

THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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NOTES OF THE WEEK.

Aberhart and the Movement.

The New Era (Sydney) of July 24 publishes a heated attack, by Mr. C. Barclay-Smith, on Mr. Aberhart's policy. It is punctuated by expressions such as "political perfidy"—"unashamed betrayal"—"nauseating"—"lip service"—"cant, humbug, and hypocrisy"—"infamous nonsense"—"conscienceless corruption of Social Credit"—and so on. Aberhart's policy, says this writer, has caused a "set-back to the Social Credit Movement throughout the world . . . thrown it on the defensive, explaining and apologising . . ." and its "inevitable failure" will "sully the name of Social Credit throughout the world, and add still more to the difficulties of its protagonists."

The grounds for this outburst are (1) Aberhart's initial imposition of extra taxes, (2) his appointment of Mr. Magor to advise him, and (3) his recent issue of "Prosperity Certificates" under conditions which amount to fresh taxation (i.e., the weekly stamping at the expense of the holder).

What has provoked Mr. Barclay-Smith to use such inflammatory language has been the receipt of letters from correspondents in Queensland and Victoria suggesting that final judgment on Mr. Aberhart is premature, that unqualified condemnation is not justified by the facts, and, lastly, that "it is in poor taste for a Social Credit paper to criticise a Social Credit Government." To this he retorts that when a Government "fails to honour its election promises" it ought to be attacked. That proposition is sound enough, but in this case the question to be decided is: What were these promises, and how have they been dishonoured? We reviewed the material facts in this connection on July 16 and August 20 last; and they amount to this:—

1. Aberhart's policy outlined in his election booklet was not Social Credit in a technical sense.
2. Advocates of Social Credit said so before and

during the election campaign, and maintained that Aberhart had no right to call his policy by the name "Social Credit."

3. Aberhart, before and during the campaign, took up the following attitude towards this criticism. "All right," he said in effect, "if my plan is defective, you need not worry, because if I win the election I shall call in Major Douglas to produce a real Social Credit plan."

4. Major Douglas, before and during the election, refrained from saying anything on this subject.

5. So when the electors went to the poll they went with the understanding that if they voted for Aberhart they were voting for a plan which would be superseded by one designed by Douglas if defective.

6. Accordingly the overwhelming mandate which Aberhart eventually received was an optional mandate for him to (a) run his own plan, or (b) run one designed by Douglas.

7. Aberhart chose option "b," and cabled Douglas: "Victory: when can you come?"

8. Douglas did not go.

9. Aberhart reverted to option "a."

The only definite promise that Aberhart made was item No. 3—to call in Douglas. Further, that promise was made to satisfy a tiny minority of Social-Credit voters who were informed enough to detect flaws in his plan. The great majority didn't care: they voted for Dividends, not for any particular way of providing them. They did not impose a time-limit in which Dividends would be distributed, nor did Aberhart bind himself to one. Indeed he could not do so in view of the fact that the time required would depend upon the plan, and the plan was to be decided by Douglas. Moreover, when the news of Aberhart's victory reached London Douglas told the *News Chronicle* interviewer that Aberhart would be well advised to "proceed by stages"—in other words, to go slow.

In these circumstances Mr. Barclay-Smith's reference to "Aberhart's Social Credit Hoax" is untimely and

unjustified. If the Social Credit Movement has been let down—thrown on the “defensive”—forced to “apologise” and “explain”—by what has happened since August last year, the Movement has itself to blame. THE NEW AGE pointed out at the time that Aberhart's poll was not a Social Credit poll, but rather a Christian Social Democratic poll. And in the *Manchester Guardian* of Monday, August 26, 1935, there stands on record the opinion of the editor of THE NEW AGE, who, in an interview with a representative of that paper, said that the prospects of Social Credit being put over in Alberta were “exceedingly remote.” If the Movement, or any section of it, feels itself let down by Aberhart's failure to put Social Credit over, the reason must be that it was in too much of a hurry to gate-crash into the limelight of Aberhart's electoral triumph and to cash out on the world-wide publicity achieved by that leader and his supporters. Naturally, any spokesmen in the Movement who went about saying to the public “Aberhart's victory is *our* victory” are now in the embarrassing situation of having to explain why Aberhart's (alleged) defeat is not *their* defeat. Insofar as Aberhart is, or may be defeated, his defeat will attest the soundness of the Social Credit Formula if that defeat is caused by his employment of wrong technical methods. Of course he *could* be defeated in an attempt to employ *right* technical methods, because of the double constitutional checks on his action that can be imposed by Ottawa and London, let alone illicit wirepulling on the part of the banking communities in both these centres. And from this latter point of view abusive comments such as Mr. Barclay-Smith indulges in could be construed as a tacit invitation to the bankers to bring about the downfall of the Albertan Government. It certainly encourages them to stiffen the constitutional checks on the initiative of the Province; and if they did this it would be found that these checks were just as potent to block an authentic Social Credit policy as a defective substitute for it. So indiscriminate abuse of Mr. Aberhart on the part of spokesmen on behalf of the Movement is bad strategy. Further, the prestige of a Movement of “world-wide” extent is not enhanced by the contention that its influence will be materially weakened by the failure of an experiment among a community which, in terms of size and status, is comparable merely with the City of Glasgow.

