

THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

No. 2175] NEW SERIES Vol. LV. No. 3. THURSDAY, MAY 17, 1934. [Registered at the G.P.O. as a Newspaper.] SEVENPENCE.

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NOTES OF THE WEEK.

New Zealand and Trade Reciprocity.

Readers will remember the boast made by Mr. Benjamin Anderson, the American banker, about how undesirable proposals in the legislature could be sidetracked and defeated by the device of what he called "passing the buck." He illustrated this by the remark that on frequent occasions Congress had passed measures only because it knew beforehand that the Senate would reject them. Australia exhibited an improvement on this device when the New South Wales Legislative Council passed the Legislative Assembly's Bill to abolish the Council, having first got assurances that their action would be pronounced invalid by the Courts. Last week another variant of the same device was unveiled during the debate in the House of Commons on what was called New Zealand's "offer" of trade-reciprocity. And on the following day, namely May 8, *The Times* presented its readers with a close-up view of its pattern. This was an article entitled "The New Zealand Tariff," contributed by "Our New Zealand Correspondent." In the first paragraph he says:

"The New Zealand Government certainly sought the British Government's view on a quota-tariff bargain, but the inquiry was made *only to obtain an effective answer* to those who are demanding that such a bargain be made." (Our italics.)

The "effective answer" was given; and the debate in the Commons was about whether that answer ought to have been given. Sir Herbert Samuel led for those who said no, and Mr. J. H. Thomas replied for the Government who said yes. In the concluding part of his speech he said:

"... the New Zealand offer was not taken by the Government as an offer, because they knew perfectly well that no New Zealand Government could entertain the proposition for two minutes." (*The Times*, May 8, Parliamentary report, p. 9, col. 1.)

The Times's Correspondent quotes Mr. Forbes, the Prime

Minister of New Zealand, to the same effect. Mr. Forbes has recently stated:

"The cable we sent makes it perfectly clear that there was no offer to lower tariffs." "... as the statements [that an offer had been made] still persisted we sent a cable in order to obtain a public statement from the British Government."

Accepting this as true, which it appears to be, it ought to have been within the knowledge of Sir Herbert Samuel, and ought to have restrained him from wasting the time of the House in discussing what would have been the advantages to this country if the Government had accepted the "offer," and prevented certain sections of the British Press from raising an agitation about the "snub" to New Zealand.

* * *

If the British Government "knew perfectly well that no New Zealand Government could entertain the proposition," surely the New Zealand Government knew it too, and presumably knew the reasons why. In that case Mr. Forbes and his colleagues should have accepted the responsibility of making those reasons known to the public in that Dominion. If, for example, as has since been argued, the Ottawa Agreement and the World Economic Conference really had tied the hands of both Governments, that could have been explained by Mr. Forbes to his constituents, who were chiefly concerned with the matter. Why drag this country in to fulfil a function which was properly his own as leader of a representative Government?

* * *

The writer of the article in *The Times* hints at the reason. He refers to the fact that the New Zealand farmers, when faced with the necessity of cutting down exports of primary products to Britain in accordance with the Ottawa quota arrangement, sought to avoid this by suggesting that New Zealand should drastically reduce her tariffs on British manufactures in return for Britain's removing the quota-restrictions on New Zealand's exports to this country. Then he proceeds:

"This submission quickly became a demand which was embarrassing to a Government largely dependent on rural support." (Our italics.)

Apparently, then, Mr. Forbes got rid of the embarrassment by exporting it. Surely he could have produced

reasons plausible enough to weigh with the public if only on the question of the internal complications which would follow the dumping of British manufactures into New Zealand. He might have raised the moral objection to a proposal for saving one section of the community at the sacrifice of the other. We can see that he might have encountered some embarrassment arising from the comparison of the respective sizes, etc., of the two sections, but the democratic principle of counting heads is nowhere driven to the fantastic length of denying all rights to minorities. "Minorities must suffer," as Augustine Birrell once remarked; but not to that extent. In any case, the balancing of country and town interests in New Zealand is the function of the New Zealand Government, and if the fulfilment of it is attended with embarrassments, well, that is one of the responsibilities that they undertake by accepting office. Passing the buck to London was a dereliction of duty. If the cable of inquiry had not been calculated to raise the hopes of the farmers how could it serve to embarrass the Government? As it was, the inquiry did, in form, reopen a question which had been closed—namely whether quotas and tariffs were related or distinct matters of British policy. The official answer is that they are distinct, and that the distinction is so clearly made that nobody ought to have been in any doubt about it. If there is any snub to New Zealand it lies here, and affects Mr. Forbes's personal intelligence rather than New Zealand's formal gesture of reciprocity.

* * *

On a realistic analysis tariffs and quotas are one and the same thing. In practice tariffs create quotas, and quotas are discriminative tariffs. An indiscriminate all-in prohibitive tariff round any country would impose a quota on all the others—scaling their exports down to nothing.

New Zealand's Home Market.

Mr. A. E. Mander, the general secretary of the New Zealand Manufacturers' Association, contributed an article in the *Otago Daily Times* of March 19. He did not put the views over on behalf of the Association; they were his own; nevertheless they evoked a leading article in the same number of the journal. Mr. Mander has got hold of some good ideas, but gives no clue to how he would implement them on the financial side. He sees that manufacturers will be driven back on the home market, and proposes that they should ascertain the quantitative need of consumers and then plan quantitative production accordingly. So far so good. But he thinks it necessary to shut out imports of articles which could be made at home in sufficient quantity to meet needs. He does not think that this would reduce imports in their totality, because what were shut out in their finished form would be made good by extra imports of raw materials, etc., required for the extra home production.

* * *

He is here confusing things with money—quantities with price-values. You can, of course, reduce your imports of, say, pins, and increase your imports of, say, wire-drawing machines, but it makes all the difference whether you import just sufficient machines (a) to make the pins or (b) to offset the value of the pins you have stopped importing. If you do the latter you load yourself up with superfluous machines. If the former, you reduce the totality of imports, representing an increase in spending power of £9,000,000, some of which could be used to import "luxuries" and other things that New Zealand was not making. As to where the money is to come from he says that

"it should be one of the functions of the Government (or Economic Council or Reserve Bank) to ensure that there was always sufficient purchasing power in the hands of the public to purchase the goods and services produced and imported."

He artlessly adds:

"This does not imply acceptance of the Douglas, or any other theory of deficient purchasing power. It merely throws on some definite authority the responsibility for ensuring that there is sufficient." But what need is there to ensure a sufficiency if there is no danger of insufficiency? Mr. Mander has got to assume some theory of deficient purchasing power, whether or not he assumes that the cause of it is ultimate, inherent and perpetual, or immediate, casual and intermittent. He will discover, if he goes into the matter, that everything commonly reckoned to be a cause of deficiency is the consequence of a cause; and of a chain of causes behind it leading back to the master-cause, the flaw in the costing-system.

* * *

The writer of the leading article referred to steers clear of this phase of the problem, although Mr. Mander has left open opportunities for technical criticism, and instead, objects on political grounds. The proposal would constitute a breach of the Ottawa Agreement, which

"envisaged the Empire as an economic unit with as much interchange as possible of goods produced under economic conditions and with the elimination of waste and loss due to the existence of uneconomic industries."

He refers also to the wider implications of international trade

"and the necessity for restoring it through the removal of obstacles to the normal interchange of commodities. . . ."

Here is the old doctrine that nations live by taking in each other's exports—that exchange is the same thing as absorption—swapping as swallowing. The first can be the means to the second, but only when the two parties to the exchange, or the two parties on whose behalf the exchange is made (i.e., populations) own the things they part with in the sense that they possess money in their own right equivalent to the price registering the exchange. If you have a penny bun in your custody which you mustn't eat because you would owe a penny for it if you did, and you haven't got a penny; what good do you do for yourself by exchanging it for a penny orange with another party in the same position? Your orange is just as inaccessible as your bun was. Well, that is what foreign trading is to-day—the exchange of inaccessible products. Accessibility is now known to be a matter of accountancy. If the accountancy principle is right, no people can have a collective deficiency of spending power respecting the things which nature has put into their country. They may be deficient of other things which nature has withheld; but this is not a problem at all, although the bankers pretend that it is. Taking the bun and orange analogy, if one country can produce buns which it can do without, and another oranges similarly, and both do so, the exchange is easy provided that each country needs the other's surplus to fill its own deficiency. The exchange of the two surpluses cures the two deficiencies, and the result is that, in one country the oranges are consumed in addition to the buns, and, in the other, the buns in addition to the oranges. The exchange has increased the rate of consumption on both sides.

