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THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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NOTES OF THE WEEK.

Banks and Insurgents.

According to *The Times* of September 10 the Fascist forces in Spain have been meeting with an unexpected difficulty, namely that of acquiring "foreign exchange." When they captured the Rio Tinto copper mines they took it for granted that they would be able to use the proceeds of copper exported abroad to get munitions and other supplies from abroad. But when they came to put this into operation they found that there existed an agreement about Spanish exchange settlements under which the proceeds of Spanish exports came under the control of the recognised Spanish Government. So the result of the "Blacks" selling the captured copper would be to put money in the Reds' war-chest.

This is a handy little illustration of how the Money Monopoly hold the power of deciding the outcome of military conflict just as it does that of commercial competition. Of course the insurgent commander, General Franco, could, in theory, persuade the Spanish and foreign banks, who together arrange these settlements, to recognise him, instead of the Spanish Government, as the rightful beneficiary of foreign Spanish credits. And in fact *The Week* hints that soundings are being taken in that direction. In the meantime the insurgents are unable to make use of the mines. They are in a similar position to the Red insurgents in Italy soon after the Great War who captured the Fiat motor factory in Turin and attempted to work it, only to find that when their "manager" tried to draw money for wages on the company's bank balance, the bank wouldn't honour his signature to the cheque! That was the beginning of their defeat and Mussolini's victory. As one could say to-day, Basle preferred the Blacks to the Reds—probably because at that time the bankers of Western Europe were not sure about how the revolutionary Russian Government were going to behave in matters of financial orthodoxy, and naturally would not be disposed to assist

the extension of the Lenin hegemony into Italy. To-day, of course, their doubts have been resolved by the Stalin Government who are dutifully borrowing from Western Europe on approved capitalist lines.

So far as Spain is under consideration by the Elders of Basle, it has to be remembered that the Spanish Government is rather pink than red, although there is a chance, while the civil war continues, that it may turn red. It couldn't discriminate when it put arms in the hands of the workers, and so it has given hostages in terms of military power to militant revolutionaries. The outcome hangs on the resolution of the workers as a whole under the attacks of the insurgents. But Basle has no reason to be disturbed at the prospect of a Red Spanish Government, certainly not while hostilities continue, for what do conflicting philosophies and policies of governing matter at a time when neither set of protagonists is in a position to govern? The time to consider the merits of either will be when one of them has beaten the other and sets out to restore law and order. It is not until then that the Elders of Basle need take a hand in the settlement, although they may have reasons of their own, based on wider considerations than those immediately in question, for intervening earlier. Bankers have a fundamental objection to armed conflict except in defence of their own prerogatives when their accustomed methods of peaceful coercion no longer suffice. Those prerogatives are not being challenged by either of the combatant forces in Spain; so if Basle intervenes it will probably do so for the purpose of hastening the end of the fighting rather than furthering the ends of the fighters.

The Basle Clearing House

The Bank for International Settlements would be better designated The International Clearing House. It is not a bank in the accepted sense of that word. It does not issue currency, nor does it create credit. That function remains with the central bankers and the trading bankers in each of the countries affiliated to it.

If, one day, the dreams of bankster philosophers were to come true, and a World State emerged in which national currencies disappeared along with national fighting forces and national boundaries (territorial and fiscal) then the Basle Bank would be the issuing house of the new international currency, and the central banks now existing would become "middlemen" receiving and distributing their allotted quotas, while the trading banks would probably create and lend credit in some common ratio prescribed by the Basle Bank. The world's gold bullion would be lodged in Basle—probably in vaults under an aerodrome which would contain the sole surviving remnants of the world's national armaments in the shape of a bankers' air force. Apropos of this matter of armed force, there was an item in the newspapers recently which struck us as humorous: it was that Switzerland was about to strengthen her military defences.

* * *

However, approaches towards this apotheosis of centralism must be made slowly and circumspectly. The perfecting of the technique of running the world's economy in accordance with the axioms of sound finance, and running it from a geographical centre outside the world, so to speak, must be carried out without disturbing the universal illusion that nominal national Governments possess the power of initiative, and that the only restriction on the free initiative of each resides in the free initiatives of the others. It would entirely spoil this pretty picture if the people of the world were to see Stalin, Mussolini, Hitler, and other autocratic figures in a queue along with the Premiers and Cabinets of representative Governments, waiting on the doorstep at Basle like means-test candidates for licenses to pursue their own plans, and, incidentally, to defeat those of the other fellows

