

THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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NOTES OF THE WEEK.

Quashing the Roosevelt Plan.

We went to press last week only a few hours too soon to be able to pair up in our Notes the rejection of the Soldiers' Bonus with the Supreme Court's invalidation of the National Recovery Association's series of "codes," announced in the papers on Tuesday morning. It will be remembered that we used the term "code" to designate the over-riding financial principles laid down by the Treasury as the agent of the banks, and showed how Parliamentary legislation had to conform to those principles. We said in so many words that the bankers were an invisible Supreme Court whose private judgments were insinuated into the texture of public measures, with the result that the mere passing of those measures by the Lower and Upper Houses forestalled the interpretation and administration of the law by the established "independent" Courts. In this context it may be suggested, incidentally, that if, back at the time when Parliament was passing the basic clauses in the Bank Charter Act, the bankers had foreseen the exploit of M. Marang at the expense of the Bank of Portugal, and the legal issue which was to arise from it, they would have sought to lay it down as an axiom in the preamble to the Act that the value of an unissued Note in the possession of a Central Bank was its face value, or would at least have secured for the Treasury (i.e. themselves in disguise) the power to give a final ruling on the question of value. In either case the effect would have been to prevent Messrs. Waterlow from entering a defence to the Bank of Portugal's action. Whatever may be said as to the feasibility of such a precaution from the point of view of legal draughtsmanship, there is no doubt at all that the members of both Houses would have innocently incorporated the device in their legislation.

Of course it makes little practical difference whether the discretion of a Court is limited or not if judges are no more alert than legislatures, and derive their judgments from the same basic principles as shape the laws

which they have to interpret. For in the end the judges honestly arrive at the conclusion to which the bankers dishonestly contrive that they shall arrive. The boastful American citizen who assured a visitor: "I'll tell you, bo, we've got in our country the very best judges that dollars can buy" was innocently framing an indictment which was only unfair in the crude sense of a judge's accepting bribes to give judgments against his reason or conscience. What he meant was that the judges in his country were the most competent and impartial reasoners whose services it was possible to secure at any price. But judges who are innocent victims of deception may do no less injustice than those who are guilty parties to corruption. And if deceived as to the truth of initial premises the better their reasoning the more certain will be their arrival at false conclusions. A careless navigator might conceivably shape a true course on a queered compass; but a careful one would inevitably diverge from it. In practice, of course, the competent navigator knows how to check his direction by signs in the firmament, and he would unhitch his compass from the stars if that instrument appeared to challenge their authority. Unfortunately, both legislators and judges are thrown off their course by queered compasses, which consist partly in the absence of relevant factors, and partly in the presence of irrelevant factors, forming the material on which they do their jobs. And they are so convinced of the infallibility of the instrument that they do not dream of taking a peep at the sky.

But though it be true that in these circumstances the judgments of the Courts must coincide with the predetermined policies of the bankers, and that therefore there is no immediate practical object to be gained by maintaining juridical independence, there yet remains a profoundly important reason for upholding it. This is that Court judgments are reasoned judgments publicly delivered. Often, moreover, they are not single judgments, but divergent, and sometimes mutually-conflicting, judgments, each supported by appropriate rea-

sons. In the Waterlow Appeal there were eventually three judgments delivered in flat contradiction of two others by the House of Lords on the question of the value of the Portuguese currency notes. Were they worth their face value? (three judges said "yes") or their value as printed stationery? (two judges said "yes")—as absurd a result as would be a conflict of view as to whether some litigant had lost a cartload of bolts and rope or a single nail and a loop of string.

The proverb that when thieves fall out honest men come by their due is applicable to the principle of publicity in judicial procedure. There is such a thing as conscious thieving carried out through innocent agents. And there can be such a thing as a falling-out between principals and agents arising out of the failure of the latter, whether by accident or design, to deliver up the whole proceeds of the thieving to the former. The crisis in the United States has been precipitated in this way. It involves a dispute between Wall Street and Washington about the fundamental prerogatives of government. These prerogatives, and the powers inherent in them, are the "stolen property," the nature and measurable form of which are expressible in the term "the nation's financial credit."

Now, up to the time when President Roosevelt took office, Washington had been the innocent agent of the United States banking interests generally. These were able to shape, undetected, the economic life of the people by reason of their exclusive use of the nation's credit. Neither the people, nor the Government who represented them, appear to have realised that the question of the control of the nation's credit involved practical consequences, much less that it was bound up with the fundamental principles of the Constitution. Even if they had known this it would not have occurred to them that the financial experts could misuse their powers in such a way as to jeopardise the interests of the whole community. At the worst they would conceive only such a thing as corrupt favouritism whereby certain groups or individuals were accorded financial benefits at the expense of others. Robbing Peter to pay Paul—yes; but robbing Peter *and* Paul at the same time was a concept which did not enter their philosophy. They were unaware of that peculiar characteristic of bank-loan accountancy which renders retired credits invisible by double-entry cancellation. They thought that when a bank lent money to Peter it was the same thing as if Peter lent money to Paul, and that when Peter repaid the bank it was the same thing as if Paul repaid Peter.

