

# THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

No. 2228] NEW SERIES Vol. LVII. No. 4. THURSDAY, MAY 23, 1935. [Registered at the G.P.O. as a Newspaper.] SEVENPENCE

## CONTENTS.

	PAGE		PAGE
NOTES OF THE WEEK . . . . .	25	"CAPITAL UNREST." By A. B. . . . .	30
The Chancellor of the Exchequer addresses the Bankers' Association—"proofs" of prosperity—booms in saving and housing—the stability of British bankers in the midst of "world-wide depression." The Strang-Norman attempt at a gold-standard hegemony over Europe. Raising the school age—Anglican concordat with Nonconformity about grants and the selection of teachers in Church schools. The supersession of all denominational teaching by the teaching given by the B.B.C. and other tied-agencies of the Money Monopoly—primacy of the doctrine of Sacrifice.		THE POINT OF THE PEN. XXXII. By R. Laugier . . . . .	30
PURPOSE IN PROPAGANDA. By John Grimm . . . . .	28	<i>Rats, Lice, and History.</i> (Zinsser.)	
On the question of irrelevant and superfluous evidence—illustrated apropos of the proposition that bankers create credit and its true relevance.		MAMMONOLOGY. By Pasco Langmaid . . . . .	31
		Sir Ernest Benn on long-distance thinking at the annual meeting of the United Kingdom Provident Institution.	
		TAX AVOIDANCE IN FRANCE. (Reprint) . . . . .	32
		Reprinted from THE NEW AGE of July 8, 1926.	
		CORRESPONDENCE . . . . .	32
		"Royalist."	

## NOTES OF THE WEEK.

On Thursday last Mr. Neville Chamberlain made his annual report to the Trustees for the First Mortgage Debenture Holders of Great Britain and the Empire—namely, the British Bankers' Association. Among the chief points of his address the following (taken from the *Daily Mail* of May 17) may be recorded.

The banks have "not had to seek assistance from the Government."

The banks have "never lost the confidence of their depositors."

Being "free from control or influence by the Government" the banks are a "living and growing organism" able to "adapt themselves to changing conditions" and to "supply industry with financial resources which are essential for its expansion."

As indicating the progress made by the nation during the last twenty-five years, he gave the following statistical items.

	1910	1935
Thrift Institutions (per head)	£5.75	£22.5
Life Premiums (total)	£45 m.	£125 m.
Deposits	£950 m.	£2,650 m.
Daily Bank Clearings	£48 m.	£116 m.
Tea Consumption (p.h.)	6½ lb.	9½ lb.
Tobacco " (p.h.)	2 lb.	3½ lb.
Butter " (p.h.)	10½ lb.	21 lb.
Budget	£174 m.	£825 m.

Continuing, he added the following information and comments.

Remissions in taxation during last four years amount to £72m. per annum.

Progress in production as between 1934 (first quarter) and 1935 (first quarter) indicated as follows, the year 1930 being made the basis with the index of 100.

Building	from 124 to 147
Pig Iron	" 88 to 101
Electricity	" 157 to 172
Bank advances	from £755m. to £767m. (March quarters compared).

New Issues from £129.8m. to £175.8m. (1933-4 compared with 1934-5).

"The outcome of the four Budgets for which I have been responsible has resulted in either a fixed debt charge or a saving in the provision of £85½m. towards the redemption of debt."

There are still possibilities in the policy of "moderate tariffs" combined with "cheap money."

Still waiting for revival of international trade. Chief step towards this would be "a return to a common international gold standard."

"It seems to me futile to attempt to bring about stabilisation until we can see some prospect of stability of conditions after that stabilisation has been effected. All I can say, therefore, is that stabilisation is one of our ultimate objectives."

"We are watching . . . action . . . likely . . . useful results. . . ."

Lord Bradbury of Winsford, president of the Bankers' Association, referring to the increase in expenditure on national defence, said: "I can assure you (Mr. Chamberlain), in the name of all those present, that we neither question the necessity for it nor begrudge the inevitable sacrifice."

To deal with last things first, it must reassure the responsible heads of our fighting forces to know that their calculations as to what is necessary for our military security agree with those of the bankers, though it may puzzle them to understand what special, independent competence these bankers have to measure the necessity. Again, while Lord Bradbury's final assurance embodies the right spirit, its style of expression might mis-

lead the unwary into supposing that the bankers were going to foot the bill for the additional national defences out of their profits or reserves. This must be put right; so we feel it our duty to explain that the assurance means that the bankers are willing to facilitate the sacrifice of the taxpayer without bearing him any ill-will. If anyone should ask: Why should they? there is no satisfactory answer except to the judgment of those students who know how thoroughly imbued the bankers are with the mistaken idea that the credit they lend to Governments is their own property, and how much it goes against their grain to see credit used for purposes which do not "earn revenue." To the man in the street it may seem a small thing for the bankers to put up with a policy which, after all, costs them nothing, but that is entirely to misconceive their psychology and under-rate the spiritual conflict set up in their breasts by breaches of the principle of Deflation on which their power to guide our destinies ultimately rests.

