggesting that in respect of the spending of £1,000 on the library the community *cannot pay the £102 per annum in full*, but that in respect of the spending of £1,000 on the factory they *can pay £2,650 per annum in full*. This is so manifestly opposed to antecedent probability that it requires to be made good by direct evidence.

Whatever theory about costs and incomes Mr. Benn adopts he contradicts himself. If he says that expenditure on production becomes effective purchasing-power to its total amount in the hands of the community, then he must admit that costs are recoverable no matter what the product is. That is to say, expenditure on anything at all is "reproductive." That admitted, his contention that factories ought to be built *instead of* libraries has nothing to support it. Why not both? And why any limit to the expenditure until every man and machine in the country is at work on the new construction?

If, on the other hand, Mr. Benn says that expenditure only partly becomes purchasing-power, so that there is a given irrecoverable proportion, he has made out a case against expenditure on anything at all, or if on anything, then on such enterprises as cost least money to run, namely those which provide least employment. In the terms of a slogan: "Benn Prefers Libraries."

Germ-Theories and Riots.

The debate in the House last week on the rioting produced the perennial excuse on the part of the defenders of Authority, namely that it was all the work of the Communists who organised it. (*The Times* is cryptic, seeming to hint that Irish Republicanism was mixed up in the affair.) The argument, of course, is that you have a healthy body of unemployed people suddenly attacked by the microbe of "Communitis," and manifesting its characteristic symptoms—attacks on persons and property. They absent-mindedly open their empty, patient mouths, and the microbe flies in. Most plausible, of course; but there is more than one germ-theory of disease. A number of research workers challenge the assumption of the earlier theorists that because certain micro-organisms are found associated with certain sets of symptoms they are the cause of them. Is it not equally possible, they ask, that there is a common cause of both the microbes and the symptoms, namely, a predisposing condition of the body? Some suggest that germs discovered in association with a state of disease never come in from outside, but are in the body all the time—that they live peaceably in their abodes until something causes them discomfort, whereupon they turn out to form a demonstration of protest in the streets of the circulatory system.

This is the true parallel with street-rioting. Anybody would suppose, to hear our bankster apologists talk, that the germ of Communism only flew about at particular times. That is nonsense. If one thing distinguishes the Communist Party from all others it is their incessant employment of their maximum energy. And when, as last week, the alleged results of this activity take a dangerous form, some other factor must be the cause. And it is. The social body has been progressively weakened by under-nourishment and over-anxiety, both products of the bankers' economy-policy. It has declined to a condition no longer tolerable; and the fact that people have behaved as the Communists would like them to is no proof that they so behaved because the Communists have incited them to. Everyone is aware that no Communist had a hand in the Invergordon affair. And to suggest that the Belfast and London affrays would not have taken place without Communist organisation is a lie.

J. G.

An Echo of the Kylsant Case.

[The following article was written fourteen months ago just after the conclusion of the trial of Lord Kylsant at the Central Criminal Court. We held it up because in view of the then pending Appeal we thought it inadvisable to publish comments on the proceedings. We publish them now because they are supplementary to what we said after the hearing of the Appeal, and because though the particular occasion of them is past their present applicability to legal procedure in general is obvious.—ED.]

"*The intent to deceive, in my judgment, necessarily involves a fraudulent intent.*" (Mr. Justice Wright at the Central Criminal Court, July 30, 1931.)

This dictum quoted above ignores the fact that it is often possible to deceive somebody for his own good, or for what is considered to be so. To bring a charge of fraud in such circumstances lays on the prosecution the duty of proving that there were no grounds on which the defendant could have hoped for his deception to turn out for the advantage of the deceived.

The most pregnant remark made at the trial was that of a witness (an accountant) who, in answer to the Attorney General's question whether shareholders did not want something more than their dividends, namely, an assurance of the continuance of their dividends, replied that in industrial finance *no such assurance could be given*. That was to say that investing (at any rate, in common stock) was as much a gamble as betting on horses. So the issue becomes this:—

Had Lord Kylsant any *gambling* chances of pulling the Company round?

Yes. Here are some of them.—

(a) The phenomenon of "*the business cycle*" or "*the trade cycle*" is almost universally accepted as a fact by economists. The measurements differ, but a *ten-year* cycle seems to have the widest support. But no economist can explain why these cycles occur. What they say amounts to pointing out that there is a law of chance which turns the luck of business enterprise at ten-year intervals.

Granting this, then when in 1920-1 the R.M.S.P. Co. began to lose money, Lord Kylsant could reasonably hope that to keep it afloat until 1930-1 would be to launch it in a new sea of opportunity. This he, in fact, attempted, and without spending more than £5 mill. out of £17 mill. reserves.

(b) Lord Kylsant was entitled to take into account the fact that between 1920 and 1930 the bulk of the tramp tonnage of the world was falling into the hands of mortgagees—*mostly banks*—and at such a rate that, according to the Lord Mayor of Newcastle, practically 95 per cent. of it was being nursed at a loss by the mortgagees. Now this nursing would not have been taking place unless the *banks were expecting a rise in freights comparatively soon*—and there was evidence that the banks were going to make a concerted move to lift these rates (and price-levels generally—under a policy described as "*stabilising prices at a higher level*"). It is here submitted that if Lord Kylsant had disclosed losses at the time that they first occurred the R.M.S.P. Co. would have promptly been "reconstructed" *at the expense of the share-holders*, and the reconstructed Company controlled and nursed by the bankers, who would reap the profits accruing from their own "stabilisation" policy. It is therefore submitted that Lord Kylsant's "deception" saved the share-holders from being squeezed out (partly or wholly) from their own property. His real "sin" was his deceiving the banks, and it is most probable (a) that it was they who, through the Treasury (whose policy they control) inspired the bringing of a prosecution, and (b) that they made it a *criminal* prosecution in order to narrow the scope of the evidence and prevent the consideration of such issues as are here reviewed.

The Films.

At the Sign of the Blurb.