* * *

That is the physical position (non-monetary) wherein each country can gain access to something it needs from the other simply by making something more than it needs. Accessibility is resident in the things exchanged. But under our monetary system the only means of access to anything resides in money; and money, although a measure of accessibility, is a fluctuating measure unrelated to the things which are or can be made accessible, and governed by the policy and practices of International Financial Monopoly. The Money Monopolists not only control production (as to both character and quantity), but also regulate its accessibility to consumers.

The first they accomplish directly by their loan-policies, and the second they accomplish indirectly by imposing on producers a system of costing which automatically reduces the ratio of collective income to collective price below unity. It should be added that under this dual-control the greater the production the higher its index of inaccessibility expressed by the ratio.

* * *

Mr. Mander makes one remark which shows clear vision: it is where he would make the New Zealand Government responsible for distributing enough spending power to buy the imported goods. This will be seen, from our analysis, to involve the distribution of enough spending power to buy the exported goods. If all home production is made accessible to the people, any quantity of foreign production which they want to substitute for their own will be accessible without any additional measures. It would not matter if things were imported that were being made at home, or could be. The objection that "industry" would suffer, is simply a phrase. Industry, in this sense, simply means consumers at work; and industrial prosperity does not depend upon how hard they work or how many of them do so, it depends upon the accessibility in the shops of what they make in the factories or on the farms. As for "idle" consumers, they are no problem provided that what can be made and rendered accessible is sufficient to cover the needs of consumers generally. That assured, then to deny them access to goods because they are not working, is the same thing as denying them jobs because they are not eating. There is a definite average limit to what the average person can eat and drink, and wherewithal be clothed and sheltered. If there are a million of them, and you call the average ten units, the whole point is whether ten million units of wealth can be made accessible. If so the question of how many of them work in producing the things is trivial. What would it matter if only one person worked, and earned enough money to satisfy his need to the point of satiety? What he left would satiate all the others; and it would be no injury to him if they shared his leavings.

* * *

All this is self-evident in theory, but will be looked on as visionary in regard to practice. At the moment incredulity is partly justified and partly not. It is justified, not because there is any technical difficulty in implementing this idea, but because there is an enormous political difficulty in overcoming the resistance of the Money Monopolists who object to this implementation. If this be made clear to the public—as it can—then anyone who indiscriminately charges Social-Credit advocates with being visionaries is really affirming the proposition that the frown of a tiny group of bankers can turn the projects of whole populations into dreams, and can continue to do so indefinitely, irrespective of how completely the vast majority realise the desirability and feasibility of these projects.

* * *

The pyramidal human machinery of coercion directed by these bankers, and by which they have hitherto been able to make their veto effective, is honeycombed with disaffection nearly up to its apex. The time is at hand when the seemingly solid pinnacle will suddenly subside within the body of the pyramid. It will mark an event which, in the words used by Mr. Montagu Norman to the Governor of the Bank of France on one occasion, will mark the "collapse" of the whole "structure" of capitalism. By this he meant the manifest failure of every device employed by economic enterprise to render service to the people and fulfil the demands of the bankers at one and the same time. The event will be precipitated, to use Major Douglas's words, by "mathematical compulsion"—unless it is averted by the removal of that compulsion. The Social Credit Movement alone teaches the nature and effect of it, and the whole issue is whether they can prevent, by force of exposition and prophecy, a fundamental mathematical error from proving itself in universal disaster.

International Complications.

President Roosevelt is preparing to put a stop to token-debt-payments. Mr. Neville Chamberlain's boast of the return of British prosperity has stiffened Congress to demand the return of American money. "Since you're doing well, pay up," is its sentiment—and a natural one, too. It serves our Government right—or would do if the demand mattered. We see that Mr. Wigglesworth, of 4, Branscombe Gardens, Winchmore Hill, who has been disporting himself in *The Times* on one or two occasions during the last month or so, writes in the issue of that paper for May 12 to suggest that Britain pay off debt by "opening sterling credits" in favour of the United States, to be used by her in the purchase of British goods. It would provide employment, he says, and the exchange market would "not be deranged by the operation as it certainly was before." He points out that this was the operation by which Britain's debt was contracted. We hope that he isn't pluming himself on the discovery of this last truth. We published it in *Public Welfare* of September, 1922, in the form of a reprint of Major Douglas's correspondence with Mr. Lloyd George on the subject of the American Debt, and have reproduced it twice since then in *THE NEW AGE*. Readers will remember that Lord Hugh Cecil got into *The Times* with the idea two or three years ago. It is not necessary to add that both he and Mr. Wigglesworth have ignored the provisions laid down by Major Douglas supplementing the opening of sterling credits. We are not surprised because (apart from what their views might be on the technical soundness of them) we suspect that both these correspondents had in mind the idea of ventilating the suggestion in order to confuse counsels at Washington and thereby secure the withdrawal of its demands for repayment. At any rate both letters were contributed at times when Washington showed aggressiveness. So was Major Douglas's in 1922, but in his case the suggestion was not put forward with that primary object, but as a practical way of meeting our debt-obligations with benefit to British citizens, and, moreover, without of necessity inflicting injury on American citizens—whether it did or not being a consequence which, as readers will understand, the banking interests in America were able to prevent if they liked. We reproduce Major Douglas's letter as it appeared in *Public Welfare* nearly twelve years ago.

* * *

MAJOR DOUGLAS'S DEBT-REPAYMENT PROPOSALS.

September 11, 1922.
Sir,—
I have received your letter of September 8, and regret that you are unable to afford me an interview. I note, however, that you are prepared to give attention to suggestions on the subject of Finance.

In view of this, I have the honour to submit for your consideration the following concrete suggestions, which, you will appreciate, are of necessity in outline only.

(1) That the British Government address and publish a further Note to the United States Government setting forth with the maximum clarity: (a) That the debt contracted to the United States by the Allied Powers in general, and Great Britain in particular, was a debt for goods, and that the capital appreciation incident on the supply of those goods accrued to the United States nationals, together with the financial media representing that appreciation. (b) That the Allied Powers, and Great Britain in particular, are now prepared to deliver at the same rate, over an equal period of time, at prices ruling during the periods at which the various debts were contracted, goods to the value of the debt, in return for U.S. War Bonds, which will be cancelled on receipt.

(2) On the acceptance of this proposal by the United States Government, the Allied Powers will notify the late enemy Powers that raw materials and semi-manufactures are required for the purposes of (1).

(3) During the period covered by (2) the credit-capitalisation of all manufacturing firms in Great Britain will be assumed to be ten times the yearly profits. At

the outset of this period the credit-capitalisation of such firms will be assessed as ten times the profits of 1922.

(4) At the end of each three-monthly period subsequent to agreement as to (1) a fresh estimate of the credit-capitalisation of British firms will be made on the basis of (3), and the collective increase will be taken as the increase for that period of the general credit. Fifty per cent. of the financial equivalent of this credit will be applied to the provision of the floating credits required to finance (1), and 50 per cent. will be applied to enable retailers to supply goods for home retail consumption at reduced prices.

Should it be found, as may well be the case, that the influences effective through the United States Government are not concerned to secure the liquidation of the debt, but rather to use it as an instrument for the imposition of policy, it is clearly a matter of the gravest concern to the people of Great Britain and the United States.

I feel confident that you will raise no objection to the publication of this correspondence, but will take no action to that end before the 16th inst.

I am, Sir, yours faithfully,

(Signed) C. H. DOUGLAS.

The Right Honourable David Lloyd George, M.P.,
P.C.

The financial relationships between London and New York bankers are nothing like so close to-day as they were when this letter was written. Although it is true that every central bank would like to prevail over others in the region of high-political prestige and influence, and certain that they are all ready to support each other in defence of their common prerogatives against political interference, there are mid-way circumstances in which they can and do form *ad hoc* combinations to deal with specific problems. We are a long distance from the time when the Norman-Strong combination set out to clamp the gold-standard on the world of operative banking; and hardly less distance, in respect of changed circumstances, from when Wall Street dismissed the Labour Government, from when Britain subsequently went off gold, and, most recently, when the American banks defaulted and precipitated a drastic reversal of their deflationist policy. Events have made concerted policy between central banks a matter of extreme difficulty in every direction where capitalists are able to see and measure its effect on their interests as manufacturers and exporters. Thus the world of Governments is variously divided under three monetary "standards" and has upset the old central-bank project of stabilising the exchanges.