Mr. Chamberlain's tribute to the banks that they have not had to seek assistance from the Government is amusing. This applies to the post-war period, for he speaks of the world-wide depression which brought banking systems in other countries to "devastation." When banks fail we have noticed that it is the depositors who are devastated. Again, allowing the assumption that the "world-depression" caused the devastation, it has to be remembered that the failure of one bank contributes to the success of the others, and that the devastation of a "banking system" might equally well be described as its reconstruction or rationalisation. The "system" extinguishes its liabilities to so many depositors, and thereby improves its currency ratio. The Home Bank of Canada was allowed to fail by the other banks, whose position was strengthened by that occurrence. Surveying the entire region of international finance, there is nothing to be surprised at, much less to admire, in the apparent greater stability of one national system than those of others. Where dog eats dog the dogs who eat are healthier than the dogs who are eaten.

What caused the world-wide depression which devastated certain banking systems? It was the concerted arrangement between Mr. Benjamin Strong and Mr. Montagu Norman to put deflation into operation in their respective areas of domination and to impose the same policy on other areas. Norman went about Europe planting Central Banks which, with Anglo-American influence behind them, were able to set going a more or less uniform plan of credit-restriction and credit-regulation in Europe based on the gold-standard which, so it was hoped, would be permanently re-instituted. This development automatically changed the conditions on which the general banking system in each of those countries would be permitted to function without interference. Those banks, within any national system, who neglected to observe those conditions, could be squeezed out by those who observed them, and might be eliminated by the direct action of the Central Banks. The Strong-Norman consortium was something similar to the body which was later to arise in Australia as the result of the visit of Sir Otto Niemeyer, namely, the Loan Council, who, among other achievements, caused a run on the New South Wales State Savings Bank, facilitated the eviction of Mr. Lang's Government, and brought about the abdication of Mr. Scullin's.

The world-wide depression was not a natural phenomenon, but the consequence of the Strong-Norman policy. Any devastation that overtook banks and banking systems was not caused by the depression, but by the deflationary policy that caused the depression. In fact, it could be shown that the devastation was more in the nature of a penalty for disloyalty to the Strong-Norman dictatorship than any inherent unsoundness in administration. The Bankers' Association in this country have no reason for boasting because their system has escaped embarrassments which have overtaken others. Anybody can escape trouble who gets early notice of danger; and since these banks were presumably advised by the Bank of England when the Strong-Norman policy was evolved, naturally they had the chance to unload their risks on to those who hadn't yet found out what the game was and how it would be played. Again, apart from such fore-knowledge, both America and Britain were able to take the lead in world policy for a variety of reasons besides the merits of their banking systems; to wit, their military power, economic resources and resourcefulness, geographical situations, and so on.

Then, as to "seeking assistance from the Government," nobody has to seek for what he has already got. If in 1918 the British Government had withdrawn their sanction to the continued use of Treasury Notes as legal tender the Bank of England would have been in a nice fix. Far from having to face such a situation the Bank proceeded to collar the right to print and issue currency notes in any quantity it chose. The quantity is limited by Statute, but the Bank (which controls the Treasury) fixed the limit, and, even so, secured powers to exceed the limit subject to the approval of the Treasury (which is controlled by the Bank). If this is not "assistance" what is it? Perhaps the catch lies in the phrase "had to seek"—the get-out being in the fact that they had got the assistance without being obliged to seek it. The real significance of Mr. Chamberlain's tribute is not what he would care to emphasise, it is that his Government have long since denuded themselves of the power to render assistance to the banks, an act of renunciation which is the logical fulfilment of the doctrine that Governments have no right to interfere with credit-policy. And if it be assumed, for the sake of argument, that there is any margin of assistance yet resting with the Government to render, their refusal to grant the banks' application for that assistance would itself constitute an interference with credit-policy. They're in the bankers' pockets completely; and Mr. Chamberlain tacitly says so in his reference to the banks being "free from the control or influence by the Government."

Coming to details of Britain's progress we may stop to observe the reference to the building boom. "A newspaper headline recently which read: 'A house is built every minute.' It could be put equally well: 'A mug is mortgaged every minute.' The latter Mr. Wheatley was attacked by the financial interests on account of his "uneconomic" housing policy. The schemes now approved by the same financial interests as "economic" are not essentially different from Mr. Wheatley's. For whereas under his scheme the "uneconomic" charge was a sum that the man could pay under the present scheme the "economic" charge is a sum that he can't. This is said prophetically. Under Mr. Wheatley the man would underpay the economic price week by week while the house held together, leaving a deficit at the end; under the present scheme he will pay it in full for a certain period and default for the balance. When he is gone, and the house falls in

the building society, then the rent will fall to such "uneconomic" level as will fetch an occupier. It all comes to the same thing in the end so far as the problem of cost-recovery is involved. All of us, as consumers, pay an uneconomic collective price. The margin by which we pay short is made up in part by money lost by unlucky investors, and in part by the writing off of debts due to the banks and other financial corporations.

Confining attention to the building industry it is probably true to say that the total wages and salaries paid out in respect of any house do not exceed one twentieth of its total price. Supposing that the whole sum so distributed became available for meeting instalments, the recipients could only pay the first year's instalments on a 20-year agreement. If you like to include the builder as a prospective purchaser of his own product, his profits would probably cover only 5 years' instalments. This wouldn't matter if the building went on perpetually, but some day or other it must come to an end. And by the time when it does the money distributed will have been largely cancelled through the processes of temporary inflation—higher charges in the consumption market, higher profits in industrial markets, higher values in the investment markets, and larger allocations to reserves by all enterprises participating in the exploitation of the boom. Through the interplay of these factors the bankers will have retired the bulk of the credit, and the general body of consumers will then have to depend on a pre-boom volume of earnings with which to meet charges augmented by the total cost of the new houses, not to speak of the widespread legal liability of householders to foot bills for repairs.

