

THE NEW AGE

INCORPORATING "CREDIT POWER."
A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART
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NOTES OF THE WEEK.

The Electorate and Social Credit.

The recent controversy in these pages on the question of capital charges in prices has probably seemed inconclusive to many readers. But, as Mr. Coleman remarked last week, it has not been fruitless. Mr. Peddie, in his letter on July 30, expressed the opinion that it *was* fruitless, and went so far as to insinuate that defenders of the Social-Credit Analysis who had been debating with Mr. Franklin were thereby creating the impression that the soundness of the Analysis was still a matter of doubt after seventeen years of exposition. He appeared to take the view that these defenders were prejudicing the case for the Analysis by allowing themselves to be entangled in a controversy which was irrelevant to that case; and he then gave a short outline of how the case ought to be argued.

We are far from impugning the reasonableness of Mr. Peddie's attitude. There are circumstances in which we would adopt it ourselves. And in fact we did adopt it up to the year 1934, and for the reason that those circumstances existed until that year. The circumstances were briefly these:—

Major Douglas in that period held the definite view that public opinion about the Analysis had no importance. He held that the arguments used in his early works, and the developments and extensions of them used by other expositors, afforded sufficient material for any serious and systematic student to verify the Analysis and accept the Proposals. He held that the adoption of Social Credit by any Government would not be affected by the notions which the public in general might pick up about it. Therefore expositors could insist on presenting their arguments in their own way; and if their presentations failed to satisfy inquirers and critics—well that was *their* funeral. In short Douglas's ruling amounted to this: "They must take it or leave it as we teach it."

Under this ruling, if Mr. Franklin had come along during that period with his challenging proposition, he would

have been told off in a formula of this kind:—"Insofar as your argument is true it is irrelevant" and he would have been recommended to verify its irrelevance by studying the available authentic "Douglas" literature. This attitude is the one which, in fact, Mr. Peddie is now taking, and recommending to other expositors of the Analysis.

* * *

But it comes two years out of date. In June, 1934, Major Douglas took a step which destroyed the logical basis for any such supercilious and disdainful attitude. He publicly declared that for the purpose of putting in Social Credit the support of the public, hitherto unnecessary, had become indispensable. Thenceforth the public were to be canvassed to come into a drive for the Social-Credit objective. In essentials this involved the peaceful persuasion of a large number of citizens. They couldn't be coerced. So far so good. But Major Douglas further directed that this persuasion was to be exercised without even *naming* Social Credit, much less explaining the Formula and the Analysis supporting it. It was no use, he insisted, telling them about "methods," because (a) they were incompetent to understand them and (b) it was not their business to prescribe methods. What they were competent and entitled to do was to demand results.

* * *

Now a public who are to demand results will first demand to be assured that the results are attainable. They will have to base their assurance either on (a) evidence that practical methods exist or (b) faith in some person or persons who declare this to be the case. If (a) is ruled out the problem is to explain to the public why they should accept that declaration without evidence. Douglas now seeks authority from the public to direct how they should use their votes. He wants them to vote for Dividends First and to support Parliamentary candidates pledged to demand Dividends First irrespective of party allegiances. In short he says to them: "Do as I tell you and you will get the Dividend."

* * *

Thereby he implicitly guarantees that some technical

means or other of providing the Dividend are known to him and can be put into operation if they insist on having it. Thus his bid for political leadership cannot be dissociated from his technical knowledge. Nevertheless he invites the public to follow his leadership without sharing his knowledge. And accordingly he virtually tells the Movement to pretend not to be backing any technical principles or methods. Not only that, but he virtually declares that the success or failure of the Buxton plan depends on keeping up this pretence. The *Social Credit* Movement must disguise itself as the *United Democratic* Movement.

* * *

Someone made the witty remark recently that the Secretariat was "an ostrich with its head buried in the Strand." Flippant as was the jest it was a true summing up of the new policy, and a just reflection on its ineptitude. If Social-Creditors are to disguise themselves as United Democrats the disguise must be impenetrable. The present disguise is not: in fact it leaves exposed a lot more than it hides. Consider the following inventory of the gaps in the disguise:—

1. The leader of the United Democrats is *Major Douglas*.
2. The name of the United Democrats' official organ is *Social Credit*.
3. The shock-troops of the United Democrats' electoral campaign are called the *Douglas Cadets*.
4. The proclaimed object of the campaign is to secure National Dividends which shall not be a charge in either prices or taxes. This is an unprecedented demand involving unorthodox technical principles for implementing it: and the only principles on which such a demand stands the test of theoretical feasibility are those formulated and expounded in *Social Credit* literature, and known as the *Douglas Proposals*.
5. The editor of the United Democrats' new quarterly magazine, *The Fig Tree*, is *Major Douglas*.
6. The confidential publication offered for sale exclusively to qualified *Douglas Cadets*, is a Supplement to the official weekly organ, *Social Credit*.
7. In the pages of both *The Fig Tree* and the Supplement are articles expounding the *Douglas Analysis* and defending the *Douglas Proposals*.

Here are seven gorgeous characteristic plumes decorating the posterior of the ostrich; and the deeper he buries his head the higher he elevates these insignia of his identity. His very efforts to dissimulate contribute to the exposure of the dissimulation.