So it will be appreciated that American pressure for repayment of debt has much less significance to-day than in 1922, when those of us who studied the matter had grounds for supposing that the imposition of policy which might have lurked behind that pressure from Wall Street was being helped on by Threadneedle Street. The Dawes Plan and the Young Plan hinted pretty plainly where financial policies for Britain and Europe were inspired; and the impotent way in which Parliament let them through—like people gaping up at passing aeroplanes—suggested that they bore the Norman *visa*. To-day the basis of understanding between Wall Street and London is narrower, and the coercive power belonging to it less in amount and less one-sided in its object. From all accounts American legislators, who have come to dominate financial policy so largely, are in something of the quandary of Jurgen, who, having climbed into the throne of God, couldn't think of any orders to give, and got down again. It might be that a proposition for debt-settlement on the lines which Major Douglas laid down would make a fruitful topic of discussion in both countries at the present time.

So much for America. Next for Japan. Britain is restricting imports of Japanese textiles into the Crown Colonies. Cables from Tokyo say that the Japanese are calmly waiting to see what will be the effect of the

quotas now imposed before taking counter-measures. Vice-Admiral Matsushita, speaking in Berlin at a reception in the presence of Hindenburg, Hitler, Goering, and Neurath, likened the situation of Japan with that of Germany before the war. The Japanese, he said, are having to "fight for space to live," and naturally come into conflict with the other nations. There was no reason why there need be a "warlike solution." The lessons of the war, he added, "are also known in Eastern Asia." What these lessons were he did not say. One lesson probably understood in Tokyo is that a war which you cannot possibly afford in peace time can be peacefully paid for in war-time. As a corollary to that there emerges another curious paradox, that a people driven to war because of their confinement in a small space find that the confinement is not at all irksome while the war is on. The war is not the means to an end, but an end itself. Not war *for* space, but war *as* space—either will do! Remarkable is it not?—especially when you consider that a confined space connotes the pressure of a population on their physical resources, and yet that when war comes and resources are destroyed in huge quantities the population live better in the same space. War-destruction makes space, so to speak. Why? It is because the financing of the destruction sets up a continuous heavy demand, solves the problem of distribution, and expands the production of the things to be distributed. These things are taken off the market and paid for. Whether they are shells containing explosives to be destroyed, or shells containing eggs to be eaten, makes no difference from the point of view of the producer. He gets his price, and he can pay his wage-bills. It ought not to be so; and it would not be so if sound principles of finance prevailed. For then, if one could conceive war supervening on peace, the destruction would be reflected in an immediate and heavy reduction in the standard of living. To-day it is the opposite. To him who fires guns shall be given bread, but from him who ceases to fire guns shall be taken even that bread which he hath. It blasphemes every canon of efficiency or righteousness in every plane of science or philosophy.

The Japanese are exposing it, though not necessarily with that intention. They said to themselves: "If we can produce these healthy war-time conditions in our country without going to war, why not? We may goad the foreigners into declaring war, but let us get on with the job until they look like doing it. And seeing we can make war material to save up instead of destroying it, the longer they wait to attack us the less chance they will have of beating us." Accordingly Japan started, and from all accounts has been operating somewhat along the lines of clauses 1b and 2 in Major Douglas's debt-settlement scheme. True she is not exporting for the purpose of repaying debt; but the purpose is irrelevant. When America exported during the war it was not her purpose to repay debt, but, as Major Douglas points out, the technique she used to finance their production was the same as that which Major Douglas proposes for Britain's repayment, omitting, of course, his provisions for preventing inflation. Apart from that, the technique for repaying debts by exports must be the same for creating debts by exports, because if it serves for repaying, it serves for *over-repaying*, which is another way of saying *exporting on credit* in the ordinary manner. Actually America did *over-repay* Britain in respect of pre-war debt; but there was no change in her financing of exports at the point when she had exactly wiped out Britain's claims. Technically then, Major Douglas's scheme serves as a model both ways.

The political circumstances are different. Japan can not requisition raw materials from foreigners free of charge as reparations, as the Allies were entitled to do in 1922 if they had wanted to. Nor can she demand a measure of price for her exports equivalent to that of previous imports (clause 1b) because there is here no question of her returning exports against any identical

able block of imports. But, as everyone knows, she is bringing about in another way the same sort of movements of raw materials contemplated in the scheme. She does not get them free, but she gets them, and on terms which do not hinder her from capturing markets on price in the world-market. The way she does it is, broadly, to open yen-credits on the security of foreign orders, which credits accrue to her exporters or others and remain in the country. The exportation of the goods gives her calls on foreign currency which she can issue to her importers and with which they can buy materials.

Now under the operation of orthodox finance, a prospective exporter would have to get an order at a price which covered his cost. For, assuming him to work with bank-money his cost would be reflected in his loan. If the proceeds of the sale were less than the loan, he would go out of business. Or as a generalised proposition a nation's industries can only survive by selling at cost, or over. Whether they survive or not is immaterial to the banks, for they are international in the last analysis and are unaffected by the question of what country does most selling or any selling at all. Their own officers are, to a man; but that consideration does not weigh at all in the balances of sound financial rectitude. Japan, however, wants her industries not only to survive but to expand. Hence nobody is penalised for selling at a loss if he gets the best price he can out of the foreigner. The Japanese Government and banks in combination virtually write the difference into some national suspense account, or something of that sort. Up to now it has been worth while. Insofar as her exports of manufactures puts foreign manufacturers out of business, it tends to put out of business the producers of raw materials who are supplying them, and they must find other buyers. These, in theory, would be the Japanese, who would be able to buy the materials at their own price so long as there was competition to sell.

The immediate answer to this, the imposition of quotas, is a triviality. The world might combine against Japan by tariffs or military intervention, as some writers are openly advocating. The only alternative is to follow her example. Then the fun would begin. Heterodox finance causes no moral shock to the Japanese; but let it be tried all over the West (as it would have to be) and the results would be amazing.

Forthcoming Meetings.

The New Age Club.

[Open to visitors on Wednesdays from 6 to 9 p.m. at the Lincoln's Inn Restaurant (downstairs), 305, High Holborn, W.C., (south side), opposite the First Avenue Hotel and near to Chancery-lane and Holborn tube stations.]

Dublin.

Lectures at Clubroom, Red Bank Restaurant, D'Olier Street, at 8 p.m. Admission 6d.

No. 6.—*Reconstruction Proposals*. May 25. Inflation and the Orthodox Economists—The Guernsey Market Scheme—The Just Price Formulae Examined. Lecturer: E. Hickson. Chairman: Mr. T. Kennedy.

No. 7.—*Social Credit in Practice*. June 1. The Douglas Social Credit Scheme for Scotland—The Social Credit State—Exports and Imports. Lecturer: Mr. T. Kennedy. Chairman: E. Hickson.

Glasgow.

At 160, Bath Street, Tuesday, May 22, at 8 o'clock. Speaker: Mr. A. F. Stewart. Subject: "Why the Banks Should Not be Nationalised." Since this is the final regular meeting that will be held during the summer months, a large attendance is desired.

Birmingham.

On Wednesday, May 23, at Queen's College, Paradise Street, the Rev. F. H. Drinkwater will open a discussion on "Social Credit Propaganda." Time, 6.30 p.m.

Representation of Opinion.

Dr. Tudor Jones has had a correspondence with the Prime Minister and the Attorney-General on the subject of the operation (if any) of the representative principle in Parliament. In February last the Press reported Mr. MacDonald as saying:

"The views of all sections of the community are made known in this House through their elected representatives."

Dr. Jones wrote the Prime Minister on March 1 asking him to say if the report was accurate, or, if not, if he would take steps to correct it and "to explain what the constitutional position is." Dr. Jones wrote the Attorney-General on the same day asking to be informed "by what legal or other process this constitutional principle defined by the Prime Minister may be applied to a subject whose representative in Parliament interprets his constitutional duty divergently." On March 29 the Law Officers Department wrote Dr. Jones saying that

"the Attorney-General, as principal legal adviser to the Crown, is precluded by the terms of his appointment from giving legal advice to private individuals, and that, therefore, he is unable to express any opinion as to the legal remedy which should be pursued in the circumstances referred to in your letter."