And it was not only the non-financial interests who were subject to this confusion of thought: all the managements of the independent banks—particularly those in the agricultural areas—were unaware of the secondary consequences of their loan-policy and loan-accountancy. The awareness was limited to the group of head bankers in New York. Of these secondary consequences the one which is material to the present argument is this; that the issue of bank credits creates new deposits, most of which are used to purchase new securities, and thereafter return to the banks and are cancelled. Thus a bank-loan of 1,000 dollars might cause the creation of new securities of the nominal value of 800 dollars. When the 800 dollars were repaid to the bank (which would be as soon as the securities were created) they

would disappear from circulation. Hence, within the ambit of the investment market the amount of pre-existing securities would have been increased by 800 dollars while the pre-existing amount of money available to buy securities would stand at the same figure as before. Thus the effect of bank-loan finance is to swell the collective value (at cost) of all securities beyond the power of the investment market to absorb them. Taking token figures to represent the market situation, say that before the issue of the bank-loan just referred to there had existed 4,000 dollars' worth of securities and 4,000 dollars in circulation available to buy them, there would afterwards be 4,800 dollars' worth figuring against 4,000 dollars. So the issue of the loan would have inflated security holdings by one-fifth, and therefore knocked down their theoretical marketable price by one-sixth. By "theoretical" is meant a hypothetical situation where the holders all met willing buyers; but in practice pressure to sell invariably causes potential buyers to hold off; and since the mere existence of securities of greater value than the market can absorb inevitably sets up pressure to sell, the practical marketable price may dwindle away out of all proportion to the actual monetary deficiency among buyers.

Of course, not all securities slump to the same degree; some may not slump at all, and may even appreciate. But the stability of these stronger securities is reflected by the accentuated instability of the weaker. Here the banks come once more into the picture, because they have the power to keep up the prices of any securities they choose by the processes of buying them at good prices or of advancing money on them to a generous proportion of their nominal value at a low rate of interest. Both processes create public confidence in the securities so supported; and they are therefore designated (in this country) "gilt-edged," being more readily saleable on the Stock Exchange than others not so supported. Again the banks have indirect means of supporting their favoured securities, and that is by getting legislation passed by the Government to compel trustees to invest in them. There is a list of Trustee Securities in this country within which trustees are obliged to choose their investments. The same principle of compulsion is applied in other countries, the latest example being provided by the South African Government's Building Societies Act (1934) which compels the managements of Building Societies to maintain their reserves in the form of securities approved by the Registrar—i.e., securities which the bankers have selected.

Now, to come more closely to the situation in the United States it will be convenient to differentiate securities under the two designations:—Business securities and Agricultural securities, and also to differentiate the banks as Wall Street banks and Independent banks. The reason for this is that there were two distinct processes at work. Both groups of banks had been lending credit, but whereas the Independent banks lent it on the security of farm buildings and stock, and therefore virtually became investors in that property (for they couldn't float the mortgages on the investment market and land them on the public) the Wall Street banks lent credit to large monopolistic corporations, not to speak of the Government itself, who subsequently repaid it, or a large proportion of it, through creating new securities and selling them to the public. Thus the

Wall Street banks were able to do business on the short-term basis, which meant that they could go on lending and retiring maximum amounts of credit with the minimum amount of investment, whereas the Independent banks were being driven in the opposite direction, exhausting their lending resources and getting tied to a maximum amount of investment. Moreover, the long-term lending by the Independent banks directly implemented the short-term retirements by the Wall Street banks. The reason is technical and is that all loan-credits come into circulation through the borrowers and increase the general pool of deposits. In the course of trading activities these new deposits get into the hands of business organisations. These organisations, if (as is usually the case) they have borrowed on a short-term basis, take out from the general pool not only the money lent on the short-term basis but also the money lent on the long-term basis, and use it to discharge their liabilities to the short-term lending-banks. So, cutting out all intermediate processes, it will be seen that the loans of the Independent banks could be (and largely were) retired by the Wall Street banks. It is true that no bank can retire in the long run more credit than it issues (in the sense that retirement means the cancellation of issued credit) and in fact always has credit out on loan, yet any bank whose borrowing-clients get hold of a disproportionately large share of the general pool of deposits can retire its loans from them *at a faster rate* than it could do otherwise. The borrowers themselves would voluntarily tender repayment more quickly, if only to save interest charges. This was the position with regard to the Wall Street banks. There was a constant flow of credits, created by the Independent banks, from the borrowing farmers into the hands of corporations who had borrowed from the Wall Street banks. It may be pointed out, parenthetically, that such movements of money are observable in all countries where agricultural and manufacturing activities are pursued side by side, but are mistakenly attributed by the victimised party (invariably the agriculturists) to the rapacity of the manufacturers, facilitated by their influence on the Government's fiscal policy (tariffs, etc.). These things contribute, admittedly, to the momentum of the flow, but they are not the cause of it. The ultimate cause is what one might call the magnetic attraction exercised over credit in areas where long-term borrowings predominate, moving it towards areas where short-term borrowings predominate.