* * *

Now for the political effect of all this. If any group seeking to win public support shows signs of trying to conceal something relevant to its policy or programme, then, immediately, public attention is focussed exclusively on those signs, and on what is being concealed. In the present case, let it be suspected by the public that the United Democrats are hustling the Social-Credit Formula out of sight, then the Social-Credit Formula will become the one and only thing that the public will want to know about. What is to be the answer of the *Douglas Cadets*? Are they going to say: "You're not competent to understand it"? or: "It is not your business to demand its adoption"? or: "The Social-Credit Formula is not indispensable; other principles and methods may serve to fulfil your demand for the Dividend"? Such answers, whether returned alternatively or in combination, would be construed as a

confession of fear of coming into the open. And needless to say, Communists, Socialists, Liberals, Conservatives, and other bidders for public support would hasten to insinuate that the *Douglas Cadets* were suppressing the Formula because they were unable to meet technical criticisms of it.

* * *

Let us pause here and consider what sort of spectacle the Movement presents to the public. It is one very like the situation in Spain. In that country fighting is going on between Spanish Loyalists and Spanish Patriots, each side professing to seek to save Spain from being absorbed in one or the other of two external European autocracies—the Black on the one hand or the Red on the other. So the neutral observer is faced with the paradox that the integrity of Spain depends on the failure of both armies of rescuers. If it could happen that the Spanish Loyalists and the Spanish Patriots were to bomb and butcher each other until not a man (or woman) combatant on either side were left alive—then would Spain be saved!

* * *

And this is how the situation in the Movement will be regarded by the public. They will see on the one side the *Douglas Cadets* or *Douglas Loyalists*, and on the other the *Douglas Green Shirts* or *Douglas Patriots*. They will see each side ostensibly striving to save the Movement from being absorbed in, or exploited by, the external Money Autocracy. They will overhear rival claims that, if the Loyalist Cadets win, the Movement will be run by fools; and that if the Patriotic Green Shirts win, it will be run by rogues. They will also overhear the conflicting charges that the Loyalists' slow-motion policy is futile, and that the Patriots' quick-motion policy is dangerous. They will hear both policies being claimed as "militant." Putting all these things together they will be driven to conclude that "Spain," depends upon the mutual extermination of Cadets and Green Shirts alike—or, in more general terms, upon the abandonment of attempts to impose a uniform and universal code of "militant" action on the members of the Movement.

* * *

Let us emphasise that this is not the true picture as we see it from the inside, but is the picture that the public will see if and when they have their attention drawn to the present actionist controversies within the Movement. The analogy with Spain holds good in a further respect, namely that, provided the Money Monopolists have decided that either of the two rival actionist policies is dangerous enough to be fought by them on a narrow front, they can plant their agents in both camps, disguising them as Loyalists or Patriots or some of both, in order to keep the civil war going strong. They can use the less dangerous side to frustrate the more dangerous. They do not need to take sides openly any more than do Britain and France or Germany and Italy in regard to Spain; but they, like these two pairs of Governments, can connive at the unofficial munitioning of the rival forces. They are in a stronger position than those countries, because, as things are at present, they are not concerned about whether the *Douglas Loyalists* keep the Movement on constitutional lines of action or the *Douglas Patriots* divert it into unconstitutional lines. They are equally prepared to cheat voters or to shoot rioters.

Because this power of secret intervention is generally recognised by Social-Credit students it has always been open for militant Loyalists and militant Patriots to exchange, with equal plausibility, charges and counter-charges that each was (or was in danger of) "playing the bankers' game." And it has also been open for "neutrals" in the Movement—persons who doubt the principle of centralised directive militant actionist policy, whether Loyalist or Patriotic—to hold with the same plausibility that both sides were opening the door for bankster's *agents-provocateurs* to get inside the Movement. Lastly it has been possible for both Loyalist and Patriotic upholders of that principle to charge these neutral doubters with making the same mistake. So if anyone cared to combine these three alternative pictures he would arrive at the composite conclusion that, to use Carlyle's formula, the Movement consists of so-many-thousands of members, mostly fools—and the rest rogues: or, to quote Captain Boyle, that "the whoole of the Movement is in a state of chassiss."

* * *

Now, however we may interpret to ourselves the rights and wrongs of these controversial stresses and strains, it is evident that while they exist the public will not rally in any considerable numbers to any political lead issuing from the Movement. They will probably fall back on Mr. John Hilton's broadcast advice: "Talk about this Social Credit theory by all means; but don't do anything about it." Well, if "talking about" Social Credit is construed to mean studying and discussing the Analysis and Proposals and their immediate technical, and ultimate political, implications (*how* can we get Dividends and *why* don't we?) that will be to the good. It will afford scope for the Prophets of the Formula to pursue their useful work of exposition. But they will do so under a handicap. It is this: that the public will start with the impression that there is something wrong with the Analysis and Formula. They will (illogically, but quite naturally) connect the conflict of counsels in the Movement on the politics of Social Credit to uncertainties about the soundness of the technical analysis. At this moment they are being invited to interpret the Albertan situation—the "split" between Aberhart and Douglas and the controversy attending it—as presumptive evidence that Social Credit can't be made to work; and they are invited to infer that the obstacle is a flaw in the reasoning on which the Social Credit Formula is founded. The Prophets of the Formula can, of course, point out that the Formula has not been applied in Alberta, but that is not sufficient to dissipate the popular impression, because the retort can be made: "Well, why hasn't it been applied?" There will remain a vague feeling that there's a technical snag somewhere, and a suspicion that Social Creditors have been driven to admit it to themselves.