* * *

The Movement as now constituted embraces four classes of members or adherents. Its structure may be analysed in the following way. Out of, say, one thousand persons, probably there will be one who stands for the Reform of the Costing-System. His category may be called Class A. Class B will consist of, say, ten persons who stand for Reforms of the Loan-Credit System. Class C will consist of, say, one hundred persons who stand for Reforms of the Social System. Class D will consist of one thousand people who sympathise with the idea conveyed in the slogan “Abolish Poverty.” In setting out the numbers in this way it is assumed that the member of Class A is also a member of Classes B, C, and D, and the members of Class B are also members of Classes C and D, and so on. It is a reasonable assumption; for a Cost Reformer is necessarily a Credit Reformer and a Social Reformer; and since he is a reformer he has some ideal or other, which in this context is best expressed as the abolition of poverty by the distribution of purchasing power. What

binds these classes into one Movement, and distinguishes that Movement from other political movements, is a common belief that (a) the progress of humanity depends primarily upon some alteration or other of the way in which the financial system is now operated, and (b) that a feasible method of alteration is available.

* * *

Class D will have divided preferences for the various Social Reforms sponsored by Class C, and so will Class C for various Credit Reforms sponsored by Class B; also Class B will in some parts be attracted, and in others repelled, by the Costing Reform (this time one single reform, not an assortment) sponsored by Class A. In fact the principle of attraction and repulsion operates within each class and between all of them. While exhibiting superficial disunity it registers profound unity. One reason is because beneath the controversies which are proceeding on the merits of this or that reform lies the common instinctive feeling that the Money Power stands in the way of all of them. Another reason is that claims on behalf of every reform have to-day to be reconciled with the knowledge released by the Social Credit Analysis. Every reformer has to take his bearings afresh from a *new* point of observation, and a *common* point of observation.

* * *

A third reason is that in some mysterious way the discovery of the Social Credit Formula, and the exposition of its rationale, has diffused new hope in places from whence all hope had departed, and in the hearts of people who know nothing about it. It is as if they had caught the scent of emancipation without being able to place it or the origin of it. Some alchemy has transmuted the intellectual conviction of the few into the emotional trust of the many. You do not catch a great truth; it catches you. “Truth,” said Belloc, “confirms itself.” Yes, and it confirms itself from round the corner. While you're blinking straight at it, it is nudging you from behind.

* * *

Now a Movement bound together by a common faith in the feasibility of its aspirations need not be unduly disturbed at what happens at any point of its impact with the enveloping system which it is destined to supersede. In chemistry there is something called a double reaction. You may pour one clear solution into another, and see a cloudy precipitate form. If you had been led to expect that the combined solution would be clear ingredients was wrong. But presently you will see the precipitate disappear. It has been thrown out of solution as the primary reaction, and is re-dissolved as the secondary reaction. Which teaches you not to jump to hasty conclusions. Accordingly, when in Alberta the pouring of Aberhart's policy into the liquor of Canadian bankster constitutionalism yields a precipitate in the person of, shall we say, Mr. Magor, don't get hot and bothered, he may be re-dissolved. You must expect all sorts of curious things to happen in such unprecedented circumstances as these. And it may yet transpire that the bankers' selection, in full public view, of the expert who was associated with the Newfoundland affair to advise the Albertan Government was a bigger mistake on their part than was Aberhart's acceptance of the appointment on his part. Why they did it is a bit of a mystery: they had plenty of experts without a past from whom to make a selection. However, the episode is past, and the thing to take notice of is the consequences, whatever they may turn out to be.

The Times of September 3 publishes a cable from its Correspondent at Edmonton which runs as follows:—

The special Session of the Alberta Legislature was prorogued to-day after having passed seventeen measures, mostly concerned with the Social Credit scheme or with debt and interest reduction, which tend to give the Cabinet what are tantamount to legislative powers and to restrict severely the citizen's right of appeal to the Courts against decisions of Government boards and officials even on the interpretation of law and fact.

Among the measures which are expected to have a far-reaching effect on the economic life of Alberta are:—

The Credit House Act, providing for an entire system of branch banks to handle monthly credit dividends, with provisions for special loans to retailers, manufacturers, and producers, designed to make Alberta “independent” economically.

The Reduction and Settlement of Debts Act limiting interest on all private debt to five per cent. and reducing the principal of debts contracted before 1932 and enabling it to be paid in ten equal instalments without interest, beginning a year next November.

Amendments to the Debt Adjustment Act under which chattel mortgages may be made inoperative on an order of a Board where the owner “needs to sell the chattels to acquire necessities of life.” (There is now no appeal to the Courts from this Board's decisions.)

The Cabinet's reduction of the interest on Provincial bonds to an average of two and a half per cent. is confirmed, as well as the Orders in Council instituting “prosperity certificates.”