Now, since long-term loans speed up the rate of retiring short-term loans in the manner just outlined, the cessation of long-term loans will slacken that rate. We have already alluded to the fact that the Independent banks were bound to come to the end of their lending-resources (for all banks' resources are limited by their cash ratios as arbitrarily established by the rules of the banking system). And it is now a matter of history that they did. When that happened the Wall Street banks could no longer retire credits at a faster rate than that at which they issued them, because if they had done so up a tendency among holders of securities to sell them. Potential buyers would hold off. Even if they did not they would be unable to absorb the securities at anything like their cost or even their current market valuation. So the whole structure of the investment-system would collapse amid general panic. The Wall Street bankers would meanwhile be in this dilemma: that even supposing their cash ratio to justify their issuing a certain

amount of new credit, either as loans or in the purchase of securities from the market, they could not be sure that the magnitude of this operation would be sufficient to allay the panic. If it were not sufficient, then their effort to prevent the collapse would hasten it and also involve them in it. For they would now be driven to liquidate their own securities in a market fast being glutted with other holdings. But fortunately for them there would be a way of escape; namely their-procuring from the Government a fresh supply of cash—legal-tender money—which they could use to pay out clamorous depositors, and otherwise use as a basis for expanded credit-issues. And how would they get the Government to consider the proposal favourably?

And how, boy! That is a matter of authentic history. Wall Street shut up shop, calmly notified Washington that the consequences were the Government's responsibility, and indulged in a spell of masterly inactivity until the Government brought them the money. And what did these authors of the whole ramp then do? They turned on their unwitting and helpless accessories, the Independent banks, and accused them of having caused the mischief by lending on bad security. Then, on the basis of that accusation, and by virtue of the dictatorial powers inherent in their control of the money for which they planted their hold-up on the Government, they proceeded to constitute themselves official receivers for the Independent banks, and to reconstruct them on a "sound financial basis"—an operation which amounted to destroying their independence and forcing them into subordinate membership of the Wall Street Combine. By this achievement they established themselves as a private "National Recovery Association" operating through a Federal Banking Trust.

And here we may catch up with the event of last week, wherein it appears that these same people have invoked the laws of the Constitution and have persuaded the Supreme Court to declare that the powers exercised by the President through the National Recovery Association were improperly conferred on him by Congress. They were astute enough to avoid a direct challenge to the Government's right to create, or to decree the creation of, credit for financing the national recovery, and made the issue one between the power of the Federal Government and the several powers of the State Governments. The Supreme Court was set to decide a case, trivial in itself, which raised the question of where, and to what extent, the policy of the Federal Government may constitutionally override the policies of the States. The effect of the judgment pronounced is, among other consequences, to make the regulation of hours, wages and prices a matter of State policy and not Federal policy. Students of Social Credit will realise the profound significance—technical as well as political—of this judgment by reason of the fact that it separates the control of loan-policy from the control of price-policy. It constitutes a legal separation of two aspects of control which are scientifically inseparable. Separation need not necessarily mean conflict, and it is possible to conceive two independent controllers working in harmony. But as a matter of practical common sense why should the Supreme Court's intervention have been invoked unless those who invoked it had the intention of putting obstacles in President Roosevelt's way? We admit at once—in fact we have frequently affirmed it—that the President's immediate methods of controlling

prices are themselves obstacles to his ulterior object in controlling credit. He would go wrong in any case, and from that point of view the bankers might let him have his head. But knowledge comes through trial and error, and although the President seems deaf to the warnings of those who know that experimentation is now unnecessary, there is always a chance that his errors may lead him to alter the trials or even to abandon them for the correct remedy. However near or remote that possibility may be it is clearly to the interests of the bankers to intervene while the errors are crude and cause hostility and before the underlying causes of these errors come within the comprehension of American Constitutional Jurists. By thus timing the intervention they succeed in precipitating a conflict about prerogatives in which none of the participants understand their significance or use. Their only notion about "regulation" (of any sort) is that it involves victimisation. And a jolly well-founded notion it is in regard to past regulations. It is natural that the citizen who looks at it that way will be disposed to say: If I am to be regulated at all in things most closely touching my life let me be regulated by the Government with which I am in the closest contact, and not by a distant authority with less responsibility to look after me, and with less responsiveness to my wishes. Perhaps this philosophic attitude would not manifest itself spontaneously, but it could easily be cultivated and exploited by bankers working in the several States. And they would doubtless do this if President Roosevelt decided to seek the sanction of the States to legislation designed to get over the Supreme Court's judgment.