* * *

Let us repeat once more—because it is the essence of our main argument—that such an attitude of the public would matter very little if the pre-1934, or the *New Age*, policy had not been abandoned at Buxton. But directly Douglas directed the Movement to concentrate on the task of awakening the public *en masse* out of their inertia, the attitude of the public mattered everything. Every dialectical trick which opponents of Social Credit could use to make the public distrust Social Credit had to be taken into calculation, and, if possible forestalled

or countered. Unfortunately the Buxton policy, as publicly expounded in the Secretariat's organ, *Social Credit*, has facilitated the playing of these tricks. Douglas, by discrediting the value of technical education, thitherto the spearpoint of the Movement's influence, revealed himself as a good logician but a bad strategist. His logic was indisputably sound, because once grant his proposition that the public were to be taught to ignore methods and demand results, then that teaching would be stultified if it included technical exposition; for you cannot expound the technique without implicitly inviting the public to adjudicate on methods, and, by extension, to compare Social-Credit methods with others offered by competing parties and institutions. Logically Douglas was bound to withdraw recognition from technical exponents, and to precipitate a situation in which it was clear that the Prophets of the Formula were not without honour except in the Movement created by their prophesying.

* * *

On the other hand his action was strategically defective. He made the mistake of supposing that the public would place the same construction on it as he did himself. But would they not be more likely to impute his dismissal of his Prophets to his distrust of the Formula? And is not that the construction which opponents of Social Credit could have been foreseen to press upon the attention of the public? In fact it is what they are doing at present, and will do with more and more effect so long as the pretensions and exclusive claims made on behalf of the Buxton policy are persisted in.

* * *

The Secretariat have latterly smelt this danger. Whereas in 1934 they ostentatiously ejected the Prophets of the Formula through the front door, they are this year furtively beckoning them in through the back door. Or some of them. "If you don't see the technique exposed in the *Social Credit* window, inquire inside at the *Fig Tree* counter. But don't let on to the public that we sell it." Such is the summary of the Amending Act (1936) of the Buxton Act (1934). It will be seen that the Buxton policy is slowly swinging back onto the course originally set and rigidly followed by THE NEW AGE.

This has happened for the following reasons:—

1. That technical expositors, though formally supporting the Buxton policy, have nevertheless gone on with their exposition.
2. That the Social Credit Party of Great Britain flies the flag of the Formula.
3. That opponents of Social Credit are forcing the Formula on the attention of the public and thereby challenging Social Credit organisations which appeal to the public to expound it to the public, and in terms which the public, under astute prompting, will require it to be explained.

In brief, the Secretariat have been unable to alter, to any appreciable extent, the activities pursued by the Movement up to 1934, and have been obviously unable to impose a strategy on the enemies of Social Credit. The Movement has always remained an organism with powers of instant reaction to environment despite all attempts to convert it into a mechanism. The Secretariat, like the bankers, have only been able to maintain the prestige of their policy by failing to impose it on the Movement. Their electoral campaign has succeeded just insofar as members of the Movement have

found canvassing congenial, and no farther. How far that is remains a matter of conjecture: there are no official figures of electoral pledges collected since the Buxton policy was announced. An unofficial estimate of 750,000 is said to have been mentioned by someone in touch with headquarters. But whatever the figure it is of no importance. It reflects "lightning" contacts with absent-minded householders. But for the purpose of the campaign some continuity of contact is essential. The only medium of continuous contact possessed by the Secretariat is its official organ *Social Credit*; and it is its paid-up circulation outside the membership of the Movement which is the measure of the success of the pledge-collection. The gross circulation was officially given as 11,000 a year ago, and is about the same now according to report. Assuming that the public take 8,000 of these, there remain 742,000 people out of contact with the Secretariat. When the time comes for these people to be mobilised to implement their pledges they must be called upon or circularised. A halfpenny circular to each would cost over £1,500. A personal call on each—remembering that all the calls would have to be made within the usual period of an election fight; say three weeks—would require an army of re-canvassers whose number would depend on how long it took each to persuade the voter to act on his pledge.

So it will be seen that the electoral campaign will come under the law of diminishing returns unless new active workers are recruited into the Movement in some fixed ratio to the number of pledges secured. Social Credit candidates' experiences at the last election proved that pledge-returns as such were utterly unreliable, and caused workers in the election to realise that the object of canvassing should be recruiting. If that view is generally accepted it follows that canvassing falls into its place as a useful departmental activity of a local group—one to be followed or not according to whether the members like to try for recruits in that particular way. The Secretariat are coming round to realise this, for in their latest appeal for money they offer to sell dispensations to those who do not want to go canvassing.

To sum up, we see a belated recognition by the Secretariat of (a) the value of technical education and (b) the non-essentiality of canvassing. This is a long step towards confirming the decision upheld at the Swanwick Conference a decade ago, namely, to promote multifariousness of activity and reject centralised directive organisation. Members of the Movement who voted absentmindedly for the Buxton policy are much in the same position as the Members of Parliament who voted for the Means Test schedules. They had no idea of what they were really authorising. It required the events of the last two years to make them realise that insofar as unity in the Movement is the great thing the Secretariat have failed to preserve it; and that insofar as the effectiveness of the Movement is the great thing the Secretariat have tended to impair it by trying to alter the natural balance of its activities. Buxton has proved the wisdom of Swanwick; and the result is—the coming conference at York.