The daily post of every film critic contains a mass of publicity matter of which the banality, ineptitude, and general fatuousness must be seen to be believed. Most of it is not seen by the public, and the residue is not published as received, but translated out of the original pigeon English. It may perhaps amuse my readers to see a few originals, which I publish with only one comment; American producing concerns are responsible, and, incredible as it may seem, Wardour Street and Elstree touch even lower depths of inanity, and achieve a snobbishness only possible in the South of England.

Buy British.

One reason for Arliss' popularity was explained to the Regal manager last week when one old lady confessed that ever since she "saw him in 'Disraeli'—such a wonderfully patriotic performance—she had seen all his pictures time and time again, so very English, you know."

The Perfect Spine.

Because she was adjudged by a jury of experts to have the perfect spine, Dorothea Cunningham, a native of Pittsburg, has been given an optional long term contract by Universal. Miss Cunningham entered a perfect figure contest at Los Angeles recently and won it with the title of "The Modern Venus." She is five feet three inches tall, weighs one hundred and eight pounds, has dark blue eyes and brown hair. She will be immediately placed in stock and given an opportunity to play rôles in forthcoming Universal pictures.

The Babes in the Hollywood.

Richard Dix, the famous film star, who startled all his admirers some months ago by suddenly marrying outside the profession, verifies the reports that the stork is expected to pay them a visit.

Dix, whose virile performances have made him one of the screen's greatest romantic heroes, was regarded by Hollywood as a confirmed bachelor, and when he married Miss Winifred Coe, a San Francisco society girl, early this year, the motion picture colony would hardly believe it.

("Virile," if I may be permitted to say so, seems the *mot juste*.)

Did You Know That—

"Jimmy 'Schnozzle' Durante, who spent twenty years in New York traffic, is still afraid to drive fast in an automobile?"

"Buster Keaton is an expert ukulele player?"

"John Gilbert has the straightest back of any player in Hollywood?"

"Jean Hersholt has to carry production stills in his make-up box to keep track of his many characterisations?"

"Wallace Beery has refrigeration in his aeroplane that enables him to bring game fish from the mountains to Hollywood for his home table?"

"Walter Huston rides fifteen miles on a mountain trail each week-end to reach his cabin in the High Sierras?"

"Myrna Loy has the most complete assortment of freckles of any player in Hollywood?"

"Jackie Cooper has twenty-six different kinds of guns in his collection?"

"Wallace Ford got his name from a friend who was killed in a train accident?"

"Ralph Graves is an expert boxer and has participated in amateur bouts?"

"Helen Twelvetrees was once an artist's model in New York?"

DAVID OCKHAM.

NOTICE TO READERS IN WATFORD.

Will any students of Social Credit in Watford or neighbourhood willing to assist in forming a Study Group send their names to Mr. W. Coles, 18, The Crescent, Watford?

Copland and Social Credit.

By D. W. Burbidge, LL.B.

[*The opening reply to Professor Copland's "Facts and Fallacies of Douglas Credit."*]

II.

III.—The True Reading of the Mathematical Formula.

In order that the Professor might be confounded upon his own reasoning, we submitted the mathematical formula to a mathematician, who is neither for nor against the Douglas Proposals, and asked his opinion upon certain points as a matter of pure mathematics.

He stated that, provided that the original equation L + C = D + K is correct, the formula and the conclusion are mathematically correct; but that, if at any time the original equation was not in fact a true equation, then the conclusion arrived at, viz., $\frac{dL}{dt} = \frac{dD}{dt}$, would require to be qualified.

Now the equation L + C = D + K is merely a statement that Loans and Cash should appear on one side of the bank's ledger as Assets, and Deposits and Capital on the other as Liabilities; and that the two sides should balance. But something more than a balancing of figures is requisite in banking practice. It is generally considered necessary that the bank should remain solvent; and this it can do only so long as the amount of Cash held is sufficient to enable that bank to pay cash on demand to all depositors who may reasonably be expected to apply for cash at one and the same time. In other words, the ratio of Cash to Deposits must not be allowed to fall below approximately 1 : 10; that is, for every £ of deposits at immediate call, at least 2/- in ready cash must be held.

It is therefore apparent that the mathematical formula is used by Major Douglas *to prove one thing and one only*; and that is that *so long as the equation L + C = D + K is not only correct, but the ratio between Cash and Deposits is within the limitation set by the liability of a bank to pay in cash if required, any increase or decrease in Loans, while Cash remains constant, will cause an exactly similar increase or decrease in Deposits.*

When Professor Copland stated, as quoted above, that—

> "You get the proposition that the banks may go on issuing loans ad lib., and they will increase their deposits all the time, and so then the community will have plenty of loans, and plenty of deposits and credit, and everybody will be safely in work. Now Major Douglas proves that by the mathematical analysis you have seen."

he was clearly forcing a conclusion which has never been asserted by Major Douglas at any time.

As a matter of pure mathematics, the conclusion that $\frac{dL}{dt} = \frac{dD}{dt}$ can be construed as being authority for the proposition that any increase in loans will cause an equal increase in Deposits; and it might even be true to say that there is nothing in the conclusion $\frac{dL}{dt} = \frac{dD}{dt}$ to suggest that there is any limitation on the *amount* by which loans may be increased or decreased. It is, however, entirely without foundation to state that Major Douglas either declares or implies that under the present system there is no limit to the amount of credit which the banks may issue. Subsequently, in a passage from "Post-War Banking Policy," by the Right Hon. Reginald McKenna, P.C., it will be shown that, in the opinion of that eminent banker, the limitation upon credit issue, in England at least, is more apparent than real.

It is important at this stage to see the precise words which Major Douglas used when first presenting this mathematical proof. They can be found in "Social Credit" at pp. 100-101. He said:—

> "Probably fifteen-sixteenths of the immediately available purchasing power in the world arises out of bank loans or their equivalent in bills discounted. These loans and the purchasing power which they create have no automatic relation to either production or consumption.
>
> "This question has aroused a good deal of controversy, and has been treated at some length in previous volumes. But a short and, I think, conclusive mathematical demonstration is available to dispose of the matter."