On April 2 Dr. Jones wrote Mr. MacDonald quoting the above reply, and adding:

"I hope that you may be able to inform me of an alternative to the legal remedy proposed. . . . The individual subject . . . is not in a position to defend the constitutional principle in the Courts, and I think it reasonable to claim that the machinery for the defence of such principles is embodied in the constitution itself, whether advice concerning that machinery is properly available from the Law Officers or not."

Major Douglas in Canada.

REPORTS.

We have received from various correspondents the following publications:—

Select Standing Committee on Banking and Commerce, Minutes of Proceedings and Evidence, No. 6 (April 17, 1934), and No. 7 (April 19, 1934), covering the evidence and examination of Major Douglas.

Calgary Daily Herald, April 9. This contains the report of Major Douglas's address to an audience of 2,000. The report covers ten columns.

Ottawa Evening Citizen, April 16. This contains a report of Major Douglas's address to the Canadian Club of Ottawa, covering over five columns, and also a leading article on the subject.

"The Jew of To-day."

[Excerpts from Sidney Dark's book of this name.]

To me the new morality is utterly damnable in its revolutionary attack on the bases of Catholic civilisation, which derived so largely from the Jews. But its defenders have a case—indeed, a very strong case—if it be admitted that a man's life is actually "rounded in a sleep," that "to-day he is and to-morrow he is cast into the fire," and that is the end of him. (p. 116.)

If monogamy comes to be regarded as a harmful limitation of experiment and adventure, and the family is destroyed, then Christianity will be, temporarily, lost as the common inspirer of human action and self-control, and the Church will again suffer the apparent eclipse of the Dark Ages. And this may well happen. (p. 117.)

The Jews, far more than the Greeks, are the fathers of European culture. To Western Europe the Jews have given the most beautiful of its nursery stories, four-fifths of its most suggestive imagery, a large part of its inspiration to courage—who can forget David and Goliath?—to patience, to sane judgment, and to faith. Protestant Christianity at its best is predominantly Jewish, and it is now established that Catholic sacramentalism derives from Judaism, and only in a very limited degree from the Greek mystery religions. (p. 175.) J. S. K.

Principle, Plan and Policy.

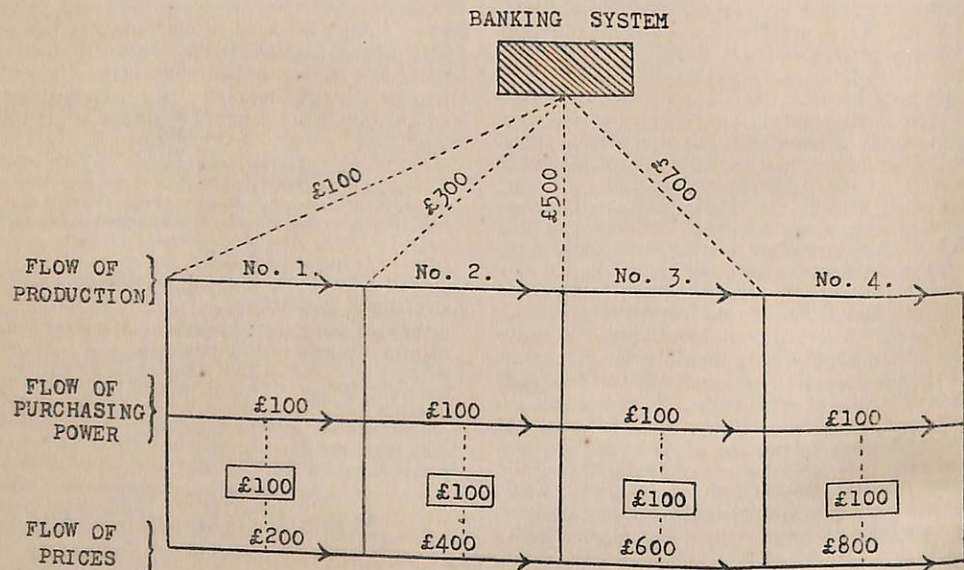
By L. D. B.

II.

The main issue which has been raised in the recent dual credit-control controversy falls within the category under consideration. It has been implied that the nationalisation of banks might be a necessary step to provide for the retirement of consumer credits. As it was rightly pointed out, this ignores the reasons why consumer credits are necessary. It also ignores the dynamic nature of the process by which money is issued and retired. Let us consider the matter with the aid of a diagram:—

Credit analysis, it cannot be taken to represent the entire industrial structure. Just as there is no direct relation between the general statement of the A + B Theorem and the Social Credit proposals, so there is no direct relation between the diagram with its illustrative figures and the Just Price.

Let us assume the Just Price factor calculated in respect of the entire economic system to be $\frac{1}{2}$. Returning to our diagram we see that at the end of a week the community is in possession of £400 purchasing power, goods to the value of £800 are on the market available for consumption, while goods to the value of £2,000 are in existence, and these prices have sooner or later to be liquidated.



[NOTE:—Savings and profit have been ignored. The figures enclosed thus—£100—represent depreciation and other "overheads" which can be described as "allocated costs."]

The diagram illustrates a cross-section of production carried out in four processes.

The arrows indicate the "flow" of production, the dynamic conception of which is essential to an understanding of Social Credit.

When Producer No. 1 has finished his process let us assume Producer No. 2 has finished his process and is ready to pass on the partly finished goods to Producer No. 3, and to take over the partly finished product of No. 1. And so on.

It has been assumed that working capital is provided by bank loans and standing capital by investment.

It has been assumed that in a period of, say, a week, each producer distributes £100 in wages and salaries, and that his depreciation replacement and overheads are £100. Now at the end of the week each producer has finished his particular process of manufacture or service (assume No. 4 represents the retailer), and each producer has goods on his hands with price labels attached to them representing actual liabilities. The £100 of allocated costs, which are entered into prices by each producer are in respect of money obligations which he has to meet either immediately or in the not distant future. There are actual debts represented by these £100 within the industrial system, awaiting liquidation. In short, each producer has to secure the full price attaching to his product in order to meet his monetary obligations, and whether he meets these obligations immediately he receives the money equivalent to the price of his product, or whether he retains the money temporarily, so far as the community is concerned the money has been retired and ceases to be effective purchasing power.

It must be clearly understood that while the diagram provides a general illustration for purposes of the Social

Assume that the Just Price factor of $\frac{1}{2}$ is applied to our illustration. (For purposes of argument, let us postulate the operation of the Just Price without the National Dividend. The introduction of the latter would merely result in a smaller Just Price and the net result for purposes of this argument would be the same.) Now the community is in a position to purchase the £800 of goods available for consumption. In doing so it surrenders its £400 to No. 4, who thereupon collects the other £400 from the Credit Authority. No. 4 can now repay his loan of £700 to the bank and meet his obligation in respect of the remaining £100, and the whole £800 is cancelled.

At this point the community possesses no money while there are still in existence £1,200 goods. This is immaterial, for the community is credited with the money equivalent to these values in the National Credit Account and the money will be available as the goods become available for consumption. What a contrast to the present position!

No. 4 is now in a position to borrow a further £700, take No. 3's product from him, enabling No. 3 to repay his loan and meet his £100 "allocated costs" obligation and so on, down to No. 1.

It must be clearly understood that each Producer's £100 in respect of allocated costs can only move within the productive system until the money is finally extinguished either in the liquidation of undischarged bank loans or by being employed to finance new production. In the latter case it creates new price values for subsequent liquidation and the effect is precisely the same as the money being retired by the banks and new credits issued as loans.

Thus the entire £400 consumer credit has been effec-

tively retired and it must be borne in mind that once this money has been used for consumption purposes it cannot reach the community again as effective purchasing power.

It is true that this dynamic conception of industry and finance is difficult to grasp, but an understanding is essential to an understanding of the technicalities of Social Credit. The short answer to the entire question of consumer-credit retirement is, of course, that the money is retired on consumption of the goods as it is at present. This may be more readily appreciated if the monetary system is considered in the light of an elaborate book-keeping system, which, in fact, it is.

Apart from the foregoing, if it was decided that the National Credit Authority should issue producer credits in bulk to the banks, and that retirements of these credits should pass through the National Authority's ledgers, the purpose could be achieved, without nationalising the banks, by means of Credit Certificates on the lines suggested in the Draft Social Credit Bill of America. However, as the Credit Authority would be equally well able to keep a check of the issue and retirement of producer credits through the medium of the returns it would require banks to make, even this provision seems unnecessarily cumbersome.

"Velocity of Circulation."