* * *

"If only we had the resources of Russia" exclaimed Hitler last week, "We should be swimming in wealth." He said this as a reflection on the incompetence of the Communism in power. He went on to register a demand for colonies, and then to boast that in any case Germany, despite her lack of certain native resources would forge ahead—she would make for herself what nature had not bestowed upon her. Well, Hitler is able to say these things and be believed, but only because the Germans start off with the assumption that the only checks on Hitler's initiative are the technical obstacles to what he wants to do—that since he commands the obedience of the whole population with its knowledge, skill and energy, he has only to show that his objective is physically feasible to make its achievement a foregone conclusion. It does not occur to them that Russia's comparative backwardness, so triumphantly stressed by Hitler, may be a symptom, not of incompetence, but of an externally imposed restriction on the exercise of competence. The fact is that the production of wealth in any country has to be kept in step with that of other countries. The reason is that the production in each is the concern of the others. And the reason of that is because the production of wealth takes place under a system of finance which fails to distribute it in the country of origin. If Hitler's dream came true, and the Ural Mountains could be "plonked down" in Germany and exploited, the Germans might find themselves "swimming in wealth" all right, but swimming desperately to reach dry land before they were drowned in it. Wasn't it only

a few weeks ago when Dr. Schacht went to Paris with the proposition that France should relieve Germany of some of her wealth? ! And here's Hitler lamenting the fact that he hasn't got the Ural Mountains to play with! He complains that Germany has only enough wealth to paddle in, and is yet trying to get France to tap the paddling-pool! No; the time will be ripe for Hitler to covet Russia's resources when he has shown that he can use his own. In the meantime he had better restrain his language and wait to see what his friend Mussolini does with the resources of Abyssinia. And the German people will be well advised to watch out to see how the Italian people get on with their swimming. As for Russia, without holding a brief for the Soviet Administration, we suggest that insofar as Hitler's picture of her backwardness is true, it is symptomatic more of political wisdom than of technical incompetence. It is no use a Government's producing wealth which can neither be absorbed at home nor exported abroad. And this is the dilemma with which all countries are faced by reason of their neglect to adopt the Social-Credit Formula for equating domestic distribution with domestic production.

* * *

It is this dilemma which creates the necessity for an institution like the Basle Bank. It is, as already said, a Clearing House. And, as has now been shown, it is an International Clearing House for national gluts. Its prime function is to keep their collective volume down to the minimum dimensions. This it is able to do by arranging with the Central Banks to limit the collective volume of production-loans. Its secondary function is to regulate each nation's borrowings on a comparative means-test basis, the basis being (in the last analysis) the irreducible consumption-needs of the various populations—i.e., needs which have got to be satisfied to ensure the preservation of law and order.

* * *

It has at present to do these things secretly and circuitously. It could not do them openly and directly while Governments remained in possession of armaments; it could only do them when it had under its exclusive and immediate control the physical as well as the financial instruments of repression. In the meantime the queue of autocratic and democratic rulers is lined up at the back door of the Bank. Listen to the manager in consultation with applicants:—

"Ah, Stalin: what is it this time?"

"Well, it's like this. I have umpteen millions to keep—what I mean is to keep quiet—in fact that's the trouble: they can't be kept quiet unless they're kept, and the least I can keep 'em quiet on, I reckon, is—"

"Cut it out. Here's a ten-million trade credit for you; see that you use it as —"

"Oh, but, Sir, —"

"That's enough. There are others besides you with dependents to keep. Besides, you shot a few of them the other day, and that'll save you a bit. Good morning!"

"Yes: show Hitler in." . . . "Ah, Hitler, you're not uncomfortable, are you? . . . oh, the salute: well, take your hand down and seat yourself: there's no need for misleading ceremonial here. What's your trouble?"

"Well, to begin with, it's this bigger standing army

I'm carrying to keep that fellow Stalin in his place. It'll cost —"

"I'm afraid you're near your limit. How about saving it on something else? I understand that Schacht offered in Paris to cut down on armaments if France would place orders in your country. So that shows that there is a margin for retrenchment—"

"Damn the fellow. France's orders won't protect Germany against the Russian menace. I didn't authorise—"

"Well, I can't take sides in your quarrels with your own colleagues. If he has exceeded his instructions you can dismiss him. You're the Führer, aren't you?" [Sotto voce. "All sound and führer!"] "No, I can't do anything for you just now. Go and have a talk with the Reichsbank, and then come and see me again next week. Good morning."

"What name? . . . oh, M. Labeyrie. Good morning. You look a trifle disturbed. I hope the Popular Front has not made itself unpopular by affronting the Bank of France, ha, ha."

"No, it's that cochon Schacht coming blackmailing me for orders. 'Fiche moi le camp,' is what I nearly said to him. What! I am to pay him to en-small his war preparations? Then in the same breath he says that his preparations are not against France but against Russia. Well then, why doesn't he go to Stalin with his so insolent proposals?"

"Yes, yes; but I can't do anything about it. Nor need you."

"Not at once, no. But if German armaments are not reduced the French Government will sooner or later want to increase theirs, either to allay legitimate fears or else as a means of providing employment. I can advance the money, of course, but the point is whether, by doing so I should be exceeding my loan-quota in comparison with those allotted to other central bankers. The broad question is: How much longer, and to what extent, is our common policy of inflating the credit of Europe to continue. If we central bankers all go on with it then I could finance imports from Germany without necessarily causing a displacement of labour at home. But if not, the imports from Germany would have to be allowed to displace imports from elsewhere, or goods made in France. Anyhow, as I see the situation, it is up to Norman and the rest of us central bankers to tell Schacht to put the lid on Hitler's extravagance. What do you say?"