From what we have said up to now it should not be inferred that Wall Street is indiscriminately hostile to every part of the N.R.A.'s complex of "codes." Quite a number of them are useful and necessary, and in fact the Washington Correspondent of *The Times* of May 30 speaks of "voluntary action" to preserve industrial agreements and form industrial associations, "which, while they observed certain defined rights of labour and consumer" should be given "immunity from the anti-trust laws." Needless to say the policies of these associations would be supervised by bankers, but that only shows that they are not opposed in principle to the continuance of the N.R.A.'s regulations in a modified form. The Wall Street bankers may be assumed to have been content to accept Roosevelt so long as he retained his personal influence and could thereby keep Congress obedient to his wishes. But they had good notice of the forces which culminated in the passing of the Soldiers' Bonus Act by Congress, and no doubt took steps to deal with this and any other situation in which Congress might take the bit in its teeth and force the President into a super-inflationary policy. For technical reasons known to our readers the more money that is put into circulation the more it becomes necessary to regulate prices, and the more difficult to do so in such a way as not to discourage producers of the goods whose prices are regulated. Productive energy always flies to points where there is no restriction on profits. Hence no system of price-regulation on orthodox lines can achieve its object unless it is an all-embracing system. So the area of restriction would grow larger and larger—ultimately affecting capital production, and even investment securities—and the problem of its co-ordination would manifestly reach Federal dimensions. In that event the Federal Government would have to assume the responsibility, because no

Constitution recognises the right of a Federal Banking Trust to take on the powers of a representative Government. Nevertheless the Federal Banking Trust exists (despite the anti-trust laws) and is much more competent to do the job than is any Government, partly because of its better acquaintance with the immense complexities of the problem and partly because of its peculiar power of contriving that the objects it has in view and has predetermined appear to industrialists and others to be natural necessities. They can always ring the changes on the three elements in the economic dilemma, the objectives of the employer, the employee and the consumer, so as to bring about what appears to these parties as a voluntary accommodation to hard facts but is really an involuntary submission to a prepared policy.

So the Federal Banking Trust is the invisible and only rival of the Federal Government for the control of prices. Hence the Supreme Court, in consciously and formally awarding the control to the States, has unconsciously and actually awarded it to the Trust. So the Wall Street banks are in a position to direct the impacts of inflation caused by any Federal legislation wherever they choose. To bring the matter down to a practical issue, they are ready for another Soldiers' Bonus Act, if the Senate were to let it through, and if (as must be presumed) the Supreme Court could not declare it unconstitutional. For instance, they could permit the absorption of any soldiers' bonus (or an amount of credit equivalent to it) by industry in the form of higher food-prices, in which case the "soldiers" would be fed off the "civilians'" dinner-plates: they could regulate and ration such absorption as between various industries; they could permit a reduction in wage-rates to offset the bonus, relying on the "soldiers" to come in and replace "civilians" who went on strike, and thus add a little income to their windfall of the bonus. However, these possibilities are contingent and remote, so we need not dwell upon them.

The fundamental point is the broad division of credit-operations into two systems, and their allocation to two controls each with mutually contradictory purposes. President Roosevelt would say, and sincerely, that he wants everybody to receive a good income and live well upon it. But while he is able to govern some of the factors which decide what incomes shall be received, he controls none of the factors which decide how well the recipients shall live upon them. These latter factors work through prices, and those in control of them have a contrary objective to the President's; they want to restrict personal incomes to the lowest scale relative to the prices of the means of life, in order to swell the volume of undivided and re-invested business surpluses. They achieve this, not by any direct, positive and overt act, but by misleading industry into accepting as inescapable the obligation to allocate and account its disbursements in conformity with what are called the "laws of sound finance," the neglect of which is held by them to lead inevitably to insolvency. The Social-Credit analysis has blown this deception up. It has proved that these laws have never been anything more than precautionary conventions. It allows that these conventions once possessed validity, namely in times when the element of caution was based on a real and admitted risk of physical scarcity. To-day the technocrats have laughed that risk out of the court of applied

science—though not yet out of the Supreme Court of misapplied law. However, it's dogged as does it; and some time soon no doubt our eminent repositories of jurisprudence will learn to be more juridical and less prudential in their psychological make-up. For, quite seriously, at the root of their interpretation of Constitutional law lies this confusion between an invariable law and a variable convention. Scarcity and saving form an intelligible concept: abundance and spending form another: but abundance and saving!—they have no more to do with each other than Nature and the vacuum.

Second-Hand Sales.

II.

Sir,—Your answer to my letter, in *THE NEW AGE* of May 30, still leaves me in some doubt.

If "second-hand" goods are to be considered as retail goods merely held up for a length of time which is practically unlimited, during which time money for their purchase must be available, then during that practically unlimited length of time there will be money available but no corresponding goods purchasable—i.e., inflation.