Referring to this conference the following extract from *Social Credit* of August 14 shows the attitude which Douglas takes towards it.

Douglas Cadets must feel a thrill of pride when they see the advertisement we are displaying on page 7.

There is only one thing to be deduced from it—THAT THEY HAVE AGAIN PROVED RIGHT.

Whilst others sneered and jeered and "jawed" when Douglas called for ACTION, Douglas Cadets responded. When so-called Social Credit periodicals spurned his advice and advised others to do so, too, and boasted that they had no policy of ACTION but only one of education and criticism, Douglas Cadets plunged into ACTION with faithful hearts and willing hands.

They were RIGHT, and now the last remaining fragments of the Social Credit Movement acknowledge it, for, as a result of their loyalty, 14 persons see that beyond all doubt, Major Douglas has all along been right; that ACTION is the only thing that can save us.

They now call upon all who, because of this objection or that to existing plans of ACTION, have not yet joined in any Social Credit organisation which is devoted to ACTION, to come to a congress and see what form of ACTION they will consent to pursue.

For our part we cannot commend it too strongly to the notice of all who are as yet—to parody Kipling—fighting bankers only with their mouths.

Perhaps it is not too much to hope that from such people the Electoral Campaign may secure careful, dispassionate comparison with those forms of ACTION recommended by other sections of the movement, but any of them that lead to activity should lead to good.

Major Douglas has again been shown to be at least sixteen years ahead of any other leader, tactician, constructive statesman, or economist of his day. The advertisement to which we refer constitutes, after a lapse of over two years, still further evidence of this truth.

BE OF GOOD CHEER, DOUGLAS CADETS,
EVERYTHING GOES WELL FOR NOW, EVEN IN
THE TALKING SHOPS, THE CRY IS TO ARMS—
TO ACTION!

The advertisement referred to is in exactly the same terms as the one published in THE NEW AGE recently, and the "14 persons" alluded to in the above passage are the promoters of the Conference whose names were included therein. The keynote of this oratorical outburst is: Action is Right: The Douglas Cadets were Right to take Action: The calling of the York Conference on Action proves them to have been Right to take Action. It contains some misstatements. Passing by the questionable use of the words "sneered," "jeered," "spurned," "boasted," criticism of the Buxton policy or electoral campaign has been confined to showing reasons why it would not produce the expected results within the 5-year time-limit which Douglas gave it. We have just shown that although two years have passed the results achieved are long behind schedule on a 5-year basis. The criticism has been proved right. But the comments in question miss the mark completely by ignoring the declared purpose of the York Conference which is to consider "Action for the forwarding of the Douglas Social Credit Proposals." This expressly rules out consideration by the Conference of the merits of the Electoral Campaign, because the Secretariat have eliminated the Douglas Social Credit Proposals (or any proposals at all) from the propaganda associated with that campaign. If, of course, the Secretariat will now declare (what opponents of Social Credit already know) that the electoral campaign is a step towards getting the Douglas Social Credit Proposals adopted by the Government, then the campaign will fall within the Conference's frame of scrutiny and assessment. But if the Secretariat persist in divorcing the campaign from the Proposals the Conference could not logically consider it; nor, indeed could the Secretariat find satisfaction in the Conference's approval of the campaign, for this would identify it with the Proposals.

and thereby open the door for enemies of Social Credit to exhibit the Secretariat to the public of trying to trick them into voting for the Proposals without their knowing it.

Again, the word "action" with which the writer in question makes so much play is merely a rhetorical expression. He leaves the word undefined, but incidentally indicates a definition by his reference to Kipling's jingle published when the Boer War broke out. It is an interesting reference, as will be seen, for it ran:

When you've shouted Rule Britannia,
When you've sung God Save the King,
When you've finished killing Kruger with your
mouth,
Will you kindly drop a shilling in my little tam-
bourine

For a gentleman in khaki ordered South.

The verse was an injunction to the public to shut up talking and fork out cash. The writer's allusion to it seems to invite the construction that in his view the next best (or is it the best?) Action is to put money in the Secretariat's hat. If you can't be a Douglas Cadet, at least you can pay for the equipment of one. Be that as it may, there is no "action," whether taken by Cadets or Green Shirts, at the present time that does not amount simply to propaganda—"Killing the bankers with your mouth." If door-to-door canvassing is to be called "action," so must be street-marching, street meetings, deputations to the Bank of England and the House of Commons. The fact of the matter is that nobody in the Movement is taking action, nor can; because directly you go a step beyond propaganda you are nabbed by the law. There has only been one actionist connected with the Movement. His name was Murphy; and he went to prison for throwing a brick through a window in Downing Street. So until any leader against the bankers is prepared to endorse this sort of thing let him refrain from boasting about "plunging into action."

"Action" being propaganda, and propaganda being advertising, the purpose of the York Conference is that of discussing the merits of different methods of advertising—the advertising, not of a person or an institution, but, as the announcement states, of the "Douglas Social Credit Proposals." There is no method of advertising which is not already being employed somewhere or other within the Movement. Nearly all the possible methods are to be found, by the way, enumerated in the Annual Reports of the Social Credit Party of Great Britain—and enumerated because they are being practised. So the function of the York Conference will be to review what has taken place rather than discover new methods of advertising. It might truly be described as the York Audit—a body appointed to investigate the expenditure of energy (and money) and the revenue of results (including money) involved in the multifarious activities in the Movement.