"Well, in my official capacity I can't predict what will be done. As you are aware Basle has been compelled to countenance European inflation because there has been no other way of easing the tensions between Government and Government abroad and between Governments and peoples at home. These tensions were engendering internal revolutionary tendencies, which, in turn, were driving the threatened Governments to create diversions by going to war. If they had not been mitigated war would have been inevitable—unless of course we take into consideration the possibility that those Governments (or some of them) might have resorted to such devices as are being popularised under the name of 'Social Credit.' Basle, by countenancing inflation kills two birds with one stone: it lessens the incentive to go to war, and also the incentive to take the control

of monetary policy out of our hands. Inflation thus being forced on us, it does not matter what sort of production is financed with the new credits which we sanction, armaments or anything else. If anything, armaments are preferable, because they are really gluts of unsaleable products which are not popularly recognised as gluts because they are not for sale! You have only to consider how effectively the force of the world-wide credit-reform crusading would have been impaired if, in Brazil for example, we had financed armaments instead of commodities, thus bringing about a situation in which the public, instead of seeing thousands of tons of coffee thrown into the sea, would have seen a Brazilian cruiser sailing over the sea."

"Yes, I appreciate that. Then —?"

"Then what we have to do is to leave the inflation to take its course, hoping that in some way or other—which I confess I can't visualise clearly—the peoples of the world may get hold of the notion that their scarce food-rations are the consequence of their plentiful weapons of destruction. We've got a good long panel of 'noble brows,' such as Smuts, Wells, Murray Butler and their like to bless this error and approve it with texts if the chance of putting it over turns up."

"But we should still be in trouble, technically, wouldn't we? The consequences of a cessation of inflation (let alone the imposition of deflation) are just the same whether the peoples ask for it or we make them have it."

"Quite. But if they were driven to ask for it, we should escape the odium for the aggrovements which had driven them to do so. It is mugs like Stalin, Mussolini and Hitler who would get it in the neck. Dictators make us excellent lightning-conductors when storms break. That's why we encourage the fellows. In a fanciful mood one might see in the Fascist salute an invitation to the lightning where to strike. Which, of course, is a reminder that the Democratic form of government is much safer—for the rulers, I mean—because their salute is a low bow with hand on heart; nothing juts out to attract the lightning. They talk to the public like company chairmen do to shareholders—'Your directors—your property—your approval of policy' always 'your,' 'your,' with the consequence that when anything goes wrong the public are already so bemused by the courtesy of being consulted about what is to be done that they accept the responsibility for it. However, that is by the way."

"Yet the fall of dictators does not solve the technical problem?"

"No. That problem remains. All we can do is to patch up difficulties as they arise as long as possible and then I suppose we shall have to reverse the existing principles of finance. Luckily there are so few of us to consult, and we command so much power, that we can defer decisions until the last moment with the knowledge that what Basle says at eleven o'clock will be done before twelve."

Notice.

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

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Debt to the Banking System

Is there such a thing as debt to the banking system? Many upholders of the system deny it. They contend that banks do not create debt; they create credit, which is represented simultaneously by a new loan and a new deposit. The banks' asset, the loan, is offset by the banks' liability, the deposit.

It is impossible, they say, to show any single transaction where the action of the banking system imposes a liability on one member of the community without attaching an equivalent asset to another member of the community. Banks, they point out, never acquire any proprietary right over money they create; they are never more than the intermediary between a lender and a borrower—a sort of agent.

So an increase of bank loans does not mean an increase of indebtedness by the community as a whole to the banking system. It only means a larger number of internal debts cancelling themselves out within the community. In fact, you have only to give this increase of indebtedness its proper name of "currency expansion," matching the increase of wealth, and—what's your trouble?

Now while the above statements are true enough within their own frame of reference, as the Editor would say, the picture which they present as a whole is just about as lacking in realism as a picture can possibly be.

When Mr. Brown obtains a loan and pays it away by cheque to Mr. Smith, who thus becomes a depositor, is it realistic to say that the bank is merely an agent who has arranged for Mr. Smith to accommodate Mr. Brown? Does Mr. Brown owe the sum to Mr. Smith, or to the bank? Is it Mr. Smith who will foreclose on Mr. Brown in the event of trouble, or is it the bank? When, in 1920-21, debts were called in at a rate which brought disaster to industry over wide areas, was it the result of an army of Smiths dunning an army of Browns, or was it the result of action taken by a few men representing the banking system as an institution?

It is true, legally, that banks acquire no proprietary right over the money they create, and when a loan is repaid the banks' profit on the transaction is the difference between the interest paid by the borrower and that allowed to the depositor; but it is also true, realistically, that the banks exercise a proprietary right over the money they create, in that they claim the right to call in and cancel this money as and when it suits their purpose to do so. They claim to be the sole arbiters in this matter, and the community have no say in it whatever.