In the example given the purchase of furniture makes industry all square, and money sufficient to buy the car will be in the hands of the members of the furnishing trade. If, on the other hand, the money is invested, the purchase of capital goods will cause the money to be distributed through other industries.

R. S. S.

The second paragraph of this letter seems to assume that under Social Credit money will be provided in advance to compensate the effects of second-hand selling. This is not so. In no case will buyers of goods for consumption get money before they actually buy, or more money than they need to have at the time of the purchase.

The third paragraph reveals some misunderstanding of the operation of the loan-credit cycle. Take an ideal cycle where the bank issues a loan of £100. The borrower uses it to make consumable goods, pays his employees £80, himself £20, and then sells the goods to them and himself, afterwards repaying the bank, which retires the £100. So long as these people consume all they buy the same cycle of finance can be repeated indefinitely. But directly anyone succeeds in selling to another something for, say, £5 that he has bought in a past cycle, he throws out the equation between the cost and the recoverable money in the current time-cycle. In that cycle the current incomes will be £100, but the value of goods on offer will be £105.

If the private seller re-spends his £5 in that time-cycle the producer of the new goods, suppose there to be 100 articles, can sell them at £1 each because £100 is available. But if not, he can sell only 95 at £1. To sell the 100 articles he would have to accept 105. each. But he wouldn't part with 100 articles for £95 when he could get £95 for 95 articles. He would carry over the 5 articles; and in the next production-cycle would make only 95—maybe only 90—in an endeavour to equate his stock to the probable demand on the most remunerative price-level.

Under the Social-Credit price-assistance principle it wouldn't matter what the private seller did with his £5. If he re-spent it at once the producer's revenue would equal his cost (including profit)—i.e., Production : Consumption = 1 : 1. If he did not spend it the equation would be Production : Consumption = 100 : 95 or

20 : 19; and price-assistance would be given accordingly in the following statutory accounting period.

In actual practice it is rarely the case that the sellers of second-hand articles devote the money to new consumption. Even if they did the producers of new articles would suffer because the prices fetched for the second-hand articles would be less than those demanded for the new. Thus the private sale of an old car for £200 might stop some producer selling a new car of that type for £500. In which case, unless the buyer of the old car generously decided to spend his saved £300 on something else, industry as a whole would be short of necessary revenue. But in most cases this buyer's saving wouldn't be in the form of money in hand to spend: it would be a figure representing money which he hadn't got, and for the lack of which he bought an old car instead of a new one.

There are some loose ends to this short analysis, but space forbids their being tied up on the present occasion.

A. B.

The Timing of Purchasing Power.

Can the distribution of money be so arranged that the collective cost of articles available for consumption shall be neither greater nor less than the collective money available in the hands of the community to buy them at any given time?

This question impliedly affirms that the distribution of money at the present time is not so arranged.

This affirmation is substantiated by the Social-Credit analysis of the principles on which costs are calculated in relation to transfers of money.

The analysis shows that, and proves why, the application of these principles automatically prevents the synchronised equivalence of costs and incomes referred to in the above question: for it permits of an excess of costs over incomes at some times, and an excess of incomes over costs at others, relating to goods placed in the consumption market. That is to say, it permits of alternations of *not-enough* money with *more-than-enough* money required to meet costs at different times in the consumption market.

It is this dissynchronisation or mis-timing of the cost-income equivalence on which the Social-Credit analysis lays its main stress. It does not dispute the proposition that an excess of incomes at one time may be equal to an excess of costs at another; and in fact recognises that, given a long enough time ("in the long run") the numerical addition of the interim surpluses will be the same figure as that of the interim deficits.

What the Social-Credit analysis emphasises is that this long-distance equivalence does not undo the consequences of the interim periodic dissynchronances. The *not-enoughs* at some times and the *more-than-enoughs* at other times do not work out to the same thing as would *enoughs* at all times.

A simple analogy will illustrate the difference. If, on one day, more than a handful of sugar is placed before you, and, on another day, less than a handful, you cannot may only help yourself once with one hand, you cannot pick up the two-day supply of sugar with two one-day grabs. The two-day supply may have been two handfuls, yet you don't get two handfuls. You could do so if you could wait until the second day and make two grabs—or if you were allowed an extra grab on the second day—or if your hand grew larger overnight! Otherwise you fail to get all that has been provided.

J. G.

The Point of the Pen.

By R. Laugler.

No. XXXIV.—MAKERS AND PARASITES.

In a recent article I suggested that history might be regarded as an incessant struggle between Makers and Parasites, between those who spend their lives in an endeavour to create more beauty and truer values, and those who hate and fear beauty, and thwart the Makers by falsifying values. I quoted Mr. Hans Zinsser's "Rats, Lice, and History" (Routledge, 10s. 6d.) as evidence of the extent to which the Parasite has, so far, won in this long struggle: or, to look at things from another angle—up till now man has failed to adapt himself to environment as fittingly as certain birds and fishes have done; and the audacity and resource of rats and lice are things that modern civilisations may envy. On a boat sailing from sultry Hankow to icy Vladivostok, I have myself seen the rats grow a long hair, against the change of temperature; and, during the years I was aboard that boat I saw man fight the rat in vain. I feel, therefore, some assurance that rats would never starve in the midst of plenty.