From another aspect the building boom is like the cotton boom of several years ago. When a person contracts to buy a house on the instalment plan he is doing much the same thing as the cotton-operative did when acquiring 10s. shares for 1s. deposit, leaving 9s. uncalled. He enjoys the use of the property, it is true, but it is not his property except in the sense that a piece of a cotton-factory was the property of the cotton-operative. The value of both is not within the control of the investor, and may fall away to nothing, whereupon the householder can no more sell or let the house at a price equal to his obligations than the cotton-operative could sell his shares to escape the calls on them.

The bankers don't care about the financial implications to themselves of default. The credits they advance are the property of the public, and they are using these credits with the deeper object of completing their secret census of private citizens' names, activities and circumstances. The voting system, the cheque-system, the compulsory insurance system, the taxation system, and the mortgage system provide them with the means of compiling a complete intimate dossier in respect of everybody. They invent fair excuses to obtain signatures to forms with the ulterior purpose of making other uses of the information invited.

In this connection some facts and comments we published just on nine years ago will be found to provide elaboration of this aspect of the financial policy. We reprint them elsewhere under the title of "Tax Avoidance in France."

With reference to Mr. Chamberlain's quantitative commodity-indices of prosperity they are too few in number to have any force. Tea, tobacco and butter are all very well as pointers, but why not also bread, meat, eggs, potatoes, etc., cocoa—ah, and beer? We must have all the relevant indices, or none. For example, what use would it be for Mr. Chamberlain to quote the consumption index of permanent waves as between 1910 and 1935—or hair-pins? Tastes wander where they list, or are driven to wander by taxes. The consumption of tea may go up because the consumption of beer has gone

down. Some men are born abstainers, some achieve abstinence (under the moral suasion of the cocoa interests) and some have abstinence thrust upon them (by the Treasury's selective manipulation of duties). As for butter, it is only one among many fatty articles of diet. And then, what is butter? One pound of butter (1910) couldn't be looked in the face by two or three pounds of "butter" (1935). And this applies to other foods as well. Higher quantitative consumption often reflects lower qualitative production—as was shown in our article, "The True Cost of Living," which was reprinted by *The Bank Officer* some time ago. In 1910 a poor woman could buy a bullock's head complete for a price probably not more than a fifth of what it would cost to-day when the prices of the brain, tongue, and "cuts"—to-day divided and sold separately—are added together. Standards of comparison are constantly being obscured or obliterated by the ingenuity of traders in squaring their revenues with their overheads.

#### Raising the School Age.

The Government are said to have decided on raising the school age to 15. This will involve more school-accommodation, and the expenditure of more money to provide it. Grants are being contemplated towards that expenditure. As the cost of keeping a child at school for an extra year will fall on the parents, there is talk in some quarters of giving them assistance on means-test conditions. If that is done, all parents who are not quite destitute will be virtually taxed in order to relieve the pressure on the labour market. And many who might pass the means-test will suffer the tax rather than undergo the inquisitorial interrogation which bars the way of escape. One serious difficulty in the past about this policy has been the hostility of Free Churchmen (and Rationalists) to the provision of public money to Church schools where "denominational" teaching is given. It is said that this difficulty has now been overcome, and a concordat has been reached by which the Church Managements will allow Public Authorities more discretion in the appointment of teachers.

#### The Financial Reconstruction of Christendom.

The significance of this was prophetically explained in an article which we published under the title of "The Passing of Anglicanism" some years ago. Its theme was the insidious supersession of the authority of the Church by that of the B.B.C. and the Press in spiritual matters. During the generations wherein Nonconformists were disputing with Anglicans for the soul of the impressionable young child, the policies and plans of High Finance were leading up to the establishment of an all-sectarian, or non-sectarian code of theology. Doctrinal antagonisms in the religious sphere were to be regarded as anachronisms just as have been party antagonisms in the political sphere. There is to-day what amounts to a National Church corresponding to the National Government, and its master-doctrine may be summed up in a perverted construction of the text: *Seek ye first the Kingdom of Heaven, and all these things shall be added unto you.* Thus, the doctrine of the "National Church" becomes incorporate with the doctrine of the National Bank, and is that the tolerance of material poverty alone leads to the enjoyment of material plenty. You can have everything which you give up wanting! Outside this orbit of exhortation all religious teaching becomes superfluous, and will not be accredited by the Money Monopoly and its Tied Houses of Parliament.

*If Christ be not raised, then is our faith vain, and we are of all men most miserable,* declared the Apostle Paul. And the modern bankers are the direct descendants of the critics to whom the Apostle was referring; for the content of their teaching amounts to a denial that the abstinence of past generations has been resurrected in the potential affluence of the present generation. Some readers will remember that we attacked the writer of the "Easter Message" in *The Times* two or three years ago for emphasising the sacrificial significance of the

Crucifixion to the exclusion of the redemptive significance of the Resurrection. He was pursuing the same kind of theme as one who should say that the achievements of past generations of scientists, engineers and organisers were only to be valued because of the cries and tears which accompanied their struggle on behalf of mankind against natural scarcity, and were not to be made the basis of faith in the existence and accessibility of an economic inheritance. And such is the logic of the theories and rules laid down by the bankers: they would make people act as if it were necessary to do all over again what their ancestors have achieved for them and bequeathed to them. They would crucify the Lord afresh.