The velocity of circulation of money cannot, rationally speaking, be an end in itself. There is an implied or admitted belief that by increasing the velocity of circulation of money there is a coincident increase in the velocity of the consumption of goods. I would straight away like to draw attention to the difference between a velocity of turnover of goods and a velocity of consumption of goods. Goods may be handed from person to person without being capable of consumption, but protagonists of the velocity theory must be pinned down to the question of consumption of goods, as this is all that matters. Quite apart from the circulation of goods among traders and others who may not consume those goods, it is also possible to have a velocity of circulation of money in such a way that it does not assist in the consumption of goods. As THE NEW AGE recently put it, "There may be clouds of credit floating about without one drop of purchasing power falling on the consumer."

There are many types of circulation of money. For instance, transactions on the Stock Exchange that have nothing to do with the turnover or consumption of goods. This fact is, I believe, frequently overlooked by the advocates of the increase in the velocity of money circulation. Such advocates probably have in mind merely the exchange of money for goods, the passing from hand to hand of money and a return of goods in exchange for that money. A great deal of the turnover of money does not relate to such transactions. I also think that many people can only visualise £1 notes passing from hand to hand. They overlook the fact that the £1 note is merely one of many means of moving financial credit about, and that this particular method—that is, the use of notes—is becoming steadily less important. More and more money is circulated in the form of bank credit, that is to say, money which has no physical existence at all.

If, in a given period, a £1 note changes hands ten times it does not necessarily mean that on that account £10 of goods have been made available for consumption. Each time the £1 changes hands it may actually have created fresh costs amounting to £1. This will occur every time it is issued without being spent by a consumer on consumable goods, and only in those circumstances will it wipe out a £1 debt. Even if you visualise a circle of, say, ten men, each owing another £1. The £1 will certainly change hands ten times, and in those circumstances wipe out ten individual debts. But the community, as a whole, is at the end of the transaction just as well off as it was at the beginning.

Although the individual debts have been wiped out, no debt by the community to the banking system, which is clearly extraneous to the community, has been affected.

In any case, any suggestion that an increase in the velocity of circulation of money may assist us in solving some of the existing problems presupposes that that velocity is not already at its maximum. Any advocates of the increase in the velocity of money must, therefore, prove first that the velocity could be increased, that is, that it is slower than existing conditions would permit it to be. I have never heard of any attempt to prove this. I would actually suggest that all the evidence points to the contrary. You would imagine that the very shortage of money, which to-day is not disputed by anyone in authority, would cause the money to turn over as quickly as circumstances permitted. In this connection I would also remind you that there can be circumstances in which the velocity of turnover of money and the velocity of goods that that money is buying may be different. As an example, where money is turning over faster than the corresponding goods, I would mention Christmas Clubs, into which people pay money before they receive the goods. As an example of the contrary effect I would mention Hire Purchase. In fact, wherever the seller gives the buyer credit there is a faster turnover of goods than there is of the money buying the goods. It seems that the mere existence of Hire Purchase proves that the velocity of the circulation of money is already at its maximum, as otherwise assuming that the velocity theory is sound, which I do not admit, there could be neither reason or excuse for turning over the goods at a faster rate than the money; which is, of course, the basis of Hire Purchase.

Someone may quote Silvio Gesell's "Vanishing Money," that is, the depreciating money of the Austrian experiments. I do not wish to be dogmatic on the point, but it seems to me that the flourishing condition of the small communities in which these experiments have been tried out are not due to any increased turnover of money, but due merely to the increase of credit granted to the community in such a way that existing debts do not have the same stranglehold on industry and the consumer as they have normally. I am quite prepared to admit that such depreciating money, or even an increase in the velocity of turnover of money if it can be effected, would increase what are known as butcher-baker transactions. These butcher-baker transactions are called that on account of the classical example in which the butcher with his meat and the baker with his bread are shown to exchange the goods and at the same time exchange the money. The butcher buys a few shillings' worth of bread from the baker, and the baker uses that money to buy from the butcher a few shillings' worth of meat. This, of course, is a very simple transaction that to all intents and purposes is pure barter and does not require any money to intervene at all. Under modern conditions such transactions are, generally speaking, carried out by means of contra accounts, so that only the balance due one way or the other is paid for in money. Now these butcher-baker transactions may be increased by the increase in the velocity of money provided that neither the butcher nor the baker have incurred any costs outside their own profit or remuneration. If, we'll say, you have two allotment holders, one growing cabbages and the other growing potatoes, and both allotment holders own their land, till their own soil, sow their own seed, etc., then an exchange can take place between the cabbage and potato growers. If there is anything in the velocity theorem then it is such transactions which would increase, and the Austrian experiments are largely successful, due to the fact that all the communities in which the experiments have been carried out have been comparatively primitive communities. It is my belief that in an industrial country, taking the country as a whole, Silvio Gesell's scheme would not have any greater success than the mere issue of fresh credit to a same amount. Apart from Silvio Gesell's theories, I

have never heard of any technique for increasing the velocity of the circulation of money. Silvio Gesell's proposals are, of course, entirely unorthodox, almost as unorthodox as those of Major Douglas. The advocates of the velocity theory, however, do not normally propose vanishing money, and seem to think that it is possible to increase the velocity of money under present conditions. As I have already mentioned, it is up to them to explain how they propose to do this. It seems to me that the difficulties in the way of effecting such an increase are insuperable. Most men of the so-called middle classes are paid their salaries monthly, many people receive their dividends and bonuses yearly or half-yearly. The normal pay of the working man is weekly. If there is anything in the velocity theory then these people would have to be forced to spend the greater part of their money as soon as they received it. I would suggest that a questionnaire be sent to, we'll say, monthly paid employees to enquire whether this was practicable.

I have already mentioned that the introduction of costs into price, apart from the seller's own remuneration or profit, alters the aspect of the case to such an extent that it must necessarily fall outside the butcher-baker category. As soon as an employer or trader incurs such costs he must use a certain proportion of the price he receives for his goods to liquidate those costs. In other words, he is not a free agent as to what he may do with the money he receives for the goods. Assume for a moment that I am a manufacturer. I have in my warehouse goods, and have incurred on account of them certain costs. Taking an average, the value of my own contribution, that is, my own profits, are small compared with the total costs I have incurred. We will say I sell an article for £30, and I receive £30 in money in exchange for it. There are two alternatives of what I can do with that money. I can use it to pay off the debt I have incurred in financing the manufacture of the goods, or I may spend it as a consumer to buy my wife, we'll say, a fur coat. In the former case both my business assets and my business liabilities have been reduced by £30, and my capital is intact. In the latter case, if I use it as a consumer, my business assets are down by £30, I have £30 worth less stock, and my liabilities are as before, that is, I have not paid off any debt. That means that my capital is down by £30. In that case I have appropriated £30 of profit on other business, and used that particular money on account of those profits. Obviously, that cannot be done in every instance, or I shall go bankrupt very soon. Assuming that I spend the £30 on a fur coat, then the furrier has the same choice of alternatives, provided that his bank and his creditors allow it. Sooner or later, somewhere along the line, however long you make it, someone voluntarily or compulsorily will use it to pay off a debt to the bank. That money then vanishes, and only then will it have paid off a debt due by the community to the banking system. I have given this example so that you may realise that a certain parcel or unit of money may certainly be turned over several times, that is, it may constantly be used to buy consumable goods several times over, but if this occurs then the ratio of assets to liabilities of the community is reduced. In other words, the community is definitely worse off by the sum total of the transactions.

It should be clear that I do not believe that the velocity of circulation of money is an important factor, if it is a factor at all, towards the resolution of the economic paradox of poverty in the midst of plenty. Douglas has drawn attention to the difference in the rate of creation of costs and of the coincident issue of purchasing power. He has shown that when goods are produced costs are incurred that are invariably greater than the purchasing power issued in their production. The question of velocity of circulation of money is, therefore, entirely irrelevant to Major Douglas's scheme.

Money can only be issued either by a consumer on consumable goods or under such conditions that it in-

creases the costs at least as fast as the incomes it creates. We have already seen that if it is used for consumable goods purposes then the banking system obtains a greater hold as creditors of the community. In the latter case any increase in the velocity of the circulation of money must also mean an increase in the velocity of the creation of costs. This, of course, is fully borne out by President Roosevelt's experiment in America.

H. R. P.

Mon Bon Vicomte!

"When the belly is full, the bones are at rest." (Old proverb.)