In this frame of reference the Secretariat corresponds to an advertising agency, in the sense that they appointed themselves sole controllers of the Movement's advertising and sole collectors and spenders of the money put up by the Movement for that purpose. The whole question now is: Have they directed the Movement's energies and spent the Movement's money to the best advantage? It is flagrantly irrelevant for their official

organ to say: "Look! These people going to York are at last looking into the question of advertising—they have found that advertising is necessary—we said all along that advertising was right—and these people who once jeered at our advice and advised members not to follow it have now been forced to acknowledge that we were right."

The point is not whether advertising is right. Everybody affirms this. The point is whether a particular advertising scheme has secured the best return for the energy and money involved. Obviously the advertising agents who sold their scheme to the Movement are the last persons to answer the question. But equally obviously it is their duty to submit evidence on which the answer can be arrived at. They have only published one concrete bit of evidence, and that is the 11,000 circulation (or printing order?) of their House Organ, *Social Credit*. Their House Organ, not the Movement's. Against this they have had the handling of something like £10,000. They claim that the circulation of *Social Credit* is much more than that of every other Social Credit paper put together. Well, the pig that eats all the food puts on all the weight. We expect a "popular" twopenny to beat "non-popular" sixpennies. But we also expect that a journal designed to appeal to millions shall show at least the same proportional circulation as a journal designed to appeal to not more than, say, 10,000. And lastly we expect that the popular journal should pay its way and not draw subsidies from the members of the Movement.

What is Fascism?

Extracts from the *Economic Foundations of Fascism*. By Dr. Paul Einzig. (Macmillan, 1934.)

P. 47.—"In accordance with the real interests of the working classes as contrasted with their apparent interest, he (Mussolini) preferred to provide them with work within the limits of possibility, instead of prolonging their unemployment by paying them doles."

P. 49.—"Any economists who are dissatisfied have to grumble behind closed doors."

P. 52.—"Since the war (The Great War) emigration has declined; since the crisis it has been practically checked. In fact, thousands of emigrants are returning from every part of the world. At the same time, the Government is encouraging large families by fiscal and other facilities. The new land obtained from draining and other improvements solves the problem of employing the surplus population, which would otherwise have increased the permanent unemployment."

Compare with—

P. 101.—"As those countries (U.S., etc.) were no longer prepared to absorb the surplus Italian population, it had to be provided for by creating new possibilities at home. The development of agricultural production was eminently suitable for this purpose."

P. 64.—"This increased curtailment of economic freedom will be accompanied by a gradual restoration of political freedom. Industrial peace can only be attained, and maintained in the long run, at the price of sacrificing the freedom of economic activity which has hitherto been regarded as indispensable."

Notice.

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

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

The Waterlow Case.

Mr. Gavin Simonds's arguments before the House of Lords (1931).

XI.

The LORD CHANCELLOR: I am very anxious to follow this part of the argument. What sort of condition ought they to have put in this express notice so as to enable them, as you say, to claim the damages that they are now asking for, just give me a sketch of the notice that they would have put into the contract?

Mr. GAVIN SIMONDS: I must go back a little, the terms of the contract are express that they will safeguard the plates and not allow them to be used for the printing of notes without the authority of the Bank or something of that kind; there is an express provision with regard to that, or there ought to be an express provision, that if this term is not observed and notes are circulated in Portugal without the authority of the Bank the Bank will honour them whether they be genuine or whether they be false and will hold you liable.

Lord WARRINGTON: "Any notes printed by us," it is not notes in general, but in the abstract.

Mr. GAVIN SIMONDS: Any notes printed by us which get into circulation in breach of this contract which might be by the plate being stolen or the notes being stolen or by the printers themselves being deduced as they were in this way.

Lord ATKIN: Must it be, "the notes will be honoured under any circumstances" or "may be honoured under some circumstances"?

Mr. GAVIN SIMONDS: I think "will"; the statement as I understand it is this, that it has been the practice of the Bank to honour forged notes.

Lord MACMILLAN: "May" would be sufficient, which would be an indication they might incur such a liability.

Mr. GAVIN SIMONDS: "May" would be sufficient, but the truth would be better expressed as "will." That is what I say. The notice I suggest should be given to the printer if the Bank propose to take this course is in effect that the Bank propose to take it. I humbly submit it is not in the usual class of things that the Bank will pay forged notes whether it be a bank of issue or whether it be a private bank; if it is suggested it is the law of Portugal, it was at one stage, or suggested as a difficult point, and therefore the Bank of Portugal will so act, that is a circumstance which ought to be called to the notice of the printer.

Lord RUSSELL: This argument is far beyond Lord Justice Greer, this is not fixing any point of time, this exonerates you altogether?

Mr. GAVIN SIMONDS: No, I do not say that; I was going on to say that you may well contemplate, and it is in the usual course of things that if there be notes in circulation which are false, but not distinguishable by the public, those notes may be called in and until they are distinguishable by the Bank it will be obligatory on the Bank to pay the false with the true; I am not suggesting that as something outside the contemplation of the printer, that circumstances may arise in which it is necessary to call in an issue, I am not suggesting that it is outside the contemplation of the contract, that that course being taken it may be necessary to pay the false with the true.