\* \* \*

In every home where the parents and children are gathered together there is a third parent in the midst—the radio "talker," or the Fleet Street writer. It is he henceforth who will dominate the vital early years of the citizen's education, and it is he who will eventually extinguish the sacred spirit which maketh alive under the profane letter of the law which killeth.

\* \* \*

The Churches of Christendom are making friends with each other. It is well. And it is time. They have a joint work to do. And that work is to combat the spirit which animated the disciples journeying to Emmaus: *We trusted that it had been he which should have redeemed Israel.* That despair must be exalted into the faith which clothed itself in the joyful exclamation: *Did not our heart burn within us while he talked with us by the way?*

## Purpose in Propaganda.

By John Grimm.

When composing speeches or articles on Social Credit propagandists should heed the fact that superfluous or irrelevant evidence weakens the force of essential or relevant evidence. To adduce more evidence than is necessary to prove a point is to obscure that point: to adduce evidence which has nothing to do with the point is to lose the point. The object of the speech or article is not merely to reflect the mental processes of the author; it is to direct the mental processes of his audience. This direction can only be exercised by the judicious selection of the *right kind* of evidence in the *right quantity*.

To illustrate the argument take the proposition that the banks create and destroy credit. Say that you propose to prove this to an audience. Why? Because the proof is to become evidence for some further proposition. And so on in steps until you arrive at your chosen final proposition. Now, many propagandists make the initial blunder of not choosing a final proposition before they start. Many others, even after choosing it, lose sight of it on the way. And it is an ironical fact that the more they know of their subject the more prone they are to commit this blunder. It occurs because each of the series of earlier propositions radiates, so to speak, a number of corollaries, the earliest proposition carrying the largest number and the following a progressively diminishing number. The speaker (or writer) being aware of all these, is tempted to pursue them or some of them, according to the mood of the moment. This leads him off the main track of the argument, and his audience with him; and though he may re-join the track later on (sometimes he never does) with his mind clear on his final objective, his audience will meanwhile have confused the main track with the side-tracks, and will probably not recover from the distraction of their attention.

One practical safeguard against this would be for the speaker to recite his chosen final proposition before he commences his argument, and, perhaps, repeat it at the conclusion of every step in the argument. This would keep him on the main track, and help the audience to see what the main track was and where it led.

A useful analogy may be seen in the teaching of Euclid. In the First Book there are 36 Definitions, 3 Postulates, and 11 Axioms, followed by 48 Propositions. The last Proposition but one, the famous forty-seventh depends for its proof upon only a small selection from the material enumerated above, to wit, Definition 32, Propositions (Theorems) 4, 14, and 41, and Propositions (Problems) 31 and 46—that is to say, in homely language, the forty-seventh Jigsaw Puzzle consists of only six pieces out of the ninety-eight with which the student is equipped. So that a class of boys could be "crammed" with the proof of the forty-seventh Proposition by this short cut of relevance if the teacher thought it desirable.

### The Creation of Credit.

Now, considerations of space and time demand that speeches and articles should be of this "cramming" nature—should employ discriminative economy of fact and argument. Just as the proof of Proposition 1 in Euclid is only occasionally relevant to the proof of later Propositions, so is the proof that bankers create credit—which may be considered as an early Proposition of the Social Credit system—only relevant to certain later Propositions. Now the Euclidean textbooks considerably provide the teacher (and student) with marginal references to earlier material relevant to the proof of any given Proposition. But the teacher of Social Credit must make his own. Having decided what his end-proposition is to be, he should work backwards from it and see what it requires him to prove, step by step, and particularly, in *how few steps* he can complete his final demonstration.

Now, supposing that the end-proposition is to be that incomes in the consumption market are less than sufficient to meet the costs recoverable in that market. To what extent would the initial proposition that banks create and destroy credit be essentially relevant to the demonstration. The answer is—practically to no extent at all. The truth of this will be realised if you imagine that the Government took over the banking system and provided itself with credit in the form of legal-tender notes. There need be no limit to the quantity, but let the value be taken at a figure of the same order as annual bankers' clearings, say £50,000 millions. This credit could be in existence permanently. Yet no student of Social Credit will say that this would affect the factors which cause the cost-income deadlock. Such factors have to do, not with the existence of credit, but with its accessibility to credit-users and with the time-conditions imposed on its use. From the point of view of the community, credit which is inaccessible is indistinguishable from "destroyed credit."

So the proposition that bankers create and destroy credit is not relevant to the proposition that incomes lag behind costs, notwithstanding that both propositions fall within the technical frame of reference. The first proposition does nothing to explain the second.

### The Destruction of Evidence.

What, then, does it explain? It explains something in the political frame of reference; it explains why the banks are able to deceive the public in regard to the

amount of credit which could be made accessible. Since bankers create credit by lending it, and since the loans are recorded as deposits, they are able to get away with the proposition that their ability to lend is limited by their deposits. They pretend that they cannot lend more credit than belongs to their depositors.