In the Social Credit proposals it is claimed that financial credit should be recalled and cancelled at the same rate as that at which the real credit, called into existence as a result of the issue of the financial credit, is consumed or wears out.

That is a perfectly rational proposal, under which money would reflect physical realities. The corresponding dictum under the banking system is utterly irrational and arbitrary, and results in a rate of cancellation of financial credit much in excess of that of the corresponding real credit, causing a deficiency of purchasing power which is by no means necessarily made good by the reissue of equivalent credit to other borrowers.

Banks to-day inflict this damage on the community in virtue of their power to enforce repayment of debt whenever they choose, and the more the community is indebted to the banks, the greater the power of the banks

to inflict this damage over a wider range of industry. It is no consolation to the community to be told that for every increase of debt they incur to the banking system, the banking system is liable to them for an equivalent increase of deposits. The existence of the deposits in no way curtails the power of the banks to call in and cancel the money whenever they choose to do so.

That is our main indictment of the system and the root of our objection to bondage to the banking system. The objection not infrequently lodged against the banking system, that the community is paying interest on large masses of funded and other debt which was originally created by that system, is one that needs to be used with care.

Payment of interest on, for example, the National Debt results in a transfer of money from taxpayers to bondholders. If the bondholders are individuals within the community, no amount of National Debt, however created, can be a national burden, because individual burdens are in the aggregate offset by individual easements, and the total of consumer-income is unaltered. The results of such transfers of income may possibly be injurious and deplorable from a social point of view, but it is possible to mitigate such ill effects to a considerable degree by means of a suitably graded income tax.

Before we can discuss the effects of these large interest payments upon consumer-income in the aggregate, it is necessary to know who are the bondholders. To a considerable extent, the bondholders are ourselves, and taxpayers and bondholders are frequently one and the same person. But, also to a considerable extent, the bondholders are financial and trading organisations of which banks and insurance companies are the most important.

What happens to the large sums of interest paid to such institutions? These payments are part of their revenue, and it might be argued that if they did not receive the revenue in this form they would have to obtain it in other ways. We should all have to pay higher premiums for the insurance services, and higher bank charges for the banking facilities, that we now enjoy. So that what we should gain on the swings we should lose on the roundabouts.

That would be true if these institutions distributed their profits in full as dividends to consumers. Once more, it would amount to a redistribution of income, without affecting the general ratio of incomes to costs, although such redistribution might have injurious social repercussions. But these institutions do not distribute their profits in full. On the contrary, they are notorious for accumulating reserves, and although the effect of such accumulation is to leave paper securities in the hands of these institutions, and—assuming continuity in industry—to get the money back again into consumers' hands, after a sufficient interval of time, the money gets back with a new cost attached to it. Such costs may be direct or indirect, and the latter have been sufficiently discussed of late.

The main objection to indebtedness to the banking system is to be found neither in the interest payments on the debt nor in the practice, objectionable as it is, of accumulating reserves—a practice which banks share with certain industrial organisations. The main objection is to be found in the fact that the issue and recall—especially the recall—of money is carried out in accordance with arbitrary practices which are utterly stupid.

And every increase in debt to this system increases its power, and widens its opportunity, to bedevil all industrial relations with this stupidity. A. W. COLEMAN.

Captain Rushworth.

It would be difficult to overestimate the good fortune of the Social Credit Movement in having in its service a man of the calibre of Captain Rushworth.

During the Great War he was an intrepid fighter in the Army; and when, through injuries sustained as the price of his courage he was considered unfit for further service on land, he promptly took steps to render service in the air. He qualified as an air pilot, and in that capacity displayed the same qualities of intrepidity and resource as had distinguished him previously. And so, until the Armistice, the Peace Treaty, and the gathering together of the eagles of High Finance at Versailles where the corpse of civilisation was to be embalmed in Reparations and Debt-contracts.

Nothing more need be said on this aspect of Captain Rushworth's character. And nothing more will be said; firstly because he is a modest man who is really and truly embarrassed by references to his achievements, and secondly because, as will transpire later, he derives no pleasure from recollecting them, but rather pain from reflecting on the complex of political ambition and ignorance which created the occasion for them. Nevertheless, what is here said ought to be said, because it is essentially relevant to the work which he has since set before him, and which still largely remains to be accomplished.

How he came to take it up makes an interesting story by itself. When the fighting was over, and the time of demobilisation came, the time of disillusion also came for Captain Rushworth. "What is this 'Civilisation' that the fallen and myself (particularly the fallen) have striven to preserve?—have we preserved it?—is it worth preserving?" That was the mood in which he retraced his steps back into civil life. And under the influence of it he made up his mind to get out of this "Civilisation," or, since he couldn't get out, to go and live at the end of its fringes. Accordingly he acquired some unreclaimed land at a place called Bay of Islands. And there he took up his abode to work in solitude face to face with elemental nature, and, on the seventh day, to rest in contemplation of that mystery which we call human nature. What was the meaning, the purpose, the value of man's paradoxical inhumanities to man perpetrated in the name of humanity? How could that thing men call Civilisation survive by suicide?