Lord RUSSELL: It is this, is not it, that it is not within the contemplation of the printer or following in the ordinary course that the Bank would resolve voluntarily to pay all notes.

Mr. GAVIN SIMONDS: Yes, my Lord.

A + B

By J. E. Humphries.

Prolegomena.—Merely a statement of truisms:

Y. A full consideration of any objective fact will involve immediate answers to the questions:

1. Is it at present a fact?
2. How did it arise?
3. What results from it?

(The answers to 2 and 3 may be followed by further action.)

Z. If any proposition is restated the new statement must contain all the elements of the former statement, and must refer to the same system.

Thesis.—The above truisms are forgotten by many who consider the A + B Theorem, put forward by Major Douglas in the following form:—

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

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

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

"Now the rate of flow of purchasing power to individuals is represented by A, but since all payments go into prices, the rate of flow of prices cannot be less than A + B. Since A will not purchase A + B, a proportion of the product at least equivalent to B must be distributed by a form of purchasing power which is not comprised in the description grouped under A."

Briefly, Major Douglas says that any industrial organisation has this property or characteristic: that the factory creates prices at a greater rate than it disburses incomes. This can surely be proved by inquiring at any factory whether the incomes disbursed per week could pay the prices of the products manufactured per week. A little thought and experiment will convince one that this characteristic is a property of every solvent organisation and inquiry need not be made at every industry, any more than it is necessary to prove the commutative law to hold for every pair of numbers. Nevertheless large scale figures confirm our small scale inquiries, e.g., the Irish Free State Statistical Department gives figures of that country's industries for 1931, showing that the value of production for a large variety of undertakings (quarries, flour and confectionery, drugs, etc.) is approximately seven million pounds, the corresponding value of incomes being approximately three million pounds.

It is, however, a curious psychological fact that many men have denied that industrial organisations have this characteristic. Their reaction to the appearance of this fact is similar to that of the old lady who saw for the first time in her life a giraffe; she exclaimed: "I don't believe it!" Now it was not thought appropriate to this comic occasion to show how the giraffe's lengthy neck came of revolutionary theory; and it certainly never occurred to the humorist, who chose this fundamental human character, to picture the old lady explaining how the giraffe could not have come into being. That would not have been funny, yet the economist would have become insanity. Yet the economists have spent a lot of energy "proving" that an experimental fact, the state of affairs described by Major Douglas, cannot arise.

A very common method of demonstrating the "fallacy" of the A + B fact is to take the different items of B costs and show that these items have been A costs (i.e., incomes) at some previous stages of the productive process. This procedure is quite irrelevant; all it shows is the mode by which B costs arise, and Major Douglas was always aware

of that. The economists have derived satisfaction from such a mental process because they unconsciously believe that they are restating the A + B Theorem in another and, to them, simpler form (but see Z). Ignorant of mathematics they are unaware of the nature of a "rate": Mr. Gaitskell, for example, can say (*What Everybody Wants to Know About Money*, p. 349), "Many critics have understood Major Douglas to mean that the costs of production (which he calls the rate of flow of prices) must include. . ." (my italics). But this writer, after "disproving" the A + B fact, says in a footnote (*loc. cit.*, p. 356):—

"The prices to which the A + B Theorem applies are regarded as the prices of all commodities. It is, of course, true that consumers' incomes are not sufficient to buy semi-manufactured goods and raw materials, but that does not mean that these articles will not be bought. They will, in fact, be bought by other organisations with B payments. It is true that these B payments and the A payments as well can only be made in many cases if credit continues to be provided."

It is worth while putting this statement alongside the original A + B statement of Major Douglas and comparing the two.

Here let me run on a line parallel to our argument. The economists have been accustomed to assume the equality of incomes and prices; thus Mr. J. M. Keynes* says, "Let X be equal to the cost of production of all producers. Then X will also be equal to the incomes of the public." When the economists are confronted with the fact that the incomes of the public are not equal to the cost of production they react like the old lady. But it is certain that if the other end of the animal had been remarkable for its length, as, say, in the case of the squirrel, the old lady would not have responded as she did to the giraffe; the squirrel would not upset her prejudices because of its familiarity (being, in fact, one of her prejudices). So if we take a case analogous to the industrial conditions and argue as the economists do, these fellows would be all on the side of the facts instead of against them. Example: "Consider births and deaths. Every person born also dies. Therefore the number of births equals the number of deaths. Therefore, the birth rate equals the death rate. Therefore the population is stationary." Even the economists would not accept that deduction; wonderful to relate, they can accept a similar argument in their own special subject!

Let us now step back to the consideration of the origin of B costs. It is not enough to demonstrate that a B cost was once an A cost, for we are concerned with the two relative magnitudes, the rate of creation of prices and the rate of disbursement of incomes at any point where these two processes occur in the industrial system, i.e., at any factory, etc. If, then, our B cost is traced back to some other organisation where it was an A cost, we must ask of that factory, "Is it a fact that, at that date, this factory was creating prices at a greater rate than its disbursement of incomes?" The answer given will be "Yes!"