The Times heads this cable with the lines, “First Fruits of Social Credit,” “Trend Against Democracy.” The two, read in association, seem to suggest that Social Credit (however interpreted) is not compatible with Democracy. Well, if the term Social Credit is used to embrace the essential legislative steps necessary to wrest the control of public credit from the hands of the bankers, it is very probable that one of them (maybe all) would be pronounced *ultra vires* if brought before the Courts. For not only is the vesting of the control of credit in bankers' hands likely to be confirmed by a strict interpretation of constitutional law, but it could be otherwise upheld on grounds of “public policy” or “ensuring the safety of the State.” If the safety of the State comes before all else, and if the *safety* of the State is held to be the *solvency* of the State as tested by the existing principles on which credit is administered, then the invalidation of Social Credit legislation as defined is a foregone conclusion. In that event the present Government of Alberta would have to suspend action on its mandate and set to work educating the electorate of the whole Dominion of Canada up to the point of returning a Federal Social Credit Government. And by the time this was accomplished it would be found that this Government, in turn, would have to suspend action until it had persuaded the electorate of Great Britain to force their own Government to modify the Constitution. Theoretically that might be done, but the time it would take to force Social Credit through by those means would be much longer than it will take Social Credit to come by itself! So the “trend against Democracy,” which *The Times* observes in Aberhart's legislation, is a trend against delay. He is attempting to forestall hold-ups engineered by the bankers. He may not succeed, but he is right to try. No doubt he

remembers that the bankers in Australia got rid of Mr. Lang's Government in New South Wales by appealing to the Courts and getting a judgment whereby the Legislative Council held down the democratically elected Legislative Assembly until the Commonwealth Government and Bank had retrospectively de-constitutionalised Lang's initial acts and thereby manufactured grounds on which Sir Philip Game was able to dismiss the Lang Ministry and tear up their electoral mandate. “Trends Against Democracy” take such mysterious forms that Mr. Aberhart, if he likes, is entitled to suggest that his particular trend against Democracy is really a trend towards insuring Democracy against a trend against Democracy. We hope we make ourselves clear.

* * *

Lang did not profess any sympathy with Social Credit, and what he tried to do was not Social Credit. To revert to our table of categories, he was not a Class A Premier in the framework of the Movement, but a Class B (which includes C and D). Not perhaps of the first grade in that class (for he had no theory of Credit Reform to further), but belonging to that class because he saw the banks as an obstacle to his Class C reforms, and to his Class D ideals. He threatened to challenge their charter, and he took the “heretical” step of suspending interest-payments on a State loan. He thereby caused the banks to take lines of action which, when advertised and explained by THE NEW AGE and the *New Economics* (whose demise, we would suggest to Mr. Barclay-Smith, is a greater disgrace to the Australian Movement than anything that Mr. Aberhart has done) did as much to educate the public of the world in the politics of finance as the Waterlow Case did to educate leaders of the public in the technique of finance. Mr. Lang and M. Marang each in his own way touched a sensitive nerve in the bankers' hierarchy and made them yelp out and call attention to themselves and their practices. “The significance of this episode,” remarked a banker on one occasion apropos of something or other, “does not lie in what it is so much as in what it *opens up*.” And it is these openings-up which journalistic and academic expositors in the Movement rely upon to further and consolidate the gains of the Movement. We don't care whether they are provided by fools or knaves. Whichever they are, let them push buttons, and we'll do the rest.

The Social Credit Press.

NEW PUBLICATION.

The Leeds Greenshirts have produced a two-leaf broadsheet called *The Greenshirt Gazette*. It bears the date “September.” It is not priced. It announces an accomplished door-to-door distribution-figure of 20,000 copies. On this basis it invites Leeds tradespeople to advertise in it at the rate of two shillings per inch single column per month. A full page measures about 13½ × 8½ inches, and takes four columns. Its total capacity works out to about 200 linear inches of single column width. In the present number about 100 inches are occupied by the present advertisements and the rest by articles and announcements by the Social Credit Party of Great Britain and the local Greenshirts. Among the latter are (a) a statement of claims made for Social Credit, (b) a statement of the Party's “Three Demands” (Credit Office, Dividend, Price Adjustment), and (c) a form of application for membership of the Party. In the text is an

article by Mr. W. Townend (Social Credit candidate for South Leeds at the last election), entitled, "What Did You Vote For?" written to lead to the moral:—"It is a waste of time to vote on any other issue than the People against the Money Power." Two Resolutions by the S.C. Party are reproduced, one in regard to the miners and the other the Smithfield Market workers—declaring in so many words that in view of the artificial scarcity of money the Social Credit Party supports their respective demands for "More Money." A short paragraph adjoining these Resolutions reports the throwing away of 3,000,000 herrings at Lerwick between May 17 and June 8. An article is devoted to nailing down the "lie" that Social Credit has been tried and found wanting in Alberta, and ends on the emphatic statement: "Social Credit has not yet been tried."

In addition to these items there is a prominent and striking account of correspondence from the Social Credit Party to the Leeds Public Assistance Committee, calling on them to reverse their refusal to grant relief to a member of the Party, Greenshirt J. Sharp. Particulars were given showing that this man had nothing in the house to eat but a little bread. As a result the Relieving Officer delivered a food ticket for 9s. at Mr. Sharp's house on the same day as the letter reached the Committee. There is a touch of humour in the accidental circumstance that immediately above this exposure of how the Means Test works there appears an advertisement of somebody or other's "Wringing Machines." "Wringing" is the word—what?

Surveying the *Greenshirt Gazette* broadly, it is seen to present two definite, intelligible and appealing ideas—Needless scarcity of money; Needless hold-up of food. And on that basis follow slogans such as "Down With the Bankers' Combine" and "Demand the National Dividend."