Well; there he was. His nearest neighbour miles away, and accessible only on foot or horseback. And thus he pursued the lonely, rugged tenour of his way. At last there came a morning when an old friend appeared on the scene to look him up. When taking leave of him this friend suddenly bethought himself of something. Diving into his pocket he drew out a paper of some sort, and tossed it over, saying: "Here, Rushworth, I think this will be something in your line." Then he departed.

That paper was a copy of THE NEW AGE.

From that moment the riddle of the universe began to click into a pattern. Captain Rushworth sent for all the authentic works on Social Credit that were then available, and set himself to study them. Months went by. And, as has happened to every pioneer student of the subject, advancing conviction was wrestling all the time with retreating doubt. "Yes, but —?" "to-day;" "Ah, of course —" "to-morrow;" "But wait a minute —" "the next day;" "No, it's all right —" "the following day—" and so on until in due time the last shadow of doubt and fear was dissolved in the sunlight of conviction and hope.

Civilisation was at last something attainable—something worth fighting for, and Captain Rushworth, invalided out of the Army of the old Civilisation, joined the Air Force of the new.

He had no idea at that time of entering into politics. But, being a man of action—and purposive, efficient action in contrast to action for its own sake—he realised the futility of his letting his mind and energy be absorbed in reclaiming land in a world full of gluts of reclaimed land. So he broke out of his isolation and began to enter into contacts with his fellows. Needless to say, it was not long before they came to value his counsels on the problems that were worrying them. They encouraged him to take the lead and relied on his judgment, and finally, without his seeking prominence, he found himself the elected Member for the Bay of Islands constituency in the New Zealand House of Representatives. And he retains his seat to-day after a lapse of several years.

During that time he has made a reputation in three directions: as an acute and constructive debater; as a sagacious and clean strategist; and as an able draughtsman of legislative measures. He is respected and trusted by all sections of the House, for they know that he is set on an objective which threatens no man's interests nor affronts any man's conscience. He has chosen—and wisely chosen—to sit as an "Independent" Member, obeying only the "Whip" of his mature and balanced personal judgment.

Nothing remains to be said. When, in a few weeks, Captain Rushworth sets sail—or shall we say takes off?—on his return to New Zealand he will carry with him the grateful tributes and hopeful confidence of the Social Credit Movement in this country. A. B.

Movement Notes.

Australia.

According to *The New Times* (Melbourne) there is a move to collect a fund to finance a visit to Australia of the Dean of Canterbury and Lord Tankerville.

The State Social Credit Associations are giving a backing to the Electoral Campaign projected by the Social Credit Secretariat. They are adopting the same form of Pledge that British electors are invited to sign. The two journals, *The New Era* and *The New Times*, which, since the closing down of *The New Economics*, share the control of Australian publicity, are giving their support to the State Associations in this policy, publishing appeals for funds, workers, etc.

The Victorian Association are launching a "Loyalty Appeal" for contributions to an "Expansion Campaign." The money is to be raised by the sale of "Loyalty Receipts" which are being issued in "books" of various denominations from 1s. to £1. In a prominent advertisement in *The New Times* the promoters emphasise that "Central activities are vastly more important than local efforts now," and that "it is as a National Movement that we shall succeed."

Alberta.

We have received from a correspondent in Alberta a set of the forms issued by the Provincial Government for filling in by private citizens and producers, together with a leaflet containing "General Instructions" formulated by the "Trade and Industry Department." Taken to-

gether the information which is invited, if afforded by the majority of persons invited, will prove valuable irrespective of what becomes of the "Prosperity" experiment. It would virtually be a census of the (1) floating and (2) fixed debts of the producers, covering liabilities (a) outside and (b) inside the Province. It would also show the unused marginal productive capacity of farms and factories in the Province, as well as the average production achieved in recent years.

The *Edmonton Journal* of August 28 publishes a temperate editorial article on Mr. Aberhart's experimental policy, bespeaking for it a fair trial, and pointing out that the Government have been entitled to pass the novel measures that it has, because of the novel nature of the mandate which they sought and secured from the electorate. At the same time that newspaper professes its dislike for two features of this legislation. One is the provision disentitling citizens from testing it in the Courts; and the other is the provision entitling the Cabinet to "vary" the said legislation without reference to the Legislature.

According to the report in the same newspaper of the proceedings in the Legislature of the previous day, Mr. Aberhart reproved certain members of the Opposition for telling their constituents that Dividends of 25 dollars a month had been promised as an immediate result of the return of the Social Credit Government. He insisted that the amount of 25 dollars had been given in the Blue Manual (i.e., Aberhart's election booklet) as an "exemplary" figure and that, in any case, he had repeatedly said that a period of about eighteen months would have to elapse before Dividends could be issued. This time factor, he claimed, was an integral part of the contract.