Then appears the mathematical proof, followed by these words:—

> "which means, of course, that the rate of increase or *decrease* of loans is equal to the rate of increase *or decrease* of deposits.
>
> "Now this theorem that bank loans create bank deposits, *and the deduction from it that the repayment of bank loans destroys deposits*, is vital to an understanding of the process we have been considering."

We have, for the purpose of emphasis, printed certain words in italic type. This we have done in order to show that it was the intention of Major Douglas, by the use of that mathematical formula, to prove not only that the banks have the power to create credit, *but also that they have the power to destroy it; and it is, in fact, upon the power of the banks to destroy money that the A + B Theorem is largely based.*

Now, in his criticism, Professor Copland stressed the *creation* of money, and skimmed lightly over the question of the *destruction* of money. Therefore, in view of the statement in "Social Credit," which we have just emphasised, we do not see how the Professor can expect to give either a fair or accurate criticism when he neglects so essential a factor in the analysis upon which Major Douglas bases his Proposals.

What is even worse is that Professor Copland, having carefully stressed the fact that the mathematical formula contained an assumption which he was able to demonstrate to be incorrect (i.e., the assumption that Bank Cash is constant), proceeded to draw inferences of a most illogical kind from his demonstration. Having somewhat triumphantly proved that bank cash is not constant, he asserted that the conclusion was based upon an unfounded assumption, and was consequently a false conclusion, *and from that inferred that the converse was true.* (e.g., "I have shown you that you cannot create credit.")

The falsity of this reasoning on the part of the Professor will perhaps be more obvious if we give a parallel case not associated with mathematics. Suppose that, instead of an equation, Major Douglas had made some such statement as:—

> "After a man has attained the age of fifty years, the older he grows the weaker he becomes.
>
> "Mr. X is a man who has attained the age of fifty years.
>
> "Assuming that Mr. X lives until the year 1952; he will then be weaker than he is now."

If he adopted the same line of reasoning, Professor Copland would criticise that statement in the following manner:—

> "The above conclusion is based upon the assumption that Mr. X lives until the year 1952.
>
> "Mr. X has not lived until the year 1952, and it is now only 1932, which I will prove by producing this year's calendar.
>
> "Therefore, since the assumption is unfounded, the conclusion arrived at must be wrong.
>
> "Therefore the converse of that conclusion is true, *and Mr. X is really growing stronger every day.*"

It is, of course, obvious that this last conclusion

amounts to a negation of the truth of the major premiss, and is therefore patently absurd. That is precisely the case with Professor Copland's attack upon the mathematical proof of the creation of money by the banks.

The Professor's rather pointed reference to the use by Major Douglas of an assumption that cash is constant, and his elaborate and unnecessary proof that it is not, clearly indicates that his knowledge of mathematics, and of the calculus in particular, is not wide.

It is, of course, perfectly legitimate to make an assumption, and proceed to form a conclusion based upon that assumption. Then, if that which you have assumed to be constant is in fact variable, and the amount of its variation is ascertainable, your conclusion is not necessarily false, but must be qualified.

With regard to the particular mathematical reasoning under discussion, the following questions were put to a mathematician, and his answers are appended:—

Question 1.—If the assumption that *Cash* is constant is proved to be incorrect, and *Cash* is in fact variable, would that mean that any variation in *Loans* could not in any way affect *Deposits*?

Answer.—No.

Question 2.—Assuming that *Cash* varies, would a variation in *Loans* affect *Deposits*?

Answer.—Yes. A variation in *Loans* would affect *Deposits* by the algebraic sum of the variations of *Loans* and *Cash*.

Now the answers to those questions establish the following facts:—

1. That the fact that Cash varies does not entitle Professor Copland to dismiss the conclusion as being worthless.
2. That if Cash varies and the amount of its variation is definitely ascertainable, *the loans made by the banks in any period will increase the deposits by the exact amount of the loans LESS the decrease in cash, if cash in fact decreases; or PLUS the increase in cash, if cash in fact increases.*
3. That, conversely, *the repayment of bank loans in any period will decrease deposits by the exact amount of the loans repaid LESS the increase in cash, if cash in fact increases; or PLUS the decrease in cash, if cash in fact decreases.*

There are four possible variations of L and C in the equation L + C = D + K. Both L and C may increase. Both L and C may decrease. L may increase while C decreases. L may decrease while C increases.

Example.—Give values to L, C, D and K so that—

L (20) + C (5) = D (15) + K (10).

Assuming that K remains constant at 10, and Loans increase by 6, and Cash increases by 1. Then the equation reads as follows:—

L (26) + C (6) = D (22) + K (10).

Which means that Deposits have increased by 7, which is the sum of the variation of Loans (6) and Cash (1).

PROJECTED SOCIAL CREDIT GROUP.

Will New Age readers in the district of Ashton-under-Lyne (Lancs.) desirous of forming an organisation (objects to be agreed upon) communicate with Arthur Clarke, 149, Cheetham Hill-road, Dukinfield?

Co-operative Societies and Income Tax.

With reference to the setting up by the Chancellor of the Exchequer of a Committee of Enquiry into the taxation of co-operative societies, there is an interesting article by the Rt. Hon. A. V. Alexander in the October number of *The Labour Magazine.* He begins by referring to the popular notion that co-operative societies do not pay Income Tax, or at least are in a preferred position relatively to private enterprises. He then points out that the law on the matter is laid down in the Industrial and Provident Societies Acts, 1867 to 1928, and in the Income Tax Act of 1918. These Statutes provide that no co-operative society registered under the Industrial and Provident Societies Acts shall be assessed to Income Tax under Schedules C and D unless it does *both* of two things:—

(1) Sells to non-members.
(2) Limits its membership.