This they would not be able to do in the hypothetical situation previously outlined. For they would have to record in their financial statements the existence of the permanent pool of £50,000 millions side by side with deposits amounting to, say, £2,000 millions. Thus they would disclose a reserve of unlent credit amounting to £48,000 millions. The public would then be in the position to inquire why it was that only one-twenty-fifth of the credit potentially accessible was being made actually accessible—on what principle (technical or political) this ratio of accessibility was established.

Thus the bankers' creation and destruction of credit is seen to involve the *creation and destruction of evidence* as to their (really the people's) credit-resources. That is the real significance of the processes. Technically (that is with reference to the cost-income dilemma) it makes not the slightest difference whether banks draw their loan credits from a permanent visible pool and return them there, or whether they make or unmake the visible pool as they choose. In either case the error which causes the shortage of purchasing power would not be corrected, because it proceeds from the accounting of accessible credits—credits put into circulation—and is not affected by credits (visible or invisible) which are withheld from circulation.

All this helps to explain why it is that bankster publicists insist on denying the proposition that banks create credit even against the evidence of their own text-books. For by doing so they impliedly insinuate that the Social-Credit analysis of the cost-problem rests on that proposition, and that advocacy of Social Credit involves advocacy of interference with the customary banking technique of accounting loans and repayments. These publicists, by defending a position which the Social Credit advocate is not attacking, tend to mislead reformers in general into the belief that what is called "national control of credit" (i.e., the creation and destruction of credit by Government officials) is the essence of the Social-Credit Proposals. To the extent that they succeed in this they are prompting all sorts of well-meaning but half-baked reformers to join, or ally themselves with, the Social Credit Movement. Something of this sort is happening in Alberta where the Aberhartening of the Movement is disheartening the authentic pioneers of the Movement.

So it should be clearly understood that the proposition that banks create credit is not put forward as an objection to that procedure on technical grounds, but as a warning to the public against misinterpreting the statistical reflection of it previously alluded to.

In *Punch* there was this joke some time ago.

Grandpa.—Well Dora, I hear that you know your multiplication tables.

Dora (aged five).—Yes, Grandpa—all through.

Grandpa.—Ah; let me see. What is thirteen times thirteen?

Dora (laughing).—Oh, you silly Grandpa: there isn't such a thing!

And the practice by the bankers of creating and destroying credit enables them to spread the illusion that there isn't such a thing as available credit in excess of the amount they make available.

### Limits to Credit Creation.

The trail of logic bifurcates after a "First Proposition" of Social Credit has been established. One path leads to the final proof of the flaw in the price-system; the other leads to the exposure of the governmental system. The first shows how it is that incomes lag behind prices; the second shows how it is that the public are being prevented from realising the fact and the reason for it.

A "First Proposition"—and it would be better called an Axiom—is this: That financial credit is intrinsically costless. There are two corollaries of this: (a) that there is no technical limit to the quantity of credit that can be put into circulation: (b) that there is a prudential limit, but it is not reached until such quantity of credit is in circulation simultaneously as can be utilised simultaneously.

This prudential limit is governed by the rate at which a community choose to convert their natural resources into means of consumption, and are physically able to do so. Whatever be that rate, then the provision of a commensurate quantity of financial credit is (a) technically feasible, (b) prudentially justifiable.

### Criteria of Prudence.

Now, the logical extension of this proposition and its corollaries splits into two at the point where *prudential* considerations become involved. For what is prudent in the judgment of the scientist may be imprudent in the judgment of the moralist. No time need be wasted here to prove that in the realm of economics any community would back the scientific criterion of prudence if given the chance.

The bankers are admittedly in control of the credit-system. Hence all propositions regarding the technical possibilities of that system are propositions regarding the responsibilities of the bankers. They, knowing that the community would not tolerate their openly interpreting and exercising those responsibilities for ends in conflict with those of the scientist, and yet working in pursuance of those anti-public ends, take refuge in the concealment of the means by which they attain them.

### False Figures and Political Strategy.

This is where the true significance of credit-creation and credit-destruction is seen. What happens is, in a fundamental sense, not the making of new credit and then the unmaking of it, but rather the making visible, and afterwards invisible, of a fractional portion of a store or reserve of credit which is in existence all the time. When we see the moon in its first quarter we do not suppose that the piece we see has been "created," nor that this piece is all there is. And when we see it in its last quarter we do not suppose that the remainder has been "destroyed." The full moon is there all the time, no matter how little of it happens to reflect the light of the sun towards the watcher. But supposing such a thing as that the moon had been held in a state of perpetual eclipse, the watcher would have been deceived as to its shape and dimensions. And that is what happens to the public in regard to financial credit: a large part of it is held in a state of perpetual eclipse. The public only see such part as the bankers make visible in their accounts.

### Conjuring!

Summing up, the fact of credit-creation and credit-destruction is not itself the cause of the price-income deadlock. These processes will go on even under a Social Credit system. What they do under the present

system is to provide the bankers with statistical material upon which they can colourably urge that the deadlock is not in their power to unfasten. The true answer to this plea is to counter it with the proposition that it is their considered policy to bring about and perpetuate the deadlock as an instrument of economic and political domination. Their wish is father to their evidence; and the fact that repayments of their loans automatically obliterate all records of the original issues of the loans within the arbitrary limits of their chosen system of accountancy leaves visible just that evidence which accords with their wish; and keeps invisible all contrary evidence.