The Conservative leader in the Legislature criticised the Government on the broad line that they had wrongly diagnosed the cause of the Province's financial and economic difficulties. These were not due to faults in the financial system. He complained that:

"There was a chance to get the credit of the Dominion behind us—the very thing we have always wanted—and we threw it away because this Government would not make the small concessions required of it."

The central theme of the speaker was the essential interdependence of the Provinces, the futility of isolation, and the stupidity of conceiving Alberta as being at war with the rest of Canada.

At one juncture in his speech the Hon. W. A. Fallon (acting Provincial Treasurer) intervened to point out that if the Government had consented to discuss conditions for Dominion help with the suggested Loan Council that Council "would have had two men against us to one of our own men," the former being the Dominion Minister of Finance and the Governor of the Bank of Canada.

At another juncture Mr. Aberhart intervened with a reference to the fact that Saskatchewan had been furnished with a loan by the Bank of Canada. Mr. Duggan, in replying, said:

"You may be sure that the Government of Canada had given the undertaking on the Province's behalf, and that the Province had agreed to the Government's terms. The money came from the Bank simply because it is easier for the Bank of Canada to supply the funds than it is for the Dominion." [Our italics.]

The Waterlow Case.

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

XIV.

Mr. GAVIN SIMONDS: I quite accept that that is a consideration which ought to weigh, but, my Lord, does that entitle them to resolve as they resolved on December 6th, to pay all? It might be said: "Oh, that in a good many cases it would be said: 'Oh, this note has been re-issued; but you are not dealing here with only the people who bring one or two or half a dozen notes, and I call this matter particularly to your Lordships' attention, they have got to deal also with the big houses which must have had a large number of notes. I call particular attention in that regard to the letter on page 246. Consider, my Lords, this letter, and particularly the sentence at paragraph H, and contrast it with what might have been written by a Bank anxious only to pay those notes that were good. Obviously the greatest number of notes extant in the country must have been in the hands of the big banks and other houses. What is said is: 'It is very desirable to hasten the exchange of these notes which may exist in Banks or Banking houses.'" Now there could, in my submission, be no obligation whatever, dealing as if the Bank of England were dealing with Lloyds or Barclays Bank to honour notes indiscriminately. Why should not they have been segregated and payment, if you like, made under protest; why go out of their way to pay indiscriminately all the notes of Banks and Banking houses? It only emphasises what I was saying; it put a wrong atmosphere on it right from the beginning of this, right from the time the decision is come to. It is so difficult to be specific. I am conscious perhaps of generalising rather too widely but it does, in my submission, appear to be a matter which your Lordships may well take into consideration, that from beginning to end, they took no step of prudence but, on the contrary, in this particular instance, took a step which is directly contrary to that which prudence and the contemplation of the printers would dictate. I quite appreciate, in answer to what Lord Russell said, that the fact that some may have been reissued is a matter which, in determining the amount of false notes which the Bank ought to pay, ought to be taken into consideration; I accept it, and accept it entirely; but not too much weight; and I suggest it would be the sort of consideration which I suggest arises upon the letter of the 7th December.

The LORD CHANCELLOR: The question of fact, the question of degree?

Mr. GAVIN SIMONDS: Yes, the question of degree.

Lord RUSSELL: Is not it rather more than that, if the true view is that there had been large falsification and that the falsified notes had been in circulation for some considerable time, you must have had a great number of them reissued by the Bank; how could the Bank ever know when the time came whether they could apply the test? They could never tell whether the particular false note had or had not been issued by them. Would not they be bound to honour notes good and bad?

Mr. GAVIN SIMONDS: There is this other fact, of course; your Lordships will remember that they did not know anything like what they know now, that there is a large number of false notes which have been circulated, or the dates upon which they had been circulated.

Lord RUSSELL: They thought there was falsification, and a very large number.

Mr. GAVIN SIMONDS: They thought it was on a large scale.

(To be continued.)

Caustic Comment.

By Scriberus Secundus.

The gentlemanly jobbery, which combined with a strong dislike of common sense to produce about half the casualties in the British Armies during the War, still goes on. Amid the hubbub over the transport of a few thousand soldiers to Palestine, Major-General A. C. Temperley, Military Correspondent of the *Daily Telegraph*, remarks, anent the appointment of a General to the command-in-chief, "It is to be hoped that the unhappy friction and cut-throat competition (i.e., between Army and Air Force) of the bad old days of the earlier post-war era will be buried by the united body of officers responsible for the conduct of the operations in Palestine." But unhappy friction, etc., has not yet been buried in the Army, which, according to other military critics, is not an army at all, but a collection of regiments. *This, Our Army*, by Captain J. R. Kennedy, can be recommended as a book to be read by any citizen who imagines either that he is getting his money's worth as a taxpayer, or that the Army is capable of playing a serious part in a serious war. Incidentally, the War Office is shown to be past-master in stifling criticism of its goings-on, just as the Bank of England has got itself immune from harsh words in our supposedly sovereign Parliament.