It has always seemed strange to me to observe how readily a person will eat, without question, the food placed in front of him, whereas the same person will often ask all sorts of questions about a medical potion prescribed by his doctor.

My contention is that he would not need the latter if he knew more about the former. (Vicomte de Mauduit.)

That body and soul can be kept in a state of unholy deadlock on a daily diet of two eggs, a chunk of brown bread and a measly apple is true enough—for the experiment has been made, and the results carefully noted.

After a prolonged test the considered opinion of the victim was that the human digestion, the most intricate and ingenious of all internal combustion engines, does not give the best results on that brand of fuel. Added to it an inferior lubricant, and a breakdown became a mere question of time. The experiment was abandoned.

Now the Vicomte de Mauduit* knows all about these things. Having "pursued cookery as a passion," in which he is to be envied, for some of us who are dependent on the ministrations of a cook-general are often moved to pursue the lady in a passion, this wise and witty Frenchman says:

"Eating is the upkeep of life itself; cooking affects the stomach and ultimately the soul."

A dictum of surpassing sagacity which receives unconscious but apt support from a Professor of Divinity who, in a recently delivered sermon, perpended that

"the body is not a thing, not a tool distinct from ourselves which we use for a time and then throw away, not an animal partner to which we are temporarily shackled, but the sacramental expression, the living time-garment, of our deepest selves."

That is good divinity, sound common sense and cheering to all good livers who can discriminate between grub and garbage.

There is a lot more that might be said about dining and divinity, but that will serve for this occasion. Let us get back to "The Vicomte in the Kitchen," and see what he is up to. It would be as well to knock at the door for "if cook be kissable," as M. de Mauduit says in his recipe for preparing French beans, we might disturb this gallant gentleman just as he was putting the finishing touch to one of his delectable concoctions. And they are delectable. From Hors-d'oeuvre to Savoury, all through the courses, the Vicomte gives us, seasoned with wit and served with humour, a succession of wonderful recipes that simply call for practical demonstration. Moreover, he is thorough. He begins at the beginning and lays down certain axioms that can only be neglected at peril to body and soul.

Speaking of the cook's workshop he says: "More care of cleanliness and attractiveness should be taken of the kitchen than of the reception-room." Quite so; but in how many houses is cook, who is a sensitive soul doomed to practise her mysteries in a clamped and cheerless den a troglodyte would jib at, and perform the rites of her high calling with criminally inadequate means.

* "The Vicomte in the Kitchen." By Vicomte de Mauduit. (Stanley Nott. 6s. net.)

Poor, dear soul, who will blame her if she comforts herself with the cooking sherry.

Then he adds a pearl of wisdom:

"Never cook in enamelled vessels,"

for

"all cooking produces tartaric acid to a greater or lesser degree and this attacks the enamel, producing tartar emetic, which is poison. So now you know."

We do; and we can guess the cause of much chronic indigestion and understand why the internal combustion engine "conks" on occasion. As for the utensils which "form the very least requirement of a good kitchen," the list takes up twenty-five lines, and includes, amongst other things unfamiliar to this generation, a roasting-jack—of which more anon—and "one tasting spoon, for all good cooks must have, amongst other things, a good palate." "Must" is a strong word; "should" would be more fitting, for, judging from various painful experiences at home and abroad, cook's palate is often made of leather or coated with enamel—like her saucepans.

After all, "palates" are rare both above and below stairs. Perhaps it is just as well it should be so until we attain that beatific standard of living when we shall all dress for a dinner that partakes of the nature of a sacrament and will not offend the least of those whom God has endowed with a palate.

And this raises the horrible suspicion that the Vicomte himself may not be beyond question. He has a tendency to the flamboyant in some of his more elaborate recipes which suggest the jaded palate. Take, for example, "Vicomte's Sandwiches," which he has the grace to label "expensive." Included among a blameless bourgeois assortment of ingredients is that aristocratic dainty, "one sliced truffle"; and to this we are adjured to add one teaspoonful of Benedictine. What a mésalliance! To mate this potent ecclesiastical liqueur with a dainty truffle touches the edge of perversion; at the best 'tis but painting the lily or gilding refined gold. A great artist of Monseigneur's rank might be expected to appreciate the merits, or demerits, of a dominant flavour, the virtue of simplicity and the grace of a judicious blend. Perhaps he will retort that he is prescribing for the sophisticated tastes of plutocracy, not for the democracy which the noble army of Marthas is bravely struggling to feed on thirty bob a week—which is about the price per head of a Mauduit luncheon; as witnesseth the kind of snack he would offer you "after eighteen holes at golf":

Royal Natives.
Tomato Omelette.
Steak, Kidney and Mushroom Pudding.
Parmesan Potatoes.
Cardoons au Fromage.
Zabaglione.
Wafers.
Café.

Well, if after that he can keep his eye on the ball during the afternoon round he is of the stuff of which heroes are made.

Verily, there is no packet of sandwiches and high tea nonsense about this son of the crusaders. With him we lunch and dine, doing ourselves well on both occasions, and our cook, amongst other culinary weapons, wields a roasting-jack, and with that puts out of mess 75 per cent. of the cooks of Great Britain. Bethink you for a moment. In how many of the boot-cupboards that pass for kitchens in the majority of recently-built houses is there facility for using a roasting-jack; and where will the angel in the house park the rest of the "indispensable utensils," let alone manoeuvre them on active service? To put it bluntly, this gallant and epicurean ornament of a great race offers but counsels of perfection to the Johns and Marys who dwell in suburbs and garden cities. Will he take offence if I suggest that his next book should be "The Count in the Kitchenette," or Cooking in Osocozi?

Apart from these minor criticisms and diffident suggestions, I have nothing but praise for M. de Mauduit,

who may consider himself embraced on both cheeks. Also let there be added to his Vicomte's coronet a cook's cap of maintenance for—a bien mérité de la patrie des gourmets—and that is all the world that dines. "Té, mon bon!"

J. S. KIRKBRIDE.

A Social Credit Toast.

[This Toast was proposed by Mr. S. B. Kennedy at the Annual Dinner of the Bradford Social Credit Group on April 12. All the persons named have assented to publication.]

Mr. President, Lady Annesley, Ladies and Gentlemen. Most of you have heard of the Time Machine of H. G. Wells; a remarkable contrivance which takes you backward or forward in Time. By the kindness of the inventor I have secured its loan for this evening. Keep your seats please—we are about to enter the future.

We are now moving rapidly, and have barely time to observe the important years up to 1940, when the Social Credit State was founded, after the trial three-year plan. We rush past the interesting years when Sir C. H. Douglas was Prime Minister, and slow down in the year 1984.

It is a very beautiful dining room in which we are now sitting. Through the long sun windows can be seen the floodlit white buildings of the City of Bradford. Over towards Manningham shines the elevated Atomic Plane Terminus. To the citizens of this city half a century ago, with their abominable petrol-driven vehicles, the silent shining cars now flashing along our broad thoroughfares would have seemed a dream. They could not have anticipated the result of the invention of the Atomic Engine in 1947.

I have here an advance copy of the Central Credit Office Year Book for 1984. It is a very interesting volume (picking up a large black volume plainly labelled 1984 in very modern figures).

"Here" (turning over pages) "is an account of the anniversary service at the Tomb of the National Saviour, Sir C. H. Douglas, at Westminster Abbey. The photographs are particularly fine."

Among the interesting statistics is given a list of the ever-growing national dividend, up to the present £1,000 per head per annum, declared last January.

There is an exhaustive history of the growth of our great Leisure State. You will be amazed to learn (it says) what men thought in the days of ignorance in the early part of the century. They destroyed wealth and themselves because they had not learned to distribute. Men and women were compelled to work six or even eight hours per day without consideration of their true vocation. Education made little headway and amusements sank to almost bestial levels before the coming of the Great Change, when was destroyed the Monster Idol with feet of Gold and head of Clay, at which blind, imbecile economists worshipped. The reports of Parliamentary battles and Press controversies on the subject read like the ravings of lunatics to us to-day.

To those of you who are scientists, the detailed history of the discovery and application of atomic energy should be interesting. The book states: What would have been the result of such a tremendous discovery had the money system remained inelastic. Now five per cent. of the population is at the controls of Industry. When work was the only claim to wealth the world would have starved or rushed madly into a War made ghastly by the new force of atomic energy. But Douglas successfully founded the Social Credit State just in time to avert the War to End Mankind. He changed the application of science from destruction to production.