Apart from the political influence which this publication is bound to exercise among the poorer classes of Leeds, its inauguration is to be commended as an example of businesslike efficiency. The promoters, instead of passing the hat round among members of the Movement, pass it round outside. More than that, they get their money by offering a service which is worth buying, as is proved by the fact that their first broadsheet carries so much advertising as it does. In their house-to-house visitation they carry the tradesmen's messages and also their own. The idea is not new, but the possibilities opened up by its application to the furthering of Social-Credit education are much greater than is the case with the general run of local trade circulars filled as they are with nondescript purposeless chit-chat and slob-stuff. The retailer and consumer together constitute the main switch of the distributive system on which the fate of industry rests. The whole current of prosperity is made or broken at the shop counter. So the appearance of tradesmen's advertisements in a broadsheet disseminating this truth has a logical significance which is absent from other publications. After all, why do tradesmen pay money to get their messages distributed? Why does Mr. So-and-so say: "I will pay you 2s. a month to let people know that I have some wringers to sell"? Why has he got them to sell? Is it because people don't want them? Well, if so, what's the use of telling those people you have them? No; all advertising is an indication of pressure to sell goods in a market too small to absorb them. Thus the advertising in the *Greenshirt Gazette* is itself a corroboration of the Greenshirts' case.

"A. R. Orage."

(A Memoir by Philip Mairet, with an introduction by G. K. Chesterton. Dent. 8s. 6d. net.)

It is difficult to believe that this book will not always be in demand. A cheaper reprint should enable it to be bought oftener and borrowed less frequently. Though I know the story from the Leeds days when Orage and I first met, it held me with that quality expected of good fiction. As all forthright heroes should, he would chance all on one throw, meet reverses with fresh plans, suffer uncomplainingly when his best friends failed to understand and left him in bitterness, and win through in the end. It is the story of one who loved freedom so well that all who imagined they had helped this luminary on its course felt cheated when he soared beyond them.

As he began, so he continued; a teacher of infants.

On a memorable occasion in London he addressed a perfervid collection of Theosophists on the subject "Is Reincarnation a Truth." Before starting his paper he told me with a twinkle to look out for fun. The complacent believers expected only one overwhelming conclusion and were rudely shocked. After the lecture I mixed with groups of excited people spluttering with indignation as a vegetarian diet could make him, thought shooting too good for the lecturer. It was expected too much to ask devotees to use their brains. Not that he expected any such fantastic thing. I learned, years after in India, how near to the pristine doctrine of Reincarnation Orage had arrived by cutting away its popular spectacular accretions.

Again, we were infants at the A.B.C. in Chancery Lane, when Orage first gave us the fundamentals of Social Credit. We did not even know the meaning of many economic words we used so glibly.

The Ouspenski lectures were unconventional enough to stir the imagination, and foster the hope of the child-like, that here might be a Western method of enlightenment and attainment. An allegory given to me by Orage, and which recalls "Pilgrim's Progress," may explain something of the Fontainebleau philosophy, the severe discipline, and its object.

"A child is master in a house of a thousand servants, each of whom supplanting one another have their hour of rule. Some shall be named: Love; Hate; Conceit; Hope; Fear; Anger; Elation; Depression. They cry—'I am hungry'; 'I am thirsty'; 'I want peace'; 'I want fame'; 'I want power'; 'I want fortune.' They cling to the child master because his inheritance only can satisfy their desires. They betray him because he appears weaker than they. They frustrate themselves because they are servants stealing mastership. As the child grows there is conflict. Out of the conflict God, in His fullness, is reflected in man. The child is the god in man; and house and servants his multiple being."

The quoted letter of John Cowper Powys implies that the peculiar saintly quality of humility he observed in Orage was a product of the Fontainebleau school. It was native and to the manner born. The children of Leeds loved him for it, because they saw he was one of themselves, although he knew so much more.

Gratitude to Mr. Mairet for the hard work his smoothly flowing effortless writing implies. D. V.

On Debating Social Credit.

By John Grimm.

When advocates of Social Credit are challenged to answer criticism in the hearing of the public they are entitled to demand of the critic four pieces of information:—

1. Whom do you represent? How many others besides yourself accept the validity of your line of criticism and wish to know what the answer is?
2. Is your object in trying to sustain your criticism that of establishing an alternative diagnosis and remedy to ours? If so—
3. What is your diagnosis and remedy? And, if you have one—
4. Do the people who accept your criticism of ours agree with yours?

The reason why these demands can properly be made rests on the premise that the proposed debate is intended for public consumption. The advocate of Social Credit is entitled to be assured that a particular criticism so debated shall be one which, if met, will be of help to as many people as possible. That is the justification for Demand No. 1. The justification for the other three is that if the advocate of Social Credit concentrates on answering criticism coming from a person who avoids committing himself to an alternative affirmation he is, as it were, fighting with one hand behind his back, and what is even more important, the public are watching the fight with one eye shut. The advocate is thrown on the defensive without means of counter-attack. The public are thus deprived of the opportunity of making comparisons between alternative sets of proposals.

The public are not technicians. They cannot be expected to verify for themselves the technique of the Social Credit Proposals, which are not in operation, since they are unable to verify even that of the Money Monopoly Proposals, which are in operation. They cannot understand any alternative to something that they do not understand! Nevertheless, they are perfectly competent to understand collateral evidences relating to or emergent from a debate on technicalities. Now, in a one-sided debate as just defined, these evidences do not emerge. The advocate of Social Credit is placed in the position of defending a stated proposal against no proposal at all. The public are therefore unable to judge between practical alternatives.