Mr. Alexander says that private traders have now begun to give up their case for the taxation of co-operative surpluses distributed in the form of dividend on purchases. They have been more or less compelled to accept the views of the Government Committee which reported in 1905, and which stated:—

> "We also think it clearly establishes that the dealings of the society with its own members do not result in anything which can be treated as profit within the meaning of the present Income Tax Acts, or which could in fairness be so treated under any amendments of the law. . . . The suggestions made to us that the dividend constitutes a profit which would properly be taxable rest, we think, on a misapprehension of the nature of the dividend. . . . If the goods were distributed at the exact cost price there would be no dividend and it follows that no question of Income Tax could arise. . . . This dividend is clearly not profit but merely a return to members of sums which they have paid for their own goods in excess of the cost price. . . . We do not think, therefore, that any case for alteration of the Income Tax Law was made out by the traders' associations; certainly none is required in the interests of the revenue."

On many occasions the views of the Government Committee of 1905 have been borne out by Treasury Memoranda as follows:—

> "Industrial and Provident Societies enjoy no real exemption from Income Tax. . . . The exemption is not an exemption from Income Tax on profits. It is merely an exemption from the liability which the Income Tax Acts impose on companies, etc., to account for the Income Tax on behalf of their shareholders. It is, in fact, merely a variation in the machinery of collection, not in the principle of the tax. It is expressly stated *in the law* that the exemption does not relieve a single member of such a society from any assessment to which he would otherwise be liable."

Private trade associations are now concentrating on the idea that co-operative societies should be assessed at the source upon their surpluses, and should be given credit only for the sums they pay in discounts to members, being charged with tax upon all the balance. This, Mr. Alexander points out, would mean that the law would be altered so that co-operative societies would be charged with tax upon sums placed to reserve, and on interest received from investments, and that they would also be charged upon the profits, if any, made upon trade with non-members. He replies that, in the first place, sums placed to reserve by co-operative societies are taken from the general surplus accruing from mutual trading. On this point the Minority Report of the Royal Commission on Income Tax of 1919 held that:—

> "To accept the contention that such contributions from mutual surplus to reserve should be taxed would be to say that whether a surplus is a taxable profit or not is to be decided not upon its origin but upon the use to which it is put."

Co-operative reserves are the result of surpluses on mutual trading, and are regarded as deferred discounts due to members. Company reserves, on the other hand, come out of funds which are clearly taxable profits. Additionally, companies often distribute reserves as bonus shares to avoid super-tax, whereas co-operative societies never do so, but hold them at the disposal of members, frequently using them to maintain or increase discounts.

Co-operative societies save the Inland Revenue a lot of trouble by paying taxes under Schedules A and B in block sums on behalf of their membership. Not only that, but since the majority of their members are below the taxable limit the Government secures a considerable amount of revenue which it would not otherwise get.

The above information is all given by Mr. Alexander in the article mentioned. He points out that Mr. Neville Chamberlain has taken a new step (a) in publicly declaring that co-operative societies are in a privileged position; and (b) in appointing an inquiry into the position of *one section of the community only* under the Income Tax law. Thus the Co-operative Movement is placed in the position of defendent.

Readers will do well to consult this article, and otherwise to reflect upon the arguments relating to the subject, so as to be prepared to take a hand in the controversy which will be stirred up when the Committee of Enquiry issues its Report.

A Lesson in A + B.

INSTRUCTOR.—A factory or other productive organisation has, besides its economic function as a producer of goods, a financial aspect—it may be regarded, on the one hand as a device for the distribution of purchasing power to individuals through the media of wages, salaries, and dividends, and, on the other hand, as a manufactory of prices—financial values. From this standpoint its payments may be divided into two groups. . . .

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

Group B.—All payments made to other organisations. (Raw materials, bank charges, and other external costs.)

Now the rate of flow of purchasing power to individuals is represented by A, but, since all payments go into prices, the rate of flow of prices cannot be less than A + B. . . .

STUDENT.—But, doesn't the creation of a cost by a B payment mean the simultaneous cancellation of a previous price, so that you only carry it forward?

INSTRUCTOR.—Yes, it does cancel a price, but that refers to another factory and another period. We are trying to isolate the behaviour of any one factory in any one period.

STUDENT.—Still, if you count this carrying forward of a price as a new cost, are you not entitled to carry forward at least some portion of the A purchasing power distributed during its creation?

INSTRUCTOR.—No. You see, we assume that industry on the "What-it-will-fetch" principle will have collected all the purchasing power available for consumption.

STUDENT.—In each period?

INSTRUCTOR.—Yes.

STUDENT.—Then why don't you state that in the Theorem?

INSTRUCTOR.—Because, while the Theorem depends upon this assumption, it in turn depends upon the fact that there is a deficiency such as the Theorem sets out to demonstrate.

STUDENT.—So that you are arguing in a circle?

INSTRUCTOR.—The Theorem is not so much a proof of the fact that there is a deficiency, as it is an attempt to show the nature of the deficiency, and how it persists. A. F. W.

Obituary.

DR. WESTRUP.

We regret to learn from Mrs. Westrup of the death of her husband, Dr. Westrup, which occurred on September 22 last, just after his ninety-fourth birthday. Dr. Westrup had been lecturing for the last sixty years on the subject of money and credit, and was often to be seen in Hyde Park up to very recently. During his lifetime he had visited the U.S.A., Cuba, Mexico, and France. We only had speech with him on one occasion some years ago, but several of our readers had come into personal touch with him since. The reason why his name has not been mentioned in THE NEW AGE is that he limited his propaganda to elaborating the proposition that the credit of a nation should be based on the personal initiative and activities of the individuals constituting the population. All our readers will be in perfect agreement with this principle, but they will see that since Dr. Westrup was not interested in any particular method of working it out, while we have been insistent all along on the necessity of *method*, there was no contact between him and THE NEW AGE. At the same time he deserves the thanks of everyone who is working for the adoption of the Social-Credit proposals, because his sixty years of activity must have contributed perceptibly towards the creation of the atmosphere in which we can best do our work. We extend to Mrs. Westrup our sympathy for her in her bereavement, and know that she will find consolation in surveying the present effects which Dr. Westrup's activities in the service of humanity have helped to bring about.

Obiter Scripta.

The Riddle of the Sphinx (American).