Of more personal interest to you citizens of Bradford is the following report under the heading of "50 Years Ago." I should like to read it in full:—

HISTORIC DINNER.

"Half a century ago on April 12th, 1934, at a restaurant in Bradford there took place a select Dinner given by the then Bradford Douglas Social Credit Group.

"Among the guests present were such famous people as Lady Clare Annesley and W. T. Symons, the Editor of a well-known quarterly, later to become the Minister for Internal Credit in the Douglas Cabinet. Dr. Neil Montgomery, the brilliant scientist, was also present. At that time he was in charge of a Northern Asylum; it was nine years later that he took over the London Asylum for Pro-

professional Economists, unable to bear the stress at the break up of the Canons of Sound Finance.

"C. Marshall Hattersley, whose book *This Age of Plenty* (still used in our schools) was then demonstrating the beautifully clear and simple doctrines of Social Credit in an age when fog in London and in Economics was still popular, was there. Marshall Hattersley was the brilliant K.C. in the great case *Blup v. Zunt*, which decided the control of the new atomic power and forever smashed the Armament Combine.

"In the National Gallery can be seen portraits of all these famous people.

"The Toastmaster called upon a Mr. Kennedy to propose the toast to those very distinguished guests. Little is known of this brilliant young social creditor. It is believed that some years later in an Atomic Laboratory at Oxford, he was blown to bits while experimenting. But on that night he had the honour to state prophetically that Lady Clare Annesley, whose pleading for the abolition of poverty and suffering made headway parallel with the economic appeal, would be the instrument to plant the new spirit in the hearts of the Women of the Leisure State. Speaking of W. T. Symons, he mentioned the position that gentleman held at the Secretariat, then the brain centre of the growing organisation.

"Dr. Neil Montgomery he does not appear to be able to mention without a glow of warm affection. 'A brilliant man,' he said, little realising of all the famous doctor was still to do for Humanity. 'A man,' he continues, 'whose brilliance of mind and charm of personality endear him to everyone who meets him—with the possible exception of Ethel Mannin.' (Students of the grotesque mechanical fumbings with Birth of those times before Man learned Self Control, will appreciate the last remark.)

"He also spoke very warmly of C. Marshall Hattersley and his wonderful work, mentioning that the honour due to Mrs. Hattersley was not a reflection from her famous husband, but her due for her own splendid work for the Movement.

"Little did the ill-fated young man realise how truly prophetic were his words when he ended by saying:—

"I have the greatest pleasure in proposing a hearty toast to our distinguished guests who are of the leaders in the movement for the freedom of mankind."

Notice to Meeting Promoters.

Will promoters of meetings to be advertised in THE NEW AGE write out their announcements separately, and not in the body of letters relating to them? Will they prepare them exactly as they should appear in print, taking care to put them in a condensed form, after the model of announcements already published under "Forthcoming Meetings"—name of town or district as a heading; then auspices, meeting-place, speaker, subject, date, and time. Anything more should be put in a fresh paragraph underneath, so that in the event of pressure on space the additional matter can be excised without disturbing the arrangement of the main announcement.

Don't attempt to make a display of the announcement (by using capital letters or underlines, etc.), but run it straight on. Remember that all notices in THE NEW AGE are certain to be read, and do not need to be designed for "attracting attention," as is the case in newspaper advertising.

Prosperity Campaign

Following a meeting held at 61, St. George's-road, Warwick-square, London, S.W.1, on Saturday, May 5, addressed by Mr. R. J. Scrutton, Hon. General Secretary of the Social Credit Prosperity Campaign, it was unanimously agreed to set up at once an Ad Hoc Committee to form a London and Home Counties Area Central Campaign Council in connection with the Prosperity Campaign, and to invite the co-operation of those who are prepared to give active assistance in connection with the work of the Council. Will those willing to serve on the Council kindly communicate with the Hon. Sec. Ad Hoc Committee, Mr. F. Bennett, 29, Fairfield-road, London, S.E.7.

Notice.

All communications concerning THE NEW AGE should be addressed directly to the Editor:

Mr. Arthur Brenton,
20, Rectory Road,
Barnes, S.W.13.

A + B.

Answer to a Correspondent.

In your illustration you say that:

A manufactures a machine at a wage cost of..... £10,000
B builds a plant at a wage cost of..... £50,000
B buys A's machine for..... £10,000
B makes goods in a given period at a wage cost of £57,000
B depreciates the plant and machine in the sum of £3,000
You then point out that there have been inside payments (incomes to individuals) during the year amounting to £117,000, against which the total cost of the goods for sale amounts to only £60,000. In such a case you say that purchasing power appears to be ahead of cost due for recovery.

That is so; but it is because of the following conditions which your illustration obliges one to assume:

1. That all the operations are completed in one year.
2. That all the incomes distributed accumulate in the hands of the wage-earners until the end of the year.
3. That the seller B is free to wait for his revenue of £60,000 until the end of the year.

Thus the wage-earners, after buying the goods, have enough money left to buy the plant and machine at its then current cost value, namely, £57,000.

These conditions and their result do not tally with experience. The reason is that in actual production and finance the various operations do not come into one common time-cycle. There are two time-cycles, one governing production and the other governing money. The production-cycle is a large one imposed by natural law. The money-cycle is a small one imposed by the bankers. The two can be seen in association if you remember the old "ordinary" bicycle with its big wheel in front and little wheel behind. When in motion the little wheel went round, probably, six times while the big one went round once. Over any given distance the revolutions of the little wheel would be six times those of the big one. In your illustration you are assuming an "ordinary" type of bicycle with the two wheels the same size. The difference that this makes can be illustrated by your supposing that there were pedals fixed to both wheels, and that the producer bestrode the front one and the banker the hind one. In your illustration they would be pedalling at the same rate. If you now suppose that the number of revolutions at the back over a given distance were used to express a collective sum of money issued for production, and the revolutions at the front the collective cost of money to be recovered in prices, you will have a picture of the general conclusion that you put forward, or at any rate of the orthodox conception of what happens, namely, that incomes become available to consumers as fast as costs become chargeable to them for the whole of the products. Let us say £120 for example in the front and behind. Now the Social-Credit conception, on the same system of measurements, is that actually you get only £20 behind as against £120 in front; meaning that incomes of £20 revolve (i.e., are distributed and recalled) six times, while costs of £120 revolve (i.e., accumulate) once.

This idea may be expressed in technical language as follows:
Money is issued by the bank (meaning the banking system as a whole in a theoretically closed area). On the average it is recalled in a few weeks, whereas the processes of production implemented by its use may extend over many years before the consumable product is ready for sale.

Let us keep to our wheel-measurements and say that the money-wheel counts 1 and the production-wheel 6. Thus you can say that there can be an end-cost amounting to £6 piled up in six stages without there ever being more than £1 in circulation at any time. Or, to put the same idea in another way, there can be an end-product consisting of six pieces put together during six stages by the use of £1 each time, and carrying a final cost of £6, against which there is not more than £1 in the hands of the actual producers. If you like to suppose that the producers consume part of the product on the way—e.g., supposing half of each piece is bought and consumed by means of the £1 at each stage; then the end-product left will be (arithmetically) £2—i.e., half of what it would otherwise have been—against not more than £1 in the hands of potential buyers.

This is so in practice; and the reason is that whereas when a person buys something to take home out of industry he cancels an industrial cost and also the bank-loan behind it; when he buys something remaining in industry (e.g. invests in a company, or buys to sell again) he cancels a bank-loan without cancelling an industrial cost. This is a say, when £1 is lent and retired six times by the bank, although the bank has received £6 industry has incurred costs amounting to £6 but recovered only £3. The products remaining over are potentially unsaleable.

NOTICE.

Ladies and Gentlemen,—

At a recent meeting of the New Age Club the question was discussed as to the best means of exploiting the interest aroused by *The Times* correspondence on "Monetary Reform."

A suggestion was made to send copies of THE NEW AGE regularly to selected persons who showed signs of being malleable material for Social Credit propaganda; especially to those who might reasonably be expected to be in a position to influence policy.

This met with our unanimous approval, and a small fund was immediately subscribed to give the scheme a practical start. The onus of selecting suitable victims was placed on the writer, and the task of posting the papers entrusted to his care. He was also empowered to appeal for financial assistance. Those who are in sympathy with this little scheme are invited to send contributions to the address at foot. The Editor of THE NEW AGE has offered to supply copies of the paper at a just price for this particular purpose.