The meetings of the British Association in Blackpool have produced rather more important papers than usual. Sir John Orr, F.R.S., for instance, asked for a national food policy. He said that "the cost of an adequate diet, 9s. to 10s. per head per week, is beyond the purchasing power of one-third of the community. . . . There is no difficulty about producing the food. The difficulty is in enabling the food to be purchased." There is, of course, even less difficulty about that than in producing the food, in the realistic sense. But think of the slump that would ensue among doctors, dentists, hospitals, druggists, patent medicines, the insurance sections of the Ministry of Health, and all their ancillary manufacturers and suppliers, if the population from birth onwards was fed adequately both as to quantity and quality. There is a big vested interest, camouflaged though it be with high-sounding jargon about "service," in malnutrition and ill-health. These not only provide work directly, but indirectly make much other work inefficient and, therefore, extend it.

Professor William Cramp, also at the B.A., declared that the whole legal system was framed so as to thwart the inventor who would create a new industry. Well, well, what would the poor man have? As things are, inventors are constantly jolting the industrial system, and Heaven knows the consequences of unleashing human ingenuity. Naturally, the legal system is not going to encourage such a calamity. English law is such a jungle that it is the last thing any other State in search of a better system for itself thinks of looking at. Charles Dickens wrote in *Bleak House*: "The one great principle of English law is to make business for itself. There is no other principle distinctly, certainly, and consistently maintained through all its narrow turnings. Viewed by this light it becomes a coherent scheme, and not the monstrous maze the laity are apt to think it." Thanks partly to Dickens himself, the law is not quite so bad as it was, though how bad it actually is can only be realised by its victims through the reading of such a book as *English Justice*, by "Solicitor." On the other hand, the fifty thousand or so Ministerial orders against which the private citizen has no remedy, and over which our Parliament has no control, counterbalance the improvement.

The schools of England are now beginning a fresh administrative year. That means to say, that they are now beginning a fresh campaign in their struggle to diminish the native intelligence of the race. The infant and kindergarten schools are fairly exempt from this campaign, but the older the pupils get, the more persistent the efforts to dissuade them from mental and spiritual growth. The vast

majority of those, for instance, who are expected to continue their schooling to at least the age of sixteen are progressively subjected to the generally useless study of Latin, English grammar, and unspeakable French, supplemented by the mangling of English literature (or bits of it), and a hash of what purports to be history, in the well-assured hope that they will get a school certificate, with possible exemption from "Matric.", and a thorough distaste for anything more cultural than indifferent American "movies." The scholastically brighter ones of those who are not expected to stay at school till sixteen or over are pushed into Central Schools, whence they cannot get the school certificate, which is the passport to the more reputed clerical occupations and to some others. The rest kick their heels in the schools they are in, getting schooling which is neither cultural nor vocational, and depart with joy as soon as they can. We pay many millions a year for this triumph.

Capital in Prices.

II.—SURPLUSES—PROFITS—RESERVES. IV.—The Insurance Element in Price.

It is now necessary to mark the difference between the terms *profit* and *surplus*, or rather to assign a precise meaning to each for the purpose of the present inquiry. By *profit*, which we have called P in our previous analysis, we have designated the whole margin by which a business recovers price in excess of cost. As we expressed it: A (wages, etc.) + B (materials, etc.) + P made up the totality of Price. To put it another way, Price minus Profit = Cost. This, of course, assumed that Profit constituted the whole margin recovered, i.e., that Profit and Surplus were one and the same thing. So they are from the point of view of the consumer, who provides the margin: but not from the point of view of the business collecting the margin. The difference is that Profits, in the sense of personal emoluments, are customarily less in quantity than Surpluses. That is, the consumer provides Surpluses out of which Profits are paid to, e.g., shareholders. So, instead of using the term Profits, let us use the term Dividends.

Surpluses less Dividends leave a balance, and there is a term by which to describe that balance—namely, Reserves.

We can now present the structure of Price, as the consumer pays it, in the following tabular form (with arbitrary token figures).

A (wages, salaries)	£
B (materials, etc.)	100
D (dividends)	10
R (reserves)	10
Total	220

Note that this hypothetical firm borrows money from the bank to cover items A and B but not D and R. Through its agency £200 comes into circulation as new money, but it gets back out of circulation £220. It is now temporarily in possession of £20, which properly belongs to some other circuit of loan-finance. By distributing dividends it returns £10 into that circuit; and this £10 represents potential consumer-purchasing-power available to pay Price therein. But it retains the other £10. Consumer-income to that amount has been converted into Reserves.

Now, Reserves are really an insurance of Capital. Hence Price includes an insurance premium in respect of Capital. And the consumer pays it.

V.—Life-Insurance and Capital-Insurance.

It will be seen that the consumer pays premiums to insure capital. Shareholders who have subscribed the money while the capital earns them dividends, but they require the return thereof if and when that capital ceases to earn them dividends. That contingency may arise from changes in public taste, or, more usually, from the competition of more efficient plant.