The force and relevance of the truth that credit is created and destroyed are therefore at their highest in answer to some such question as the following, which crops up fairly frequently; namely: "If the Social Credit Analysis is demonstrably sound, *why was it not discovered generations ago?* The answer is that the processes of creation and destruction covered up all clues to where the trouble should be looked for. In conjuring, it is the quickness of the hand, plus the glibness of the tongue, that deceives the audience; and the consequences of the credit-disappearance process are much the same. The essential difference is, of course, that whereas the man-in-Maskelyne's knows he's lent his watch and expects to get it back at the end of the turn, the public are unaware that they have surrendered anything at all.

What they have surrendered is the right to control the quantity and decide the purpose of their credit. But the proof that credit-destruction has deceived them as to their right does not contribute to their knowledge of how to use their credit so as to make their purpose attainable. That is a technical problem, and is quite separate from the political question of rightful ownership and control.

Some ten years or more ago a Mr. P. W. Martin published a demonstration that the practice of reinvesting earned incomes threw out the price-income equation; and in so doing he postulated a fixed store of silver. This eliminated the factors of creation and destruction from the demonstration. He was able to make good his theorem without taking them into account. The bearing of this is as follows, that while he succeeded in showing, in parable form, how a primitive community could go wrong in this technical sense, most readers were probably driven to the reflection that no intelligent community would miss seeing that their store of money was becoming inadequate to discharge their mounting debt in the way in which the author described. In brief, the visibility of the money would help the community to detect its misuse—a reasonable inference which confirms the truth above suggested that the disturbance of the price-income equation is not caused by the alternating visibility and invisibility of credit, but is obscured as to its existence and nature by these alternations.

The problem after the war was how to reabsorb in civil life a couple of million men accustomed to regard slaughter as a routine matter. Thus comments Mr. Winston Churchill in his history of the King's reign in the *Evening Standard*. It was solved by means of what he describes as a "judicious inflation of credit" during the years 1919-20.

## THE NEW AGE TRUST, 1935

Share scheme on a novel plan is now ready. Persons desiring to take part will receive Prospectus on request. Take a share and become a pioneer. Apply:—

J. GOLDBER,

63, Kidbrook Park Road,  
Blackheath, S.E.3

## "Capital Unrest."

We are all familiar with the term "labour unrest," but apparently there is something called "capital unrest." At any rate such is the term used by the *Oriental Economist* in a comment on the purchase by the Hsinking Government of the North Manchuria Railway. It reports that there is to be a flotation of 180 million yen Manchukuo loan bonds, and that "a syndicate of banks is to be organised specially for taking up this issue." The South Manchuria Railway Company are to operate the acquired railway and will provide a temporary loan of 50 million yen for operating expenses. This company will take over the North Manchuria Railway under a management operation contract with the Manchukuo authorities. "The syndicate banks are assured by the S.M. Railway Company that the acquired lines will be operated on the most rational basis, and in such a way that there will be no danger of 'capital' unrest in its management." The concluding statement in this report is that if the syndicate of banks should experience difficulty in re-selling the Manchukuo loan bonds in the investment market, "part of the flotation will be taken up by the Government Bureau of Deposits as a temporary arrangement."

A. B.

## The Point of the Pen.

By R. Langier.

### XXXII.—THE CONQUERING WORM.

I was attracted to Mr. Hans Zinsser's most interesting book, *Rats, Lice and History*, by a protest, in his preface, "against the prevailing attitude that a specialist should have no interests beyond his chosen field." I agree with Mr. Zinsser "that one type of intelligent occupation should, in all but exceptional cases, increase the capacity for comprehension in general." I was delighted to find Mr. Zinsser, the scientist, examining questions of art, and when he writes, "This chapter will be received with contemptuous shrugs by the professional literary," I feel tempted to answer, "It will be received with immense pleasure by the vocational literary." There are writers and "writers," just as there are scientists and sciolists. In speaking of art, Mr. Zinsser significantly quotes from Havelock Ellis. I think, therefore, that the author of *Rats, Lice and History* would probably be inclined to agree with my suggestion that both art and science have for their major purpose the empowering of the soul of man, so as to give him a greater command over his resources and environment. Mr. Zinsser suggests that "an achievement of observation becomes science or art according to the degree to which its comprehension calls upon perception by the reason or by the emotions respectively." But, whilst this would seem true enough, I fancy both the pure emotion of artists and the pure intellectuality of scientists are inclined to be exaggerated: it is the business of the artist to reveal art and conceal his science (technique); it is the business of the scientist to expose and measure facts; but the artist must possess science, and the scientist art, if their work and evolutions are to be successful. Authentic artists and scientists are upheld by passion in their work; and both aim at evaluating truly: it is precisely in their passion for truth and beauty that artists and scientists differ from parasites. I stress these points because, whilst I am delighted to see a modern scientist showing an appreciation of the arts, I regret Mr. Zinsser's suggestion that

the literary will be contemptuous—just as I regret his surprise when he discovers an original and accurate "scientific" description in Homer. Personally, I am never surprised when I find a scientist possessing fine artistic perceptions, for I agree that "one type of intelligent occupation should, etc."; but I regard the modern divorce of arts and sciences as a great tragedy, and I wish more scientists valued art as Mr. Zinsser does. The poet's observation is just as accurate and precious as that of the scientist, and it would be better for the world if this were generally understood. Once the poet was called The Maker, and the appellation is a good one, that will describe scientist, engineer, and honest artisan as well as poet: the difference between poet and artisan being a difference in degree but not of kind. My view of history is one of an incessant struggle between man The Maker and man The Parasite; and, with this view Mr. Zinsser would appear to agree in the following passage:—