Dr. Hjalmar Schacht was the man who on November 12, 1923, became Currency Commissioner of the Reich and gave up his General Managership of the Darmstaedter and National Bank (the one that went smash some time ago) and his other directorships, in order to save Germany from the troubles of inflation. What passes for sound finance having been restored, he wrote a book about his job, published in England in 1927 as *The Stabilisation of the Mark*. Therein (p. 242) we read that "The enormous advantages and the conspicuous prosperity of America are based on the fact that America is a big economic unit with almost all the raw materials on the spot, and with a market of 120 million people hampered by no restrictions or chicaneries or political multiplicities." Dr. Schacht's views on America to-day I do not know, but I have observed a careful silence on the part of all the economist-politicians who used to cite America as the exemplar for all the dodges they recommended to poor misguided Europeans. None of the much lauded merits of American economy have disappeared, but the plight of that country is worse than France's or England's, and possibly worse than Germany's. Disciples of respectable economists should ask their masters to read the riddle. Meanwhile, let the American advisers now in Europe be deported to advise their own people, on the ground that charity should begin at home, particularly pauperising charity.

For the United States is pretty nearly the orthodox economist's paradise. It has enormous resources in man, skill, and material. With its great climatic range, it is to all intents and purposes independent of foreign countries for food. It has swarms of active and far-sighted leaders of industry (now standing at the doors of bankruptcy courts), and economists and bankers and investment and insurance experts as the sands of the shore for numbers. Trade unions are as little obstructive as may reasonably be expected in this wicked world, while child labour, seven-day weeks, and workmen terrorised by private armies of gunmen have enabled "costs of production" to be scaled down as much as circumstances demanded. Its power supply in coal, white-coal, and rock-oil has been more than adequate, and its telephone system enables business enterprise to be pursued with expedition, whether by the mightiest holder of a seat on the New York Stock Exchange or the humblest "go-getter" or "drummer" selling by instalments. Its industries are linked in great "markets," while it has the home population as customers unimpeded by tariffs, and remarkably free from taxes. A complex of stock-and-bond companies have encouraged thrift, while another complex of credit-agencies have financed hire-purchase. Petrol and motor-cars have been astonishingly cheap. Secondary school education is offered at nearly every other corner. Never have so many university students been found in a community. The art of salesmanship, crude and fine, has reached unexampled heights. The people believe in hustle, efficiency, hard work, getting-on, and an American standard of living. Swarms of fraternal societies promote the ideals of service (though I have read denunciations of the American business man as the world's champion loafer). It has had a flexible credit system running on sound principles since the Federal Reserve Board got into its stride, with more than ample foundations of the finest sort—gold ingots—and, last but not least, a fervent belief in "sunshine buttons" and other cute devices for inculcating that optimism and forward outlook so desirable in a modern society. But the upshot cannot be said to be wholly satisfactory.

Limitations of the A + B Theorem.

This is not true of economic affairs regardless of time and space. For example, it does not apply to communities, if any, where money does not exist, and such exchanges of property as take place do so by pure barter. In another class of communities it might be true, but would have only the merest academic interest. These are communities in which there is no saving, no profits, no additions to prices in order to cover risk, no changes of technical process, no alterations in demand owing to changing fashion, no appreciable changes in population, no banks, wherein replacement of plant precisely balances obsolescence, and import and export trading does not vary.

The Noble Army of Back-patters.

On September 27, Mr. P. J. Hannon, M.P., presided, and Viscountess Snowden made a speech, at a luncheon in London to celebrate the B.B.C.'s decision to use only British pianos in their studios. One would like to know (1) how many of the party are wont to deplore the frivolity of working-men who "celebrate" a victory of their favourite foot-

ball-team; (2) how many lament in public or private the sad fact that Lancashire cotton-workers have lately been obstructing an effort to put them on the herring-and-oatmeal standard of living; (3) how many would be better in health if they ate fewer luncheons; and (4) the ratio between the cost of this meal *per caput* and average *per caput* receipts of families on the "dole." HILDERIC COUSENS.

Science a la Carte.

Faith in the infallibility of scientific method is so widespread and tenacious that an attack on it, by anybody outside the recognised scientific movement, would have, to say at least, a cool reception. It is therefore a matter for general congratulation that the book has been undertaken by Professor Levy*, who is professor of mathematics at the Imperial College of Science, and so can speak with the trappings of authority.

Modern scientific thought has moved so fast, and in so many directions; and moreover is so formidably technical, that even the minority which has the *nous* to avoid what may be called encyclopaedic indigestion, has to take largely on trust the interpretations put forward in the name of distinguished scientists.

Professor Levy's book can be recommended without reserve by any criterion, but it is the purpose of this review to indicate briefly the parallel with orthodox economic thought which he discloses in orthodox science, and also the similarity in principle of a valid attack on either. As might be expected, therefore, his main criticism is directed against policy.

In the first chapter he remarks that: "asking sensible questions is no child's pastime. . . . It has taken many generations even to recognise that the frame of a question may determine the kind of picture that will be inserted" and elsewhere he complains that "the current explanations of the meaning of science have invariably assumed that the idealist framework is the only scheme of the universe into which scientific discovery *can be fitted*." (Our italics.)

Modern science in fact speaks to a brief and examines to a brief, while cross-examination receives little or no encouragement, and that situation is clearly a matter of policy.

In subservience to this policy the variations of technique are legion, as may be conjectured, though the particular technique illustrated in the following quotation is certainly unexpected outside of economics.

"'A mental decision to turn right or left,' says Professor Eddington in his Gifford Lectures, 'starts one or two alternative sets of impulses along the nerves to the feet. At some brain centre the course of behaviour of certain atoms or elements of the physical world is *directly determined for them by the mental decision.*' I do not know," says Professor Levy, "where Professor Eddington got these extraordinary facts. I have been unable to trace them in any published record of physiological work, and none of my biological friends seems to have heard of them. I am unwilling to believe that he merely invented this, for I am sure he would strongly deprecate physiologists inventing physical and mathematical evidence merely to bolster up some personal view of their own."