Those who are employed in experimental investigation will naturally pose this question; and it will appear strange to them that economists can discuss the question without actually asking the question. Thus Mr. Durbin (*Purchasing Power and Trade Depression*, p. 187, Appendix on the Views of Major Douglas, etc.), says:—

"The whole technical system of production can be built up into the following diagram: The producer of ploughs employs labour and capital directly and pays £100 a week, shall we say, directly to consumers. The producer of wheat, who is the next producer in the sequence, buys the ploughs and also employs labour and capital to the tune of £100 a week, so that his costs are £200 a week."

It is evident that Mr. Durbin has assumed the existence of a producer of ploughs whose sole costs are labour costs, who disburses incomes at the same rate as he creates prices. The "logical" methods employed by this economist are, of

* Vide his book, *The General Theory of Employment, Interest and Money*, pp. 18-21, for various statements by Keynes and other economists.

course, well known: it is quite easy to prove a proposition if one assumes it at some stage of the "proof," but it is more elegant to make a frank statement of your assumption as Mr. Keynes does in the quotation above.

However, continuing Mr. Durbin's exposition: "In the same way the miller buys the wheat at £200 and employs labour and capital to the tune of £100 a week, so that his total costs are £300 a week. Finally, the baker buys the flour at £300 a week and employs labour and capital at £100 a week, so that his costs are £400 a week.

"This is the last stage in production, and the bread must be bought for £400. From where is the money to come? It can only come from consumers. Can the consumers provide enough? To do so they must be able to spend £400 a week. But an inspection of the diagram and the simple reflection that four producers are each paying consumers £100 a week will serve to show that their income is £400 a week. If, then, they spend all that they receive they will make the price of the finished product just equal to its cost of production, and the system can maintain itself in a rate of continuing production. This is the true circulation of money in an advanced economic system."

Below I give figures—not hypothetical, but actual—of production and incomes for the processes mentioned in this quotation. For the moment I would refer to the incurable habit that economists have of choosing non-existing systems, of going to "desert islands," or to Robinson Crusoe, when a straight answer to their question can be had from the factory round the corner. This habit is probably the cause of "the deep divergences of opinion between fellow economists which have for the time being almost destroyed the practical influence of economic theory. . ." (Keynes, *loc. cit.*, vii.), for as Keynes says later (p. 3), "Moreover, the characteristics of the special case assumed by the classical theory happen not to be those of the economic society in which we actually live, with the result that its teaching is misleading and disastrous if we attempt to apply it to the facts of experience."

The futilities of the economists having been displayed, the facts can be presented.

1. For the manufacture of agricultural implements (Canada, year 1932):—

Salaries and Wages Paid	\$3,098,000
Value of Materials and Fuel Used	\$2,160,000
Gross Value of Output	\$5,510,000
Net Value added by Manufacture	\$3,450,000

2. For food trades: bakeries, bread, and biscuits (Union of South Africa, year ending June, 1930):—

Salaries and Wages Paid	£534,000
Materials and Fuel Used	£2,595,000
Gross Value of Output	£4,129,000
Net Value added by Manufacture	£1,534,000

These figures illustrate the original statement of Major Douglas: That the salaries and wages paid (per year) will not buy the output (per year). Also the figures demonstrate Mr. Durbin's errors in his description of the financial process accompanying the manufacture of ploughs and bread, etc. He was obviously wrong about the ploughs; with respect to baking, according to Mr. Durbin the value of the output should be the cost of raw materials and fuel plus the wages and salaries, £334,000; actually it is £1,000,000 greater.

Further, the hypothetical system of Mr. Durbin is one in which the rate of consumption is equal to the rate of production. Such a system cannot expand and is different in character from the present industrial system. Thus the last sentence in the quotation from this writer, viz., "This is the true circulation of money in an advanced economic system," is just poppycock.

Mr. Gaitskell adopts the diagram of Mr. Durbin (*What Everybody Wants to Know About Money*, p. 351), but introduces a new sequence, Farming, Spinning, Weaving, Wholesale, Retail. The farmer resembles Mr. Durbin's plough-maker in that "the farmer's costs, which are all of them A payments made to consumers, are £200"; a hypo-

thetical farmer! After that, "the spinner's costs are 400, 200 being paid for the wool and 200 in A payments to workers and shareholders at the spinning stage, the weaver's costs are 600, being also divided between the cost of the yarn bought from the spinner and the A payments made to labour and capital. So equally with the merchant and the retailer."

Mr. Gaitskell's fantasies can be tested in the same way as those of Mr. Durbin. From our table of statistics for the Commonwealth of Australia (year ending June, 1932), Textile and Clothing Trades we have:

1. Woollen and Tweed Mills:—

Salaries and Wages Paid	£1,946,000
Value of Materials and Fuel Used ...	£5,216,000
Gross Value of Output	£8,452,000
Net Value added by Manufacture	£3,236,000

2. Clothing (Tailoring and Slop):—

Salaries and Wages Paid	£1,859,000
Value of Materials and Fuel Used	£3,307,000
Gross Value of Output	£6,159,000
Net Value added by Manufacture	£2,852,000

These prove Major Douglas's original statement.