This can be illustrated by reference to the recent controversy on whether fixed capital is recovered in prices to the consumer. Critics of Social Credit say that it is not; and they are able to quote from authoritative Social Credit writings statements that it is. Now, on the point of practice in industrial costing the critics are correct. Therefore, the general public, who include in their number a fair proportion of accountants, clerks, etc., acquainted with costing-practice, will take the side of the critics and say that the Social Credit diagnosis is wrong. The advocate of Social Credit can only reconcile the verbal contradiction by bringing into the argument technical factors which the critics have ignored and the public cannot verify directly from experience. That places him in a weak strategical position, for he appears to be evading a clear issue, and in any case is tacitly suggesting to the public that they must take up the study of the Social Credit Analysis in all its aspects before they can understand the incidence of capital costs on consumption prices. By doing this he comes up against the inertia of the public, an inertia which they will consider justified by reason of the con-

tradition between theory and practice which the critics have succeeded in establishing.

This strategical disadvantage would exist in any circumstances; but it would be greatly mitigated if the critics, having established the contradiction, used it as a support for a general diagnosis and remedy of their own. For example, supposing they said something like this—

"We have shown that capital is not charged in prices. By doing that we have destroyed the Social Credit contention that there is an inherent shortage of purchasing power in the present system. Therefore, we affirm that the incomes distributed by this system are sufficient to buy all the goods that can be put into the consumption market."

In that case the advocate of Social Credit is provided with an opportunity to test this affirmation by reference to facts of experience with which the public are familiar. Although this test would not demonstrate the technical soundness of his diagnosis, it would impair the effectiveness of the other.

Or, to bring the issue down to a narrow basis, suppose the critics said this:—

"We have shown that the present system will work satisfactorily without Social Credit Dividends provided that capital is not charged in prices; therefore we propose to assure the continuance of this provision by getting an Act of Parliament passed prohibiting investors from claiming their money back, and prohibiting company-managements from making any provision, via price-charges, for the return of that money."

Such a proposal would be the logical legal implication of their technical argument. If it is a fact that invested money is irrevocably surrendered by the investor, and if it is a fact that (as these critics must be held to imply) this surrender is necessary for the efficient functioning of industry on its distributive side, why not legislate to ensure its continuance? There would, of course, be some psychological obstacles (there wouldn't 'arf) and some ingenuity of reasoning would have to be exercised to persuade investors that their interests were not injured; but perhaps they could be got to see in time that the purchase of capital is its own reward, and that they ought to look at it that way if only not to be shamed by the reasonable consumer who, when he purchases a loaf of bread, is content with the exchange, and does not go about talking of "having my money in" the baking industry!

Thwarting the People's Wishes.

"We are most of us under the conscious or unconscious delusion that it is only necessary to obtain a considerable body of people who are in agreement in regard to the desirability to a given line of action for it to be possible to obtain effective action in accordance with, at any rate, the wishes of the majority. We are brought up to believe that our Parliamentary institutions are expressly designed for that purpose; in that, as Mr. Asquith said upon a memorable occasion, in which he was carrying out a plan for the direct advantage of the banks, 'The will of the people must prevail.' Now, of the banks, 'The will of the people must prevail.' Now, whatever may have been the case a few hundred years ago, the idea that Parliament, as at present constituted and manipulated, exists for the purpose of putting into operation the wishes of the people is a complete myth. It would be much truer to say that, in any matters of real importance, it exists for the express purpose of thwarting the wishes of the people."—(Major Douglas, at Manchester, May 24, 1932.)

The Waterlow Case.

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

XIII.

Now, my Lords, the point which has been so much emphasised in this case is this, that the Bank having taken a certain course could not stop. With great submission, that surely cannot be right, and if it is right, then I would suggest to your Lordships it shows that the initial course they took was not right, and as we submit, their very attitude should have been: We will find a method of distinction as soon as we can, and then apply it. If they took a course which made it impossible at any time to do that, then it was a wrong course. Now, my Lords, the notice which was issued and as we still venture to submit, issued with undue haste, is on page 245. Your Lordships have read it very often. Now it is this: "The administration of the Bank of Portugal has resolved to withdraw from circulation the notes of five hundred Escudos, 2nd plate, gold, on which appears the effigy of Vasco da Gama. In view of this resolution, the notes of this type and plate now in circulation are to be exchanged for others of the same or some other denomination at the Head Office of the Bank in Lisbon, at the Branch Office in Oporto and at the Offices of its Agencies on the Continent and in Funchal." Now, I, of course, agree that what the Bank meant, because we see their resolution, was to pay all notes in full. Lord WARRINGTON: The notice follows the resolution accurately.

Mr. GAVIN SIMONDS: Yes, my Lord, it does.

Lord ATKIN: The second part does, the resolution is at page 377.

Lord WARRINGTON: The resolution is: "To immediately withdraw from circulation the notes of the said plate"—that is the Vasco da Gama plate; the notice is: "Has resolved to withdraw from circulation the notes of five hundred Escudos second plate, gold, on which appears the effigy of Vasco da Gama"; it is notes of that plate; so that it follows exactly?

Mr. GAVIN SIMONDS: Yes, my Lord.

Lord WARRINGTON: The rest is only details as to how the withdrawal is to be carried out.