The idealist policy of science is to demonstrate that the Architect of the Universe is a Pure Mathematician. The idealist policy of economics is to set up as Arbiter of the World a Pure Banker, or at any rate a Central Banker. The supreme instrument of economic policy is a financial system so designed as to appear to the uninitiated to be based on "inexorable economic laws," and so protected by every conceivable technique of propaganda and political-legal sanction as to take precedence over any human or physical fact.

What instrument, then, can science employ which can appear to be based on natural laws and yet be twisted by idealists to make a trap for everybody else?

The answer is supplied by Professor Levy in words which cannot fail to commend him to every student of Social Credit.

"By profession and mentality, mathematicians, they have forged a colossal weapon of thought that has tended to obscure the physical basis on which the whole structure rests, and science and the modern world have taken on the appearance of a terrifying mathematical theorem.

"Mathematicians, for example, are demanding a combined space-time with as many as seven dimensions for a full representation of the interaction of two electrons, isolated from the rest of the universe. What kind of a universe will be required to accommodate a simple matchbox can scarcely be imagined! It is not, however, the two electrons that require seven dimensions, but the mathematicians! They are the reality here, and it is their behaviour—that is, their mathematical theory—that is in question. If, in the development of their theories, they make demands on the universe so exorbitant that the experimenter cannot meet these claims, then repudiation may be his only alternative. For in the last resort he is the arbiter."

Mathematics, therefore, demands and receives a fascinating chapter to itself wherein will be found an unexpected tit-bit—a simple, lucid, and indeed almost imperceptible introduction to the principles of the Differential Calculus.

The time element, which is the key to the rate of flow of costs and cash credits, is clearly understood by Professor Levy, and it is to be hoped that he will not forget it when, as all serious persons must, he comes to examine the works of Major Douglas.

This is what he says:—

"A pendulum is set oscillating so that it beats out the same number of strokes between successive appearances of the sun over the horizon . . . thereby dividing Time up into elementary intervals. Time then shows itself merely by the continual registration of the same event between successive larger events. There is only one direction to Time, viz., that in which the number registered increases. To suggest that the direction of Time, or, as Eddington prefers to call it, the arrow of Time, may be uncertain, or is reversible, is to imply that Time is something completely independent of the unfolding process in nature from which the notion has been abstracted."

In spite of the realism of his approach to scientific thought there are, unfortunately, signs that Professor Levy lets himself be bamboozled by the professors of economics. He probably sympathises with their ambition to make money into a "stable yardstick." It would in fact scarcely occur to him to give them this piece of his own mind: "Every scientific instrument must form, *with* the system it is expected to measure, an isolated neutral system" which sounds the knell of money as a measure of value.

And yet he can argue admirably on the question of value. In the last chapter he poses four questions on the yellowness and the beauty of daffodils. We can substitute four questions of a precisely similar nature and watch Professor Levy's brain at work.

Did this boot cost anything to make?
What did this boot cost to make?
Is this boot valuable?
How valuable is this boot?

"We need not be sophisticated scientists to recognise that agreement could probably be reached on the first two points, crudely as they are stated in the scientific sense. As regards the third point, verbal unanimity might even be secured. There might, in fact, be as much unanimity as with the query, Is this daffodil yellow? On the last point, however, we would be completely at sea. How could beauty (value) be measured? The set of numbers I might produce to represent my reactions to beauty (value) would probably appear quite arbitrary to someone else."

As might be expected, he has a good smack at General Smuts, whose whole is greater than the sum of all his parts, but it is likely that he is quite unaware of the antecedent probability that Smuts, and in fact that any political or diplomatic Panjandrum, would be a supporter of holism, which seems to be the bastard of internationalism, or vice versa.

In fact although he urges Science to take stock of itself and realise its own social implications and necessities, he does not appear yet to have applied to economic thought the same mordant and purging cerebration that he displays in his own field.

Let this last quotation bear witness.

"Outwardly (sic) Science has placed in the hands of man, weapons of power and control which, if wielded intelligently, could banish human misery and inaugurate a reign of material and cultural prosperity unprecedented in his history. *It is apparently not to be.*" (Our italics.)

It only remains for one who has been twice ploughed in mathematics to supply the one conclusion to that piece of pessimism that, of all people, Professor Levy should be qualified to reach.

"Which is absurd. Q.E.D." HABBAKUK

*"The Universe of Science." By H. Levy. Watts and Co.

ANOTHER REPLY TO DOUGLAS.

Mr. Ross* is in a tremendous muddle, and is unlikely ever to get out of it. Indeed, it is not one muddle, but dozens of muddles all muddled together. This booklet contains forty-six closely-printed pages of nothing but muddle.

Mr. Ross's argument amounts to this:—

a What somebody else spent yesterday;
b you can spend to-day, and
c what you spend to-day, somebody else can spend to-morrow.

Owing to the fact that Mr. Ross has no time sense whatever, he cannot grasp the fact that:—

a What *you* spent yesterday
b *you* cannot spend to-day and
c what *you* spend to-day, *you* cannot spend to-morrow.

And this is so, not only with you, but also with me.

Mr. Ross is totally unable to understand that you can never live in the moment of time that has just gone (the past), nor in the moment of time that is to be (the future) —but only in this moment *now* (the present). And because of this time sense failure the whole of his arguments are wrong from start to finish.

Here are a few examples of the kinds of muddle Mr. Ross gets himself into:—

" . . . If you cut down prices by a half, it means that you have half the money still in your pocket to spend on other things. . ." (p. 23).

And if you spend half of your money " on other things "—this would result in "the worst form of inflatory evil." (p. 15.)

Mr. Ross says that under Social Credit " the consumers are to be allowed the freedom to spend as they choose. This is one source of our present ills." (p. 17.)

Again:—

" There is no general underconsumption, there is varying underconsumption of thousands of different commodities." (p. 17.)

Again:—

" It must be emphasised that much of the apparent lack of purchasing power to-day is due really to the application of purchasing power to wrong economic uses." (p. 10.)