When the naivest of Douglas's critics are tracing B costs to previous incomes or A costs, they forget that those incomes have been spent: "While the final price to the consumer of any manufactured article is steadily growing with the time required for manufacture, during the same time the money distributed by the manufacturing process is being returned to the capitalist through purchases for immediate consumption" (Douglas, *Economic Democracy*, p. 61); and, as Douglas has said elsewhere, the millwheel is not turned by the water that has flowed past. Mr. Gaitskell attempts to overcome this argument by making his processes continuous. Thus:—

"The farmer is producing wool continuously, his A costs being £200. The spinner is producing yarn costing £400, B costs (wool) £200, A costs £200. The weaver is producing cloth costing £600, B costs (yarn) £400, A costs £200. The merchant handles product, B costs £600, A costs £200. The retailer's B costs £800, A costs £200." These figures do not give a true picture, as the statistics for industry in action show, but we can accept them for a moment in order to display Mr. Gaitskell's reasoning. Evidently over the whole sequence (and for the individual processes, except farming) it is true, as Major Douglas said, that costs are being generated at a greater rate than incomes (the ratio is 3,000 : 1,000); but our economist is satisfied because the cost of the retailer's article, which is the sole concern of the consumer, can be met by the incomes distributed £1,000. There still remains, however, £2,000 of costs which must be a charge on future incomes; for the present these costs will be met "by other organisations with B payments—if credit continues to be provided" (vide quotation from Gaitskell, page 4), or as Douglas said: "a proportion of the product at least equivalent to B must be distributed by a form of purchasing power which is not comprised in the description grouped under A." On this matter it appears that the chief difference between Douglas and Gaitskell is the complacency of the latter. He resembles the cox of a racing crew who informs stroke that he is four lengths behind, but fairly holding his own and need not worry. But if the process is continuous the inherent deficiency in the losing crew will put it five lengths behind; and the characteristic of the industrial system that has brought about deficiency in purchasing power (poverty amidst plenty) will increase that deficiency. Further, we know that a point is reached at which credit ceases to be provided with resulting discontinuity called slump.

So far our chief concern has been to maintain the distinction between the fact of deficiency and its origin (Y1 and Y2). How deficiency of purchasing power arises can be seen from the results of investment. Suppose £100 of income is saved; there are goods value £100 unbought; now invest the £100, so giving an order for a capital object; during its manufacture £100 will be disbursed and the unbought goods can now be bought; but £100 of capital has been created and there will be charges in the costs of its factory which will not have a corresponding income. Put concisely by Douglas: one unit of money can finance one unit only of destruction of cost or price (act of purchase for consumption); one unit of money can finance two or more units of production of cost or price.

The Timing of Loans.

In previous articles under this title (*THE NEW AGE*, January 23 and 30) certain conclusions, to be noted later, were arrived at.

The illustrations to which reference is made took a unit loan of £100 and considered the effect of its repeated issue and retirement week by week during the progress of a series of operations ending in the appearance of a given quantity of consumable goods. Interim consumption was necessarily ruled out, because all the material dealt with was retained by producers until the end of the series. This left each successive £100 wholly available, when paid out to individuals, for investment in the unfinished product every week. This was supposed to happen, and was the assumption on which the conclusion numbered "3" below rests. Here follow the conclusions.

1. The repeated issuing and recalling of bank loans amounts to the same thing as the using of the same money over and over again.

2. Therefore if the time for which each loan is granted is some fixed period, the longer the time it takes to complete a given production operation from start to finish the less the quantity of money in circulation relatively to the final cost of the products. (In the illustration the weekly £100 is used twice, and the cost of the product is double the amount of money circulating when production is finished. If the production had lasted, say, five weeks, and five loans had been issued and recalled, the final cost would have been five times the money in circulation.)

3. On the assumption that no interim consumption takes place under the conditions described in "2," the cost of the product at the last stage but one will have been defrayed by invested money which has gone out of existence. The longer the time taken to complete the production the higher the ratio of final cost to the amount of circulating money, and therefore the smaller proportion of the product that can be bought with that money. (In the illustration the £100 would buy half the product at the second (final) stage. If the time taken had been five weeks (involving five stages) the £100 would have bought only one-fifth. If ten years, one five-hundred-and-twentieth. And so on.)

3a. The same progressive disparity between cost and money would occur even if interim consumption took place. The only difference would be that the disparity would grow at a slower rate. There would necessarily be a disparity because it could only be got rid of if interim consumption became equal to interim production—which would amount to the absurd proposition that the production-consumption cycle would be completed at an intermediate stage! No; so long as any portion of product is carried forward from one stage to another, the cost of that portion measures a disparity which will travel on (with accretions) to the end of the last stage.

LETTER TO THE EDITOR.

CAPITAL IN PRICES.

Sir,—The last paragraph of Mr. J. A. Franklin's letter in your issue of the 16th inst. has my whole-hearted support as a Social Crediter.

"The community as a whole is not in debt."

Agreed. Then why are we treated as though we are in debt? Why are we still paying for the Napoleonic Wars?

"The increase in internal obligations is merely a representation of growing wealth."

Meaning, of course, that the reason we are up to the neck in debt is because we are not, i.e., because we are up to the neck in wealth. Is this absurd or should I have my temperature taken?

"Capital Assets are not a debt against the community."

Agreed again. Well done, Mr. Franklin! Then why are we expected to bear the cost? Having bought the mine as well as the coal, the mine must either be handed over to us or, more conveniently, the cash returned to us in the form of free credits. I think the word "not" in Mr. Franklin's last sentence is evidently an error in printing.

"STOURBRIDGE."