Mr. GAVIN SIMONDS: I am obliged to your Lordship, that is so. I agree with what has been said; we know from what the witnesses have told us and from the Minute of the meeting and so on that what the Bank intended was to pay all false and true, and I challenge their right to come to such a determination, at any rate when I say challenge it, I challenge the right of coming to it and to put the burden upon us. I am for the moment upon the question of whether having embarked upon that course they could stop. Whatever was in the mind of the Bank, I suggest to your Lordships that there is nothing in the world in this notice which could, or at least ought to suggest that the holder of a note which was false would be paid. Why should a note holder imagine that this involves the payment of a false note? It does not say so. I submit it means exactly what it says, that the Bank are going to withdraw the notes and pay them. Now, if that is so, whatever may have been in the mind of the Bank, why, because on Monday A, B, C and D brought their notes and had them honoured without doubt because there was nothing to suggest that theirs were false notes, should E, F and G on Tuesday bring notes which the Bank tell them are false notes, be in any way aggrieved; they may be aggrieved but not aggrieved by the action of the Bank in paying on Monday, Tuesday and Wednesday, what is there in the conduct of the affairs which justifies them in saying to us: Now having paid on

Monday, Tuesday and Wednesday, we are bound to pay on Thursday? I venture to say that: If you have taken such a course that you have placed yourself under an obligation to pay on Thursday, so much the worse for you, you cannot put that down to us. Now, my Lord, in my respectful submission, this argument which found so large a place in the speech both of my learned friend, Mr. Bevan, and particularly of Mr. Le Quesne, that having set their hand to the plough they were bound to go on, really ought not to carry any weight with your Lordships. Lord RUSSELL: Does not the point that I was suggesting come in there, that people who came on the Thursday after they had got the means of distinguishing, might be people who held notes issued to them by the Bank.

(To be continued.)

Capital in Prices.

THE FACTOR OF PROFIT-TAKING.

I.—Hypothetical. The Closed Economic Area.

Industry does not make a profit. It cannot recover more money from its customers than it has first paid out to them. It cannot wipe out its costs faster than it incurs them. It can do so as fast as it incurs them, because all its payments are received by its customers, who are thus able to return its money equal to the total cost. Industry has none but its customers to pay, and its customers have nowhere to spend their money but with Industry. The system is self-contained—there is no "outside" where money can be "lost" or from whence extra money can be gained. In the Social-Credit phrase Industry makes no "B" payments.

Industry, however, though unable to make a monetary profit, can make a physical profit. It can sell part of its products for all the money. The retained products are its physical profit. Example: It might spend £200 and make 200 tons of products, selling 100 tons for £200. In that case it would get all its money costs back (but no more) and have left 100 tons of products. It could then impute a value to these products. It might say that they were worth £100 (because that would be the cost of making that quantity), or it might say that they were worth nothing (because they would fetch nothing—no money being now in customers' hands). But whatever the worth of this physical profit, Industry could not pay a money dividend. It could only distribute the products themselves, either as a gift (which makes sense) or as a loan (which makes nonsense).

II.—Practical. The Open Economic Area.

Whereas Industry cannot make a profit in money, any piece of Industry can. The swings can make money. But if so the roundabouts lose money. This must be so where the patrons of the Fair derive their income wholly from the proprietors of the swings and roundabouts (which is the assumption here). In practical business, while enterprises that make money can continue to do so, enterprises that lose money cannot. The latter close down, and cease distributing the money which provided profits to the former. No more roundabout money is now brought to the swings. Hence the swings cease to make money. And they cease to do so precisely because they had been making money. And that is what is going on in industry day by day. Parts of industry flourish at the expense of other parts. "Go on strike," is only temporary, because the losing parts "go on strike," and in the end the flourishing parts have to flourish at their own expense—they have to be content with collecting money which they themselves have distributed—in short, they cease to make a money profit. We do not see this happen, but that is because the sub-divided accounting taking place covers up the evidence. We should see it if the multitudinous accounts of individual enterprises were to be combined in a national clearance account.

III.—Borrowings and Profits.

With the foregoing as a background we may now proceed to inquire into the question of where profits come from

(where there are any). We speak here of distributed profits, i.e., surpluses of revenue over expenditure paid out as dividends. Now in certain frames of reference it is permissible to lump dividends with wages and salaries, and regard them collectively as costs—and defrayable costs because the recipients have the money to defray them. But for our present purpose we want to separate the dividend. The reason is this: that when a business is started the proprietor (or manager or directors) who borrows from the bank does not borrow money to pay dividends with, but does borrow to pay wages and salaries. Assuming the issued capital of his company is in ordinary shares, he is not obliged to pay out money to shareholders as dividends, or (as pointed out by correspondents recently in the Capital-in-Prices controversy) as a repayment of their capital. The claims of shareholders are contingent on the manager's success in marketing his products when made. But the claims of his employees are absolute and immediate, because, unless met, no products will be made.