It is, I think, fairly plain that the animal and insect parasites gain their victories over man only because the human Parasite gives assistance, by producing under-nourishment, competitive industry, and war: in other words, the human Parasite opposes the efforts of the human Maker. The most important thing, then, about a civilisation is its system of rewards. According to the degree of vital culture existing in a civilisation, so will Parasite or Maker "survive"—in the sense of gaining rewards and eminence. Modern civilisations representing the Pawnbroker's dream of Heaven, it is only natural that the Parasite and forger of false values will come out on top: the Maker and creator of true values is likely to starve to death. When money values are false all values are falsified. From this point of view war is almost preferable to so-called Peace, inasmuch as war demands realism; and some kind of genuine Maker emerges as a leader; but unfortunately, even in stark warfare, the Maker leads only for a brief time, and then only upon conditions secretly imposed by the Parasites who made the war. At the end of the struggle the momentary flash of true vision has vanished, and the Parasite has won. A fresh orgy of sentimental and false evaluation comes into existence, heightened by hysteria, and freed from the restraint which might have been imposed by those fine spirits who are ever the first to sacrifice themselves in any fight.

I am led to these last reflections by a letter written by "Lawrence of Arabia" to Mr. Robert Graves, and published in the *Evening Standard* on May 20.

"Lawrence" was a Maker. His life was given to the creation of true values, and his reward lay in his work. Society cannot easily give to men like T. E. Shaw, because such a man is only happy in spending—in thoroughly using himself up in a good cause, before he is thrown on the scrap-heap. But, at the least, one might imagine, society could avoid betraying such men: unfortunately this is seldom the case.

The majority of us are weaklings, mediocrities, and cowards. We represent the force of inertia, and we fear and hate all change. Thus the active Parasite receives the support of the majority in his fight against the Maker; and there is no defence against this state of affairs unless society is so organised as to bring to the top a real aristocracy of character and intellect.

Men like T. E. Shaw possess real vision; they have the imagination to see the unseen; they have the "experiencing nature," without which, as Walter Bagehot pointed out, experience is valueless and brings no lesson. So, confronted with a new war, "Lawrence of Arabia" thought in terms of a new war—whilst all around him were thinking in terms of ancient combats. Hence the opposition to "Lawrence," and the obstruction that made his victories only a partial triumph. When realistic war conditions passed, leaving this Maker at the mercy of that "peace" which passeth all understanding, Lawrence could not even assure himself of the modest economic security he desired. In an endeavour to gain leisure and freedom—to possess himself—Lawrence became an author, and he made a translation of the *Odyssey* which at first sold well in the United States. But the Pawnbroker and parasitic money manipulators were waiting for "Lawrence," and so he writes to Mr. Robert Graves:—

*Then down goes the dollar, the crisis stops all American book sales, and then down goes the rate of interest on my investments, and my income shrinks. My share of the royalties wouldn't even meet the builders' bills.**

So we see the Maker tricked and frustrated by the Parasite. T. E. Shaw was compelled to engage in activities for which his genius was not best suited, and what he won in the armed camp he lost among the money-changers. He flirted with the idea of film-exploitation; but it is interesting to note this typical Maker's aversion to an industry which vulgarises everything it touches, which steals from its betters, which falsifies the real values of life continually, and which is the home of half-wits transmuted to "geniuses" by that publicity which is the mother of cheap invention.

Shaw says: *I loathe the notion of being celluloided. My rare visits to cinemas now deepen in me a sense of their superficial falsity . . . vulgarity, I would have said, only I like the vulgarity that means common man, and the badness of films seems to me like an edited and below-the-belt speciousness.*

Exactly. The Maker loves all things real, including the common man. If left alone Maker and common man understand one another, and the common man will recognise and venerate his true leader. But there is the Parasite, with his tricks of money-manipulation, his nepotism, his social pull among the "best people"; his lies evulgated, morning and night, on wood-pulp, air, and celluloid. Here are the forces that work continually against our "Lawrence of Arabia."

Meanwhile, nothing can stop genius being born, and once born nothing prevents it empowering mankind. The machine comes, and the age of plenty, and even the Parasite can scarcely destroy the accumulated wealth, so that man may decay. Sooner or later the Parasite must go, for the forces of evolution are against him. The soul of man never has endured slavery, and never will, for long. So we may end on a note struck by a Maker, who suffered poverty most of his life, but prevailed. Joseph Conrad, a true seer, and creative artist, wrote:—

When the last aqueduct shall have crumbled to pieces, the last airship fallen to the ground, the last blade of grass have died upon a dying earth, man, indomitable by his training in resistance to misery and pain, shall set this undiminished light of his eyes against the feeble glow of the sun.