J. S. KIRKBRIDE ("Old and Crusted").

7, Onslow-place, S.W.7.

LETTERS TO THE EDITOR.

"AGRICULTURE AND FINANCE."

Sir,—I have read with great interest V.I.90's article on Agriculture and Finance. There are two statements in it that require qualifying and bringing up to date.

Since the passing of the Wheat Act I do not think that you could buy wheat from a British farmer at 18s. a quarter. The standard price is round about 45s.: a farmer might perhaps sell to a private individual for 25s., but even that is doubtful.

Probably it was true that before the passing of the Marketing Acts you might have been able to purchase a freehold pasture farm for £5 an acre; but it is hardly likely you can get anything to-day at that price, for the price of land has gone up again.

MONTAGUE FORDHAM, F.R.Econ.S.

"The Severals," Seer Green, near Beaconsfield.

ANSWERS TO CORRESPONDENTS.

The Constructive Commonwealth Union.

J. M.—Thanks for cutting from the *Sutton Times* of May 11, reporting meeting. We note that the speaker, Mr. C. F. Jacob, would revive trade by putting more money about. His reasoning in brief is as follows: Production increased: incomes not: inability to buy: prices fall: loss to producers. The deduction is that consumers' collective incomes are less than the collective costs of consumable output. In the report there is no mention of his explaining why. This is necessary, because his orthodox critics will point out that all costs represent incomes issued to individuals at some time or other. That being so, they will submit that gross incomes to persons are equal to the cost of all production, and that net on consumption) are equal to the cost of such proportion of production as is offered to consumers. What would Mr. Jacob reply to this? Upon his answer depends the efficacy of his remedy. Money is "put about" already—and costs exceed ratio? On the face of it, this remedy would merely expand the terms of the ratio. Mr. Jacob might be asked to elucidate this in the *Sutton Times*.

Lieut.-Colonel Hopkins.

T. J.—This is the gentleman whose circulars (re insurance) were dealt with by us in THE NEW AGE some months ago.

Impersonality.

The State Council of the Douglas Social Credit Association of New South Wales recently adopted the following statement, with the request that it be read at all branch meetings from time to time.

The Douglas Social Credit Association, in its march towards Economic Democracy, in which the State serves the individual, is aiming to make its collective and individual activities IMPERSONAL.

Individual desire for Praise and Power has wrecked so many great movements that it is therefore hoped our members will find complete satisfaction and recompense in working for the Douglas Idea, and not for self-aggrandisement.

It is essential that this impersonal mental attitude of enthusiastic SERVICE to the DOUGLAS CAUSE, shall become characteristic of every member of the Association.

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Social Credit in Summary. 1d.
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C. G. M.

The Nation's Credit. 4d.

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Credit Power and Democracy. 7s. 6d.
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The Monopoly of Credit. 3s. 6d.
These Present Discontents: The Labour Party and Social Credit. 1s.
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Social Credit Principles. 1d.
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The Normal Mind

By B. J. Boothroyd.

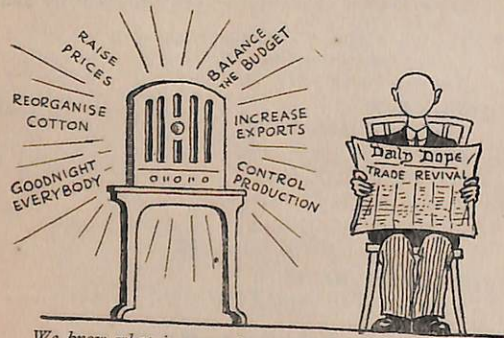
And here is the Government's new Sedition Bill. It is designed to save the country from the peril which was threatening it. It was not a moment too soon.

We offer a prize of a handsome pair of vases or a cuckoo clock for the best essay of not more than two hundred words saying what in the writer's opinion actually is the peril threatening the country.

The main purpose of the Bill seems to be to give the police greater facilities to search people's houses for seditious documents. Its chief effect will be to make it easier to become a criminal—a gratifying concession to the increasing popularity of crook stories.

The exact nature of a seditious document is not defined. But you need not fear that everybody possessing one will be arrested and jugged, even when it is defined. The law is no disrespecter of persons. The Bill distinguishes between persons who will do harm with a doubtful document and those who will not. It states that such documents may be possessed by "persons of normal mind."

To arrive at the definition of a normal mind, let us inquire what sedition is. Seditious persons are those who



We know what is meant by "a normal-minded person."

want to reverse the whole basis of the social and economic order. They are out to upset the seat of authority and power. And what, my friends, is that?

It is not Parliament. At one time it was thought that if Parliament was upset the country would be as a ship without a rudder. To-day Parliament is no longer regarded as the rudder of the ship; it is regarded rather as the bilge. All the governing is done outside it. The statesman's hand may still be on the helm of State, but somebody else's hand is on the short hairs of the statesman.

Obviously, the seat of power and authority in a modern State is the Central Bank, and its support is that sound, orthodox economic opinion which would maintain the present predominant position of Finance. It is said that the Bill is aimed at the Communists. That is unjust. The Bill would not wish to offend those orthodox economists. I have heard Communists assert that Douglas is discredited because no orthodox economic expert will agree with him. The law is not concerned with such a socially impeccable attitude.

I cannot, therefore, believe that the Bill is aimed at the Communists, nor at the Single-taxers, the Seventh-Day Adventists, the I.L.P., the Latter-Day Saints, nor any other revolutionaries. All these people, like the general public, accept what is right for obedient people to know. They may be classed, I think, as "persons of normal mind."

I think we know what a person of normal mind is. A normal mind is one which wants more labour-saving inventions and more work at the same time. It wants machines to do the work, and the workers' income to depend on wages. It agrees that production must be cut down to meet purchasing power. It thinks a government's first duty is to save money, and that prosperity can only

come by people being poorer first. It thinks that a government must go on for ever borrowing itself out of debt. Lord Halifax, who told the teachers the other day that the Government hasn't enough money to restore the cuts, has a normal mind. So have the teachers, who believed him.

A person of normal mind believes some or all of these things. And pessimists say that nothing can be done about it until we know more about psycho-analysis.

It is clear from this that the only people who should be regarded as seditious within the meaning of the Act are the Douglasites. They are the only people who are out to reverse the real basis of the social and economic order and remove the present rulers to a subordinate position.

Therefore, all the works of Douglas, together with all Social Credit literature, including all this paper except this page, should be regarded as seditious and confiscated from all persons who are found, on cross-examination, to agree with them. Incidentally, I demand that Major Douglas himself be impeached, mulcted in feoff, seized of soccage, if he's got any, deprived of lands, titles, and plaid, compelled to stand uncovered in the presence of any member of the staff of the School of Economics, and denied burial in consecrated ground when dead (not otherwise).

Normal-minded persons may, of course, retain such documents, provided they sign a statement on oath in the presence of a parson, doctor or magistrate saying that in their opinion A plus B is either incomprehensible or incorrect, and that the Banks ought to be allowed to retain possession of the nation's credit to do what they like with.

That lets out most people hitherto regarded as revolutionary. Nevertheless, it will not impede the Bill's excellent intention of making more criminals. For, as time goes on, it will become increasingly difficult for the average person, whose mind has not been subjected to sound economic training, or who was not dropped on the head when young, to refrain from wishing that the nation's credit was taken away from the banks and used for the nation instead.

In preparation for this, therefore, the Bill has invented a new crime. This is it: "To do or attempt any act preparatory to the commission of an offence."

Hitherto it has only been an offence to prepare for an offence. Now it is an offence to attempt to prepare for an offence. The offence, therefore, starts at the attempt to prepare. Some discussion, I suppose, took place as to whether they should not go further back and make it a crime to prepare to attempt to prepare.

This, no doubt, was thought unnecessary, as an attempt to prepare may be said to start in the will of the would-be



Houses must be searched for the seditious works of Douglas.

offender. That is enough; it will be impossible for anyone to prove that it was not willing preparation.

Certain lawyers have protested that this offence "fails to specify with precision the conduct which the Act makes criminal." It doesn't want to. That is why it is such a good Bill. Any old Bill could specify conduct. The one wants to leave it open to the interpretation of Normal Minds. It wants to rope in as much conduct as it can.

It is a Calvinistic Bill, ye ken. It regards everyone being born in the sin of wanting to develop the home markets before the foreign markets, and conceived in the iniquity of wishing they had enough money to buy what has been produced.

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