So he borrows from the bank enough money to pay (A) wages and salaries, and (B) other concerns for materials, etc. His borrowing is represented by $A + B$; and that measures his Cost. He now adds the profit he wants, P; and his Price is represented by $A + B + P$. If he eventually gets the Price, he has recovered from buyers not only the amount he borrowed and paid out, but also the amount P. Now, every business is trying at one and the same time to achieve this result. Whereas the rate of collective loan-expenditure is $A + B$, the rate of price-recovery (or attempted price-recovery) is $A + B + P$.*

In the case where a firm actually succeeds in collecting revenue $A + B + P$ the item P must have been diverted from incomes paid out by some other firms. This need not necessarily inflict loss on those other firms, because the present recipients of P could spend the money with them, thus replacing it in the "outside" revenue circuit from which it had been drawn. The immediate point, however, is this: that while a firm is accumulating a clear profit it is collecting money lent and expended elsewhere. The position as expressed in the ledger of the banking system would be that this firm would be accumulating deposits additional to those created by its own borrowing; and, conversely, that other firms were accumulating deposits less than their borrowings—and by the same amount.

As already remarked, this cross-flow of deposits could be reversed later on. But whether it would be so would depend upon whether the banks refrained from action which would prevent the reversal. And this is where the trouble comes in. Banks don't wait for repayment until their customers have been able to collect revenue by sales: they intervene at times of their own choosing. Take the case of two hypothetical manufacturers, X and Y. Let X borrow £100, distribute it as wages, and sell the product for £120. Say that this happens over a period January to June. Let Y borrow £100 in January and distribute it as wages. When June comes £20 of Y's disbursements will have accrued to X as profit. Hence Y will have to be content with £80 which we will suppose he has recovered for four-fifths of his stock. He owes the bank £20 more than he can repay. Against this balance of debt he owns stock which he values at £20. Now it is clear that if X chooses, he can buy Y's stock, whereupon Y can pay off the bank. But the bank cannot be forced to wait until X does this. It could force Y to offer his stock for investment. The only investor would be X. Or, if X had distributed the £20 as dividends to his shareholders, then they would be the only investors. Now, if Y's stock were ready for personal consumption X's shareholders could buy and consume them—"investing"

* NOTE.—This formula has nothing to do with the "A + B" Theorem, which says that a firm's "B" expenditure does not accrue to individuals as income available for consumption. On the contrary the "B" expenditure in the present analysis is assumed to be in hands of consumers.

in goods and selling them to themselves, so to speak. But if not, the goods would become the assets of X.

This leads to the general conclusion that in a system where production and distribution are conducted on bank-loan-credits, where producers borrow severally, and independently of each other, and where the banks succeed in getting their loans back when they want them irrespective of whether the respective borrowers have been able to recover their expenditure in outright-sales-revenue, then the profits abstracted from the market-pool by some producers must inevitably go back to the other producers either through the consumption market (if the products are consumable) or the investment market (if not consumable). And since, in modern industry, the quantities and cost-values of products not ready, or suitable, for consumption are a large multiple of those that are, it is roughly true to say that all profits have to be invested. This is a technical necessity which could only be avoided or postponed if the banks extended the term of their loans to the non-profit-making producers without shortening terms elsewhere, or themselves invested in the unsold products. But that would be an act of credit-expansion, and is ruled out by the assumption in the present analysis, that the rate of lending and retirement by the banks is constant. This is why no reference has been made to the fact that a profit-making concern can apply part of its profits to financing its own business. For if it did that it would not need to borrow so much from the bank as before, and this would cause credit-contraction to that extent.

(To be continued.)

What Is Fascism?

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

P. 73.—"Thanks to the establishment of industrial peace, wages in Italy are more elastic than in any other country. Thanks to the development of the Corporate system, prices of goods and services of all descriptions are becoming increasingly elastic. Sooner or later the Fascist regime will elaborate a method which will take advantage of the elasticity of wages and prices to pass on to the nation the full benefit obtained through any improved method of production."

"It is beyond the scope of this book to discuss any concrete suggestion for the solution of the problem of distribution. To find a solution would require the assiduous research of a lifetime, not of a mere individual, but of an organisation combining within its personnel a wealth of technical knowledge as well as imagination. Yet there must be a way to prevent faulty distribution from depriving mankind of the fruits of progress. . . ."

P. 78.—"The monetary policy pursued by Signor Mussolini's regime has been strictly orthodox. In fact, it may be said that it has been too strictly orthodox. As early as 1927 the lira was stabilised on a gold exchange basis. The rate of stabilisation was calculated to rejoice the heart of the most orthodox adherent of the sound-currency-at-all-cost school. Although the idea of returning to the pre-war parity had to be discarded, the new parity of the lira was certainly fixed as high as was possible. In fact, it was fixed a good deal higher than was advisable. It required immense effort and heavy sacrifice to maintain it at its new level."

P. 11.—"It (Fascism) does not aim at eliminating class distinctions; on the contrary, it seeks to maintain them with their special characteristics, and to obtain collaboration between them."

P. 65.—"The tendency towards shorter working hours raises the problem of providing the working classes with suitable pastimes during their leisure hours. Otherwise, the result in the long run is demoralisation. This problem has found an excellent solution in Fascist Italy."

P. 107, chap. XI.—"In the foregoing chapters—We have also tried to interpret the somewhat vague objects of the movement. . . ."

P. 82.—"It is conceivable that, even after having carried

planning in production and distribution to its logical conclusion, the progress of prosperity in a Fascist State would still be handicapped by an orthodox monetary policy. In that case, and in that case only, the Fascist State would probably not hesitate to throw orthodox monetary principles overboard."