*Lawrence was then having his cottage repaired.

The Theatre.

The third item in Mr. Leon M. Lion's festival programme at the Playhouse is "A Family Man," which was originally produced in 1921. One cannot be sure how seriously Galsworthy intended one to take this story of the patriarch who tries to rule his family with an iron rod in days when patriarchy is out of fashion. This uncertainty is reflected in Mr. Wilfrid Lawson's "John Builder." Mr. Lawson is a fine actor who could, if he wanted to, play the part seriously with great effect, but he does not seem to know which side he is on. One feels that at any moment he may burst into good-humoured laughter and admit that his game was played out thirty years ago. The rest of the production is of a piece, and the result is, whether the author intended it or not, a more purely amusing evening than one expects to spend with Galsworthy. Mr. Eliot Makeham runs away with a cast-iron part as the manservant, and Mr. Edgar K. Bruce gives what is perhaps the best show of the evening as the Mayor. Mrs. Builder is described by the author as "a woman of forty-one, of ivory tint, with a thin, trim figure, and a face so strangely composed as to be almost like a mask," and the description comes to life in Miss Ann Codrington. Miss Ivy Tresmand plays the French maid in musical comedy style—perhaps there was no other way—and Miss Judy Hallatt is delightful as the little slavey.

A. BONELLA.

OPEN LETTER.

A MODEST PROPOSAL TO MR. CLICHAY

MacDONALD.

Rev. Sir,—It is a melancholy object to those who wade through the reports of Parliamentary debates, when they see evidence of a lack of co-ordination among the members of your Cabinet. In this age of plus-fours and Oxford-bags perhaps loose-thinking too may be symptomatic. An instance of it lies in the clash between the policies advocated by your Minister of Transport and by him of the Board of Trade. The Head of the Board of Trade assures us that he is leaving no stone unturned, no avenue unexplored, no axe unground, in his efforts to reduce unemployment. On the other hand the Minister of Transport tells the world that signs are not wanting that by his taking steps to ventilate the question and by putting his shoulder to the wheel round which his special problem revolves, he hopes to reduce the number of road-deaths.

Sponsoring the rationalisation of our industries you must be rational enough to perceive that an accelerated road-mortality should go far towards ameliorating the unemployment problem. A graph showing the incidence of road-deaths on unemployment statistics would be most helpful to sociologists, as would a diagram giving the ratio of suicides to financial stringency. From such blue-prints Ministries so to co-ordinate their policies as to achieve that unanimity which should be possible for a Cabinet in which you yourself wear so naturally the tartan woven from so many Party colours.

Instead, then, of deploring "The toll of the roads," your duty as Premier is to stress its advantage on the other page of the National ledger. You are aware of the sum of money happily saved to the nation by the road-deaths that still also happily increase. A million men gave their lives for the Empire during the War. Surely the spirit of self-sacrifice is not dead in the world in these days of peace? Who better than yourself could evoke that spirit by your encouraging the unemployed to die as heroes of the road that your own employment in the Cabinet may live? So coroner concluding that the deceased was not the victim of an unbalanced mind, but had only done his bit toward balancing the Budget of his country in the hour of her that no longer would the cost of his maintenance during demoralising unemployment be a charge on his superiors and betters. It is surely more in keeping with the petrol spirit of the age if your Cabinet were to institute a new Order of Merit to be presented to each quasi-victim's relatives.

Your Minister of Transport is positively a menace to the future of your Government if you permit his further tinkering with beacons and speed-limits. By increasing the speed of traffic he would automatically add to the number of our

road-heroes whose names would live for ever more on the Roll of Honour to be kept, say, at the Bank of England. Perhaps their names could be cut into the acres of blank asphalt that form a feature of its fortresslike architecture?

Your Minister of Health should ca' canny in his machinery for anti-desecration of the countryside. The pioneers of ribbon-development should be encouraged, not reviled. By thus adding to the population (much of which is already surplus to Industry) on our main roads; and by repealing the law reducing speed within developed areas, the change of policy would soon be handsomely reflected in our National Roll of Honour, with a corresponding reduction in the number of those receiving Public Assistance in one pernicious form or another.

A vital corollary to this National Plan would be the building of new hospitals, workhouses, asylums, and other institutions still unfortunately maintained at public expense, on the frontages of our new by-pass and ring-roads, where the law reducing speed within developed areas, the change of policy would soon be handsomely reflected in our National Roll of Honour, with a corresponding reduction in the number of those receiving Public Assistance in one pernicious form or another.

A moment's reflection on this fortuitous concurrence of circumstances will show you that the gradual annihilation of the mentally-slow and the defective, of the diseased and the mentally-raising misfits, would be the happiest means of scientifically raising the mental and physical standards of the Nation. Thus the acid test of human Behaviourism on the roads would be justified by the eugenic results attained.