Thus, taking the token figures given above the hypothetical company in question might have a subscribed capital of, say, £1,000. The item of £10 which it collects, in addition to costs-plus-profits, will wholly or partly be a premium of insurance. Which it depends upon whether you choose to assume that its maintenance charges are included in its B costs (£100) or whether they come out of the reserves-surplus of £10. In any case there is a margin allocable to insurance as described, and we can here assume it to be £10.

Now, in the business of life-insurance, the insurance company contracts, in consideration of a certain annual premium, say £10, to pay out a total loss, say £1,000, upon the death of the insurer. Likewise when customers of our hypothetical company pay up the £10 annually they are making provision for the payment of £1,000 to the shareholders upon the death of that company.

If you think this out you will see that it explains why shares, representing *irrevocably surrendered money* (i.e., capital is not recovered in costs by the company accountant), are nevertheless *saleable for money*. Prices may fluctuate, but the shares do fetch a price of some sort. And the condition establishing a good price is that the shares are covered by insurance at the expense of consumers. It is not sufficient for consumers to pay only maintenance charges. For obviously the maintenance of plant, etc., does not protect it from the risk of supersession by more efficient plant in other hands elsewhere. You can maintain a hand-saw in a perfect state of efficiency, but you do not thereby prevent the construction and competition of the circular-saw. So if the hand-saw owners are to get their money back in that contingency, they can only do it on the insurance principle just described.

Again, in the business of life-insurance, payments of claims come out of premiums. The pool from which the £1,000 is to be drawn is made up of the sums of £10 contributed by insurers. They pay their £10's continuously and all together—but they take it in turns to die. And that is why the "early turns" can draw out more than they pay in without embarrassing the promoters of the insurance-sweepstakes. In brief, insurers pay their own claims, and the companies merely keep the records.

Likewise, consumers pay claims, the difference being that not they, but the shareholders, are the claimants. But there is another, and fundamental, difference. When you, as a citizen, insure your life you do not thereby hasten the death of anybody else. But when you, as a consumer, pay this token £10 to insure the life of the company whose products you are buying, you are hastening the death of some other company. For, as pointed out earlier in this series of articles, the surpluses accruing to some concerns have been tapped from other loan-production cycles with which they are not concerned. A "spot" surplus in one place is a "forward" deficit in another. The process is the same as if there were a community in which life were preserved in one part by transfusions of blood from the other. In industry the money-transfusion precipitates bankruptcy in the process of preserving solvency. The consumers' act of paying premiums to insure capital creates claims for the loss of capital.

Hence emerges a third and last difference from the business of life-insurance, namely, that the reserves-premiums for bankruptcy-insurance paid in by consumers never come out again to shareholders.

J. G.

(To be continued.)

Meeting Fixtures.

- September 18, Friday.—London Social Credit Club.
 September 19, Saturday.—Captain Rushworth at the Blewcoat Room, Caxton Street, Westminster, S.W.1, at 3 p.m. Meeting for Social Creditors. Answers to questions.
 September 19, Saturday.—Social Credit Federation. Wilton Hotel, Victoria Station, S.W.1, at 6 p.m.
 September 24, Thursday.—Captain Rushworth, Central Hall, S.W.1.
 October 9-11, Friday to Sunday.—York Conference.
 October 30 (Friday).—Major Douglas, Central Hall, Liverpool.

LETTERS TO THE EDITOR.

ON DEBATING SOCIAL CREDIT.

Sir,—Our thanks are due to THE NEW AGE for so freely ventilating difficulties in the Social Credit analysis. Unlike your contributor "John Grimm," I do not think we can satisfactorily overcome these difficulties by seeking to place the burden of proof upon the shoulders of our critics. Take the question as to whether fixed capital is recoverable in prices. This is purely a question of fact, on which "John Grimm" agrees that, so far as the practice in industrial costing is concerned, the critics are right. Having agreed thus far, what is the difficulty in proceeding to a closer examination of the manner in which such capital functions in the industrial system? Clearly it sets up claims (a) to the periodical replacement of the assets it represents through the medium of depreciation charges, and (b) to remuneration in the nature of profits. Both these claims are rightly included in prices but, unlike other items so included, they do not represent actual outpayments made by industry during the course of the production of the goods or services to which they relate, and have therefore no counterpart in purchasing power at the time such goods and services come on the market. In this situation, the problem becomes one of finding the purchasing power to meet such claims without at the same time leaving other costs undischarged. I think the reply is that, except temporarily under credit expanding conditions, this cannot be done. Incidentally, I may remark that the problem is only partially covered by a consideration of fixed capital.

L. C. J.

Forthcoming Meetings.

London Social Credit Club.

Public meetings at Blewcoat Room, Caxton Street, S.W. :—
 September 18, 7-45 p.m.—Open Night.
 September 19, 3 p.m.—Meeting for Social Creditors only.
 Captain Rushworth, M.P., will answer questions.
 (See also "Meeting Fixtures.")

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 (Whitchall 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. Mickie, 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.