Mr. Ross finds that people are spending their money " wrongly "—buying the wrong things. This Wrong Spending is found to be—*saving*! He explains:—

" Industry is top-heavy. Saving is pushed too far, and unemployment follows, owing to the failure of consumers' demand." (p. 10.)

A few pages further on, we read:—

" As people generally prefer to use money rather than hold it until some future date, and as in most cases they are compelled to use it to obtain necessities, then they will compete with one another for the limited goods, and drive up prices." (p. 21.)

So people do spend what money they can get—although they might " prefer " not to be " compelled "? Is this immediate spending of money on necessities the application of purchasing power " to wrong economic uses," or is it Right Spending so long as it is to obtain necessities (and not luxuries)? A man could live on bread and water for quite a long time. But note that, although "people generally prefer to use money rather than hold it until some future date," and, indeed, are " in most cases " compelled to use it—saving is pushed too far.

In other words, people:—

a *use* (that is, spend) their purchasing power " wrongly,"
b they *save* too much of it, and
c they generally find themselves compelled to *spend* their money on necessities rather than save it.

Pretty good, isn't it? One wonders what the W.E.A. students of the University of Otago make of this sort of " reasoning "?

Here are two other gems before we close down:—

" . . . No Douglas supporter has declared that to-day there is everything available to meet the demands of everyone. If there were, money would have no meaning." (p. 21.)

" Douglas has been led astray because he forgets that the amount of money in the community gives no idea of purchasing power since the money is used over and over again." (p. 7.)

One penny, used " over and over again " within the community, can be exchanged for one hundred newspapers, each priced at one penny. Therefore, the amount of purchasing power represented by that one metal disc is not one penny—but eight shillings and fourpence! Or is it?

We must leave Mr. Ross and Dr. Fisher to puzzle it out.

J. H.

*" Tickets Without Goods: A Criticism of the Douglas Social Credit Proposals." By Lloyd Ross, Tutor-Organiser W.E.A., University of Otago, with an Introduction by Dr. A. G. B. Fisher, Professor of Economics, University of Otago, Dunedin, New Zealand. (Published by the Author, 46 pp. Price 1s.)

Owt For Nowt.

Mr. Turdle.—The doctrine that anybody should receive something for nothing is most demoralising, sir.

Mr. Nipshot.—Would you say that it was equally demoralising to give nothing for something?

T.—Well, isn't that the same thing, sir?

N.—It can be, old man, but it need not.

T.—Need not? It must be.

N.—I agree that it must be in the case of a single isolated transfer of the something and nothing. Suppose you present me with a shilling at this moment: well, you'll have given me a shilling for nothing and I'll have given you nothing for a shilling.

T.—Quite so: and if in that case, in every case, sir.

N.—Are you sure? Suppose that to-morrow when we meet I give you a shilling for nothing.

T.—But it would be my shilling you'd be returning. But at don't call that ——

N.—Ah, yes, if you hark back to the day before. But the instant you receive the shilling you do get something for nothing, don't you?

T.—Look here, sir, I'm a plain man, and I have no use for dialectical tricks. You are trying to make out that when any debtor repays a creditor he is giving him something for nothing.

N.—But so he is *on the day*.

T.—Never mind about " on the day "—" on the day " has nothing to do with it. The debtor pays back what he has borrowed: he gives something for something.

N.—Something at present for something in the past?

T.—If you will have it so, sir, I agree: but the time has nothing to do with it.

N.—All right, old man, let's leave time out. Now, tell me, suppose you came to my shop and bought something, and I gave you short change, but you didn't notice it. You would have given me something for nothing.

T.—Quite so.

N.—Well, if you afterwards found it out you would demand the something back.

T.—I certainly should. That would be something for something.

N.—And if I demurred on the ground that my restoring it would demoralise you ——?

T.—Demoralise!—What on earth are you talking about? I've never heard ——

N.—Keep cool, old man; I just wanted to make sure.

T.—Well, now you've made sure, what about it?

N.—Oh, just that little point I was making about the distribution of the National Div ——

T.—You can stop there, sir. I'm not going to listen to financial heresies of that sort. All men must earn money by working for it.

N.—But suppose they have to do new jobs to get money due to them for old ones?

T.—I'll suppose no such thing. And I'll tell you that you are demoralising the workers by putting these ideas about back pay into their heads.

N.—Surely not if it can be proved that they have a claim to it?

T.—Yes, sir, even then. Believe me, they are happier as they are. Besides, they were paid according to contract for what they did in the past.

N.—I think I gather what you mean. Something like that notice in shops: " Please examine your change before you leave the pay-desk: no mistakes can be rectified afterwards."

T.—Have it as you like. I'm a busy man. I wish you good morning.

A. B.

THAT DEPARTED SPLENDOUR!

" In the days not long ago, when Mr. Drage (sic!) edited THE NEW AGE, there used to be references in the then splendid paper to . . ." (Our italics.) This occurs in an article by George Brownbill, J.P., on " George Gissing," in *The Millgate* (date not shown on cutting sent to us).

Events of the Week.

(*Compiled by M. A. Phillips.*)

October 15.

Reichsbank warns German Government that mark will fall if quota system insisted upon. Government removes quota.

Communist leaders deported from Belfast. Relief rates raised.

De Valera attacked.

Four Power Disarmament Conference suggested at Geneva—Germany declines.

Wall-street prices rise suddenly.

Sir H. Samuel hints at early General Election.

Railway Union reject wage cuts proposals.

Fry-Cadbury. Chocolate merger.

Riots in Sunderland and Bradford.

Mosley (Fascist)-Communist riot in London.

October 17.

Anglo-Irish negotiations fail.

New York City financial crisis. No more Wall Street loans unless economy enforced.

Alarm over falling British coal exports.

More Nazi-Communist riots in Germany and Austria.

MacDonald's pre-assembly speech. Means Test revision, but little hope for unemployed. " Sacrifice necessary " from all.

October 18.

Parliament re-assembles.

Henderson resigns leadership of Labour Party.