Old-fashioned moralists may demur to this rationalisation of our road-problem. But your past record, sir, is guarantee that you will not be deflected from the path of your duty to yourself by petty cavillers sitting round parish-pumps. A tiresome electorate of belt-tighteners will not drive you to tighten your lips when the Bank of England expects that every man will do his duty to balance the Budget. For a nation of shopkeepers must keep in step, as Mr. Keynes assures us, with the onward march of Science if the Empire is to survive the next war to end war. Biologists say that even dogs and hens are now "road-minded." Then why mollycoddle our bottom-dogs with grandmotherly legislation for circumventing road-deaths? For the "Survival of the Fittest" is surely a more scientific slogan than "Safety First."

But what of the women and children? Well, sir, in the next war to make the world safe for Bankocracy there will be no civilians. Hence in the meantime even the old women in trousers or frocks would gain in agility when dodging the traffic. The money saved through the glorious deaths of our road-heroes would be free for investment abroad, that our barometer of Sound Finance. Thus would you go marching on and on and on to earn the undying gratitude of The City, that linchpin in the Hub of Empire; and at the same time up and up and up to your appropriate title of Lord Panglossmouth of Lilliput.—Yours, etc.

WILHELM BELLIVER.

LETTERS TO THE EDITOR.

SOCIAL CREDIT AND PRICE-STABILITY.

Sir,—In his article on International Trade, A. S. Elwell-Sutton states that "Under Social Credit the aim is to manage money so as to give a real stability of prices."

What exactly does he mean by this? Under Social Credit we should use scientific progress to the fullest; thus with new inventions the amount of solar energy needed to produce an equivalent amount of goods would fall. Prices would reflect this, and also fall, thus being the opposite of stable!

Is the writer's meaning this: that the producer would be able to buy, at all times, the equivalent proportion of goods produced by the community? Let me put this more concretely:

Suppose that in 1940 a producer sells goods to the value of, say, £1,000, which goods represent, say, 0.0001 per cent. of the community's wealth, but he is paid only in 1941, when prices have fallen, say, 50 per cent. He still receives £1,000, and is therefore able to buy 50 per cent. more goods than if he had been paid in 1940. But with his £1,000 he still buys only 0.0001 per cent. of the goods produced by the community, since production has risen. The producer's claim on the community is not for a certain fixed amount of goods, but for a certain proportion of goods.

I would like to have this point made clear, because if not people may point jeering fingers at us and say, "Ha!

You're only a batch of addle-pated neo-Rooseveltians! Just see what the New Deal has done for the U.S.A.! Off with you!"

Please accept my apologies for being a nuisance; but I think the matter is important enough for me to be a nuisance about it!

M. MUNRO-MACKENZIE.

ANSWERS TO CORRESPONDENTS. GUERRILLA TACTICS.

S. E.—Thanks for cutting. Duly noted and returned. Will see what we can do about it.

Re guerilla warfare. Our analogy mustn't be taken out of the frame of reference in which we used it. Its validity rests entirely on circumstances. When you say that it is the losing side which adopts guerilla tactics you beg the question in its general sense; and, in any particular sense you give your case away because you impliedly admit that the losing side began to lose before it adopted guerilla tactics. You would be on stronger ground if you said that it was the weaker side who adopted them.

Your argument that it is better for everyone to do the same thing than to do different things does not touch the problem of what shall be done. There are three main principles on which organised effort may be based; and they are summed up in the three words Education, Agitation, and Molestation. These three. And the greatest of these is—which?

Saving the French Franc.

According to various headlines in the popular Press the Franc is in a bad way because (a) French people won't pay taxes; (b) the French Budget shows a deficit of £125 millions; (c) the Bank of France is losing gold in huge quantities. It might be asked appropos of the last-named cause: How does anyone know that the Bank of France has been losing gold? The reason for the question lies back a few years, when the Bank of France returns showed a block of £20,000,000 worth of gold which was actually in the vaults of the Bank of England. Again, how can anyone be sure that the whole crisis has not been engineered by the French and other central banks in order to frighten the Frenchman into digging up his litre-bottles of currency savings and balancing the Budget? Lastly, can anyone believe anything at all that is put about from high-financial sources?

Dean Swift on Credit.

"To hear some of those worthy reasoners talking of credit, that she is so nice, so squeamish, so capricious; you would think they were describing a lady troubled with vapours or colic, to be only removed by a course of steel, and swallowing a bullet. By the narrowness of their thoughts, one would imagine they conceived the world to be no wider than Exchange Alley. It is probable they may have such a sickly dame among them, and it is well if she have no worse diseases, considering what hands she passes through. But the national credit is of another complexion; of sound health, and an even temper, her life and existence being a quintessence drawn from the vitals of the whole kingdom."—Swift.

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