P. 84, chap. IX.—"Banking in the Fascist State."—
". . . The banks have retained their individuality and independence. . . . In Italy the Government carefully avoided taking advantage of the crisis to bring under its control the banks which required its assistance. . . ."

P. 100.—"Only by appealing to their nationalistic sentiments could the Italian masses be induced to submit in the long run to the inevitable curtailment of their economic freedom, and to co-operate whole heartedly by means of the Corporations. . . ."

P. 109.—"The Sphere in which the similarity between the aims of Socialism and those of Fascism is most striking is that of banking and finance."

P. 110.—"It is thus evident that the aims of Fascism and of Socialism are to a very great extent identical . . . to a very great extent Fascism is Socialism."

P. 117.—"Only by scientific planning can cyclic crises be avoided; and it is within the framework of the Corporate State that efficient scientific planning on a capitalistic basis can be conciliated in the most favourable conditions with individual initiative."

P. 120.—"When the author asked, some time ago, one of the most intimate friends of Signor Mussolini to what extent stability in Italy was due to the system and to what extent to Signor Mussolini's personality, the answer was that, until a few years ago, it was due wholly to Signor Mussolini, but that now it is only due to him to an extent of about 90 per cent."

P. 120.—"Senor Alberto Salazar, who has been, and will remain, virtually the dictator of Portugal, has already proved his remarkable capacity for enforcing discipline in the economic system of his country. Without any external assistance, he has succeeded in balancing the budget and stabilising the escudo. . . ."

LETTERS TO THE EDITOR.

ERDINGTON BY-ELECTION.

Sir,—As readers may be aware, a by-election will shortly take place in the Erdington Division of Birmingham.

A National Dividend Candidate contested this division at the General Election, and it is proposed, if there is sufficient support, to nominate a Social Credit candidate for the by-election. A number of contributions have already been received, but much more is required if we are to put up a good fight. Offers of assistance should be made as quickly as possible to the undersigned.

S. P. ABRAMS,

Chairman, Birmingham Douglas Social Credit Group,
98, Newhall Street, Birmingham.

A + B

Sir,—Mr. J. E. Humphries' excellent article on A + B raises a point which I think should be brought to the notice of those who may quote the figures which he gives, and others of a like nature.

In each case the "Gross Value of Output" represents a mass of costs which must continue to flow through the various channels of industry until they finally reach consumers' markets. The channels may at times be long and devious, but sooner or later consumers will have to defray these costs in the prices of the goods and services they buy, as and when they reach them in their final form.

That is broadly true for whole groups of industries, but there is one pretty large and comprehensive group for which it is only partially true; and that is the group which may be summarised under Contracting and Factory Building.

In so far as these industries are engaged in renewing worn-out plant and equipment for solvent concerns, the costs will not flow along until they eventually reach consumers' markets; they will be met on the spot by the owners of the worn-out plant. These owners hold the sums neces-

sary to defray the contractors' costs because they have already collected them from consumers, through the agency of depreciation charges, in prices spread over a number of past years. In other words, consumers have already paid.

But, for any given year, the total costs of output of this group must, for the purpose of the Social Credit argument, be reduced on this account.

I fear it is impossible for Mr. Humphries or anyone else to obtain the properly adjusted figures for this group—interesting as they would be. In a year during which this group was engaged chiefly on renewals and only slightly on new construction, it might well be that wages and salaries would be actually in considerable excess of the costs remaining to pass on eventually to consumers.

Taking all industrial groups there can be no doubt that the figures, after the above discounting process has been carried out, would overwhelmingly confirm Mr. Humphries' statements; but it should be pointed out that the discount must be allowed.

A. W. COLEMAN.

Forthcoming Meetings.

London Social Credit Club.

Public meetings at Blewcoat Room, Caxton Street, S.W. :—

September 11, 7.45 p.m.—"Social Credit or Civil War." by Mr. Peter J. Hand.

September 18, 7.45 p.m.—Open Night.

September 24, 8 p.m.—Central Hall Demonstration, Captain H. M. Rushworth, M.P. for Bay Islands, New Zealand, will speak on "Social Credit in the Antipodes."

NOTICE.

All communications requiring the Editor's attention should be addressed direct to him as follows:

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

PUBLIC MEETING.
Captain H. M. RUSHWORTH, M.P.
(New Zealand House of Representatives)
ON
SOCIAL CREDIT
IN THE ANTIPODES
AT THE
Central Hall, Westminster
ON
THURSDAY, SEPTEMBER 24, 1936
at 8 p.m.
Chairman: Mr. J. Ewart Purves, F.R.C.S.
ADMISSION FREE. Reserved Seats 1s. & 2s. 6d.
COLLECTION.

Tickets may be obtained from Miss Ann Page, Dorland House, 14, Lower Regent Street (Whitehall 3258); "The New Age" Office, 70, High Holborn, W.C.1; "The New English Weekly" Office, 38, Cursitor Street, E.C.4; Petition Club, 23, Grosvenor Place, S.W.1; Central Hall; Miss J. Mickle, 48, Baldry Gardens, S.W.16; Dr. Joyce C. B. Mitchell, 2, Bromley Common, Kent (Ravensbourne 2871).

Meeting organised by the London Social Credit Club, Headquarters, Blewcoat Room, Caxton Street, S.W.1 (Friday nights 6-10 p.m.), Hon. Sec., Dr. Joyce C. B. Mitchell, 2, Bromley Common, Kent.