British Government invites Denmark, Sweden, and Norway to tariff talks.

Unemployed Means Test riots and demonstrations in London (Southwark, Stratford, and Westminster).

Russian trade pact. Conditional notice of cessation in six months.

October 19.

Sudden sharp fall in £ from $3.44 to $3.41.

October 20.

£ falls again ($3.39).

Bandit robberies still increasing.

Parliament alarmed over London. Means Test demonstrations and riots.

Prince of Wales to visit Belfast.

New Anti-British tariffs in Free State.

October 21.

Ottawa agreements endorsed by Parliament.

Fall in £ checked—now equals $3.39.

Move to reduce farm wages.

Rail wage cuts. Serious situation. Strike possible.

New Russian trade agreement possible.

THE SOCIAL CREDIT PRESS.

The Leadswinger (4 pp., 1d., postage ½d., from the Wharfdale Press, Wetherby, Yorks), is a broadsheet carrying Social-Credit articles, notices, and advertisement. The first issue bears no date, and presumably the publishers are waiting to see how it goes before issuing it regularly. Students and propagandists—especially those in the north of England—will find it interesting.

A THREE-HORSE ROUNDABOUT.

To-day is published " Hungry England," by A. Fenner Brockway (Gollancz, 2s. 6d.), who gives a plain but heart-rending account of how a large section of the population of Britain is living in dire poverty. On another page we give the second of Mr. Gordon Beckles's articles showing the dreadful plight of people who have suffered under the Means Test. Here Mr. George Lansbury demands that the Churches should do more to apply the *real* teachings of Christ to our present grave problems.—*The Daily Herald*, October 24.

" I'm the only playwright who can dramatise the hopeless misery of the masses—the critics are all agreed on that."

" Are they? How nice—then we shall be able to afford a new car."—*Time and Tide*, October 22.

" With patience, courage, and determination to win through, *we shall* presently begin to *reap that reward which the people* of this country *deserve*."—From a report of the speech delivered by Mr. Neville Chamberlain on October 22, at a luncheon after he had laid the foundation stone of the new £84,000 headquarters of the *Birmingham Municipal Bank*. (The italics are ours.)

LETTERS TO THE EDITOR.

WOMEN BUTCHERS.

Sir,—I have a friend—a very well-informed man—who is a native of Norwich. He tells me that a case was decided in the County Court there some forty years back, in which the two parties were:—

Plaintiff:—A local farmer, who killed and dressed some of his own pigs, with the assistance of his family—in the usual country fashion of the past.

Defendant:—Another farmer, his immediate neighbour, who had a " silo " on his ground, for the preservation of hay to feed his stock in winter.

The plaintiff alleged that " sour smells " from the defendant's silo caused some of his dressed pork to become tainted. In the course of the case the defendant's counsel adduced evidence that the plaintiff's daughter was regularly engaged in the " pickling " of the pork. He went on to assert that —whatever the state of this woman's health—she ***unintermittently continued*** to carry on her duties, which entailed handling the raw meat. My informant states that the plaintiff was non-suited on the evidence adduced by the defending counsel.

E. A. D.

[R. R.'s article has had a lively effect all round. Here are opinions from various contributors and readers—none of them solicited.

1. Whole subject " repellent to all women."
2. " Amusing . . . but, of course, all nonsense."
3. Publication " bad for ' THE NEW AGE.' "
4. " More of this sort of thing will sell your paper."
5. " Very interesting . . . I believe it's true."
6. " I have heard of the same belief . . . "
7. " My wife and myself enjoy R. R.'s articles."

Additionally, remarks have cropped up in conversations covering such references as these: (1) The modern machine-age woman handling C3 meat thawed out after freezing is a different proposition from the natural woman and fresh meat to which R. R.'s " legend " related. (2) The proneness of the modern woman to resent reminders of her physiological " disabilities " apropos of men—" no difference between the sexes " and things of that sort—acute sex-consciousness the sign of a cerebral, and perhaps physical, hermaphrodite—the " Herbert-girl " sighing round the well of loneliness! (3) Jewish hygiene in the Old Testament—" purification " of women at certain periods—rigid rules for slaughtering and for the preparation of meat. (4) Menstrual periodicity on the moon-rhythm (related to the septiform periodicity of gestation in female mammals generally)—the effect of moonlight on fresh-caught fish is to taint it—almost instantly so in, e.g., the South Pacific, where the reaction is accompanied by the release of iodine. (5) R. R.'s statement practically unverifiable, but not necessarily " nonsense "—if the rule prohibiting women from handling meat was in force thirty years ago, no one could then show what would have happened if they *had* handled meat. One would have to go back to the time when the rule was first thought necessary. (6) As to the question of the " offensive " nature of the subject, it is a curious thing that there are plenty of people who look at it that way and yet who will contentedly wallow in the pornographic writing of the psycho-analysts.

(7) R. R. himself adds these statements: (a) " The ray (what we know as skate) is the one fish which has organs of generation like human and other animals. The female has her ' periods ' just like them. 'Twas always a strict rule among us folk down home that if you caught one in that condition you must throw it back in the sea. The reason is that the flesh is tainted. I'll guarantee that if you should happen to be cooking a bit of such fish in your kitchen and I am passing your front door I'll know what is the matter in an instant. It gives off a smell almost exactly like chloride of lime. (b) When we used to come across mackerel shoals swimming in the moonlight, we never attempted to catch them. They'd all ' turn.' (c) A friend of mine and his wife used to breed pigs near Norwich. When they first started, and the first pigs were slaughtered, his wife was cutting one of them up for the salting-tub. Her neighbour's wife, who knew at the time that she was in a certain condition, came in purposely to stop her handling the pork. They took out the pork already handled, and did away with it; and the visitor finished the job herself. She said that you could see finger-prints left on the meat when the woman handling it " wasn't well."—ED.]

" The man of science has learned to believe in justification, not by faith, but by verification." (Huxley.)

" The use of physical science is that it gives definite ideas." (Sir Humphrey Davy.)

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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