*Infectious disease is merely a disagreeable instance of a widely prevalent tendency of all living creatures to save themselves the bother of building, by their own efforts, the things they require. Whenever they find it possible to take advantage of the constructive labours, this is the direction of the least resistance. The plant does the work with its roots and its green leaves. The cow eats the plant. Man eats both of them; and bacteria (or investment bankers) eat the man. . . . Life on earth is an endless chain of parasitism which would soon lead to the complete annihilation of all living beings unless the incorruptible workers of the vegetable kingdom constantly renewed the supply of suitable nitrogen and carbon compounds which other living things can filch. . . . In the last analysis man may be defined as a parasite on a vegetable.*

Parasitism goes on continually, and flourishes most when man's mental and physical vitality is weakened by under-nourishment and war, in the field or in the competitive market. The man parasite is, *par excellence*, the banker, as Mr. Zinsser indicates; and it is the banker who, producing a deliberate shortage of purchasing power, produces also under-nourishment and continual warfare. A view of history, therefore, is inclined to be depressing; but pessimism may be avoided if we remember that history is a record of the past, and if we decline to believe that things which have happened in the past must repeat themselves.

So far as I know, rats and lice are not seeking for "power," but merely seek, without malice, survival at the expense of their unhappy hosts. The parasite man is parasitic chiefly because of childish false conceptions of power: he wants power over the mere economic existence of others, instead of desiring real power within himself. Changes therefore are possible in the parasitic banker himself: since he could surrender "power" and still survive, he might get tired of his present game and seek other worlds to conquer.

Then man The Maker works all the time, just as the parasite does. The incorruptible human worker also renews our supply of nitrogen and carbon compounds—if not literally, then in the sense of renewing things vitally needed, whilst protecting these things from those who would filch. Man The Maker has produced the machine and power age, and made man The Parasite an absurd, if terrible, anachronism. Physically speaking, the necessity for under-nourishment, competition, and wars has disappeared—if such necessity ever existed; so parasitic man must soon disappear.

Also the most deadly of parasites is now known, and as

the typhus virus has been brought into the open, so has the "investment banker." C. H. Douglas has isolated the banker in the laboratory, and the banker's mode of operation has been exposed, together with the manner in which his activities may be rendered harmless and even useful. The way to de-louse the community is known, and we have started on the crusade. A time will come, shortly, when parasitic man, instead of being honoured, will be regarded as sub-human; and in that day man will no longer be "a parasite on a vegetable."

## Mammonology.

[A commentary on Sir Ernest Benn's speech at the ninety-fourth annual meeting of the United Kingdom Provident Institution, March 20, 1935.]

The sciences of astrology, demonology, and spiritualism must give pride of place to a new department of human knowledge, daily becoming more widely recognised and studied, namely, mammonology.

Sir Ernest Benn is a competent exponent of this science, introducing his hearers and readers to the vital principles which, he says, are closely related to the essential principles of the good life. He claims that insurance has an influence upon public affairs, and an extension of this influence might well rectify the disturbed condition of the world. Insurance thoughts are long-distance thoughts, and long-distance thoughts should take the place of the hand-to-mouth opportunism in public affairs. Elaborating this, he lays it down that insurance recognises that sacrifice must come before benefit, and denies a policy of something for nothing. Insurance affirms that the future is more important than the present. These are the foundations—economic, even ethical and moral—upon which social well-being depends.

Mammon decrees that to take thought for the morrow will give us bread to-day, that it is a moral and ethical principle that the sacrifice of our bread to-day will ensure bread for ourselves or our children later on.

Insurance should bear a larger proportion relative to the National Debt. In 1913, long-distance thinkers (good people they were in those days) had the decency to underwrite the National Debt to the tune of 61 per cent., but the weakness of this generation for public debts has reduced the cover to 14 per cent. The sad conclusion is that there must be no more public borrowing until we have done some more private saving, i.e., private sacrifice must precede private benefit, with more public debt chucked in as a gift coupon. Let not the mammon devotee, however, be carried away with an excess of the spirit of sacrifice, for sacrifice must be properly spread, single premium business being discouraged to the extent of £170,000 less than the previous year.

From the mystical and sacrificial side Sir Ernest proceeds to deal with the law of mammon, that is, the law of supply and demand, and defined as the natural workings of natural economic forces springing from natural causes, which give the world confidence and a sense of stability. The student must read for the "world" Sir Ernest Benn's world, the privileged inner circle of High Finance, and the "natural workings, forces, and causes" are none other than the untrammelled will of Sir Ernest keeping in step with Wall Street and Threadneedle Street skulking in the background, who naturally know where money should go.

So he passes to a note of duty to himself and his colleagues:—"This year, in full accord with the best of City opinion, it is our duty to express regret that those restraints have still, to some extent, been maintained. The longer the delay in restoring the full benefits of natural freedom to the money market, the longer will be the necessary stages of complete restoration to natural economic health."

Such a long convalescence might well be shortened by the prayers of many of their members for such restoration of natural freedom in the money market. In fact, he would do the cloak of the seer by forecasting that the King's Jubilee will inaugurate the final stage of convalescence, and that world tribulation would be ended when their own centenary was celebrated.

PASCO LANGMAID.

## Tax Avoidance in France.

[Reprinted from THE NEW AGE of July 8, 1926.]

The *Observer's* Paris Correspondent writes an interesting article on the banking habits of the French people. The ordinary Frenchman carries about with him a far larger amount of cash than an Englishman would think of holding. It is rare among the middle classes, and almost unknown among the small but prosperous peasant farmers to have a banking account. The peasant distrusts banks; partly because of what he has heard of fraudulent banks, but far more "because he hates the idea that anybody—even his best friend, and even his wife, and far less a mere banker and his clerks—should know what he possesses." He hates it because he is convinced that the taxing authorities are in the secrets of all the banks, and that if he allows the banker to know what he has, he will soon be called upon to pay taxes on it.

There are many of them who now no longer invest; they hoard notes. The stubbornness of the anti-bank habit extends above private individuals. Only last week the writer of the article records that the accounts department of a public body refused to accept a cheque from a business man. This man appealed to a higher authority, but was told that although several Finance Ministers had recommended the acceptance of cheques, none had yet dared to go so far as to try to enforce it. The writer concludes his article with an amusing description of the lengthy process of paying in, and especially cashing, a cheque at a French bank, commenting that "I do finally get the money, and escape from the precincts of the bank bitterly regretting a wasted morning." It would almost seem as if the banks themselves went out of their way to become unpopular—as if they have other and larger fish to fry than minding the money of private individuals. In this connection there are some startling figures in existence, showing the high proportion of bank commissions, and so on that were bitten off the proceeds of the French Government's loan flotations during the war.

The situation goes far to explain the difficulties which beset the French Finance Minister during the present time of crisis. He can budget for any scale of taxation of income he likes; but how impose it when the taxpayer is the only fellow who knows what he is getting? The French equivalent of a British Inspector of Taxes cannot demand the production of the citizen's pass-book. He does not possess such a thing—nor wants to, for, as we have seen, he regards a pass-book as a virtual declaration of his income. Nor, again, would things be much easier if he did possess one, for the attitude of the taxing agents themselves suggests more of a tax-payer's than of a tax-collector's psychology. A story was told in the Press not long ago of an Englishman who started business in a French town. Upon receiving the form for the return of his income he naturally entered on it relatively true figures and returned it. What was his surprise a day or so later to be waited upon by a deputation from his fellow townsmen praying him to be, as we should put it, a "sport" and not to kill the tax-dodging market by blacklegging on his taxable neighbours. Would he please drastically reduce the amount? What he did to oblige them the story does not recount—probably because he was discreetly reticent in his narration of the incident; but one is more intrigued to know how his neighbours came to hear of his proclivity for truth-telling except through the friendly warning of the official who received the income-tax return from him.

All these things go to suggest how efficient must be the power of resistance in France to repressive financial policy. If only France would get the cheque habit, says the *Observer's* correspondent, "many public advantages would be gained." Quite so, but these "public advantages" turn out to be advantages always to be admired but never shared. "Certainly one should do his duty by the State," says the Frenchman; "but what is the State? *L'Etat—c'est moi*. If neither I nor my neighbour allows himself to be impoverished, the State must assuredly remain prosperous." An unassailable piece of theorising. Not only that—but it works. There is a lot to be said in favour of Englishmen reverting to the cash habit.

## LETTERS TO THE EDITOR.

### THE ROYAL BOOT.

Sir,—The fact that no journal other than THE NEW AGE can sense the modern significance of the five minutes' halt at Temple Bar by the Royal Jubilee Procession is a notable tribute to your consistent analysis of the source of all our troubles. The most humane of men would assist at the "kicking" function; and, as Balzac has it, the admonition would be administered in a soft place.

Do please reproduce the paragraph from last week's Notes: let the thrush of High Holborn (Barnes Common more likely) sing his song twice over, after giving the "once over" to the symbol that must disappear if the world is to be worth living in.

ROYALIST.

[The "symbol" was the City's "Pearl Sword"—probably alluded to in the biblical admonition about the casting of pearls.—Ed.]

## 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 regular 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.

## THE "NEW AGE" CIGARETTE

Premier grade Virginian tobacco filled by hand in cases made of the thinnest and purest paper, according to the specification described in this journal on January 23, 1930.

Large size (18 to the ounce). Non-smouldering.

Prices: 100's 7/6 (postage 3d.); 20's 1/6 (postage 2d.)

Price for Export ex English duty quoted on minimum quantity of 1,000.

FIELDCOVITCH & Co., 72, Chancery Lane, W.C.2  
(Almost on the corner of Holborn and Chancery Lane).

ACADEMY CINEMA, Oxford Street.  
GER. 2981.

ANNA STEN and FRITZ KORTNER  
in Dostoevsky's famous classic  
"THE BROTHERS KARAMAZOV"  
By Special L.C.C. Licence.

Published by the Proprietor (ARTHUR BRENTON), 70 High Holborn, London, W.C.1, England (Telephone: Chancery 8470), and printed for him by THE AMERICAN PRESS, LIMITED, Temple Avenue and Tudor Street, London, E.C.4, England (Telephone: Central 3701).