THE NEW AGE

INCORPORATING "CREDIT POWER."

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CONTENTS.

The European Problem.

We beat Anthony Eden by a short head last week with our hint that Mussolini should offer Hitler a piece of Abyssinia. Eden was more tactful in his speech in the House, but he was hinting the same thing when he said that sponsors of the principle of colony-restitution should show themselves ready to participate in the act of restitution.

Furthermore, Anthony Eden faithfully filled the rôle that we had assigned to him in our hypothetical picture of Basle as the final arbiter on political philosophies, policies and strategies. He declared that "we" (i.e. the National Government, i.e. the Bank of England, i.e. the dominant influence at Basle) were not going to be dictated to by either the black or the red autocrats in regard to what part "we" should play in the task of pacifying Europe. These sounded brave words; and the House was delighted to hear them. But they were not so much valorous as discreet. For the British Government, as such, is not free either to accept or resist dictation from other Governments; nor are those Governments free in the same sense. You will notice that Eden did not declare against the principle of transferring colonies. All he said was that Britain was not going to do this at the command of Italy. Quite so: if Britain does do it the reason will be that Montagu Norman recommends it after consulting with his brother Elders at Basle.

Basle's word goes because it is within Basle's power to make disputed colonies an asset or a liability to the Government which gains possession of them. Readers will remember that at the time of the Versailles Treaty the United States negotiators boasted that they were renouncing all claims to territory as a reward for that country's services in winning the war for the Allies. Yes, and the reason was that at that juncture New York was what Basle is to-day, or the nearest approach thereto that was then possible. The Federal Reserve Board sat on a gold-hoard the size of Mount Sinai, and the financial magnates composing the Board foresaw that so long as the bankers and statesmen of Europe obeyed the principles of gold-standard credit-dispensation, the pattern of territory-distribution did not matter a single dime. Whoever got the territory, the natural resources under it, and the production-machinery upon it, would have to mortgage it to work it, and would have to accept the conditions of the Federal Reserve mortgagees.

President Wilson wanted the colonial possessions forfeited by the Central Powers to be placed *en bloc* under the authority of the League of Nations, and administered in the interests of all parties alike. This would have suited the Federal Reserve Board, who could have controlled the policy to be administered. The de-nationalised colonies could have been made a dumping ground for dollar-credits, i.e. for American exports to the value of those credits. At the same time these colonies could have been administered in such a way as to prevent the repayment of American credits through the delivery of goods into American markets; and also to prevent these colonies from being developed as militaro-strategic centres by any national Government.

The idea fell through. But to-day Hitler's demand for colonies has revived it in principle. The difference is that in the meantime, by reason of the financial smash-up which brought Roosevelt into power, Basle has susperseded New York as the initiator of European financial and economic policy. The talk to-day is about rationing the raw materials of the colonies fairly between the Powers who lawfully possess them and those who do not.

A valued private correspondent does us the service of marking up our commentaries on foreign politics occasionally. In his latest letter he faults us for unduly belittling Mussolini and Hitler as *men*—that is (as we understand him) as dynamic personalities who might yet upset the calculations of the Basle Combine. It has not been our intention to underrate the potentialities of these leaders, but rather to question the use that they have made of their powers. The use that they have made is consistent with an intention to adopt Social Credit, but is far from proving such intention. A dictator who seeks to make his country self-sufficing as an economic area and impregnable (or irresistible) as a military area, is pursuing an objective which, if he reaches it, will place him in the strongest position to resist the demands of the Basle Combine. If Mussolini, for instance, can get the Italian people to feed on husks while they put all their surplus energy into constructing Fixed Military Capital instead of Fixed Industrial Capital, he has a more effective answer to Basle than a pseudo-Democratic oligarchy who (as is the case) get their people to pile up Industrial Capital of which a constantly increasing proportion is redundant. For whereas the ownership and control of Industrial Capital carries no power of intimidating the Money Power or frustrating its purposes, the ownership and control of Military Capital carries the power to do both. An idle factory cannot be compared with an idle battleship. Look at Lancashire. There are acres and acres of cotton factories and millions of spindles lying idle in the midst of disemployed and underclothed cotton-operatives. What can the owners and the workers do towards forcing a change in the system that imposes this stagnation on Lancashire? Nothing at all. In fact worse than nothing, for they are actually destroying their plant and equipment. Spindle-smashing will soon be Lancashire's "Industry No. 1." But now make the hypothetical supposition that instead of having built factories and made spindles, they had built warships and tanks and made rifles and ammunition, they would be in a position to enforce changes in the system. The money-lenders could not say, as they are saying to-day: "We will help you if you destroy your property" because the answer would be: "If we do not destroy our property we can help ourselves, or force you to help us." Fundamentally, Military Capital, unlike Industrial Capital, is a credit-instrument in itself. It is the one form of Real Credit (as defined by Social Creditors) which can be substituted for financial credit in an emergency and can command the provision of financial credit when the emergency is over. Of course it would be necessary for the owners and controllers of this Military Capital to have enough of it to overpower other Military Capital that might be mobilised against it at the instance of the controllers of Financial Credit. That granted, the resistance of the moneylenders would be of no avail.

Well, the picture of a Lancashire fleet sailing down South to ask the City: "What about it?" belongs to the realm of fantasy; but it bears reflecting on in the present international context because it rationalises the policy of diverting national energies from making useless peace-capital to making useful war-capital. If Mussolini, or any other autocrat, likes to beat rusty ploughshares into shining swords, and is able to keep his people content with their conditions of life while he is doing it, nobody who understands the existing financial system can deny that he is virtually taking some measure of power to contract out of the Basle grid-service. And so with other autocrats who pursue the same policy of heavily-armed self-sufficiency. But, as we have said, this "taking power" is no evidence of an intention to "contract out."

Far be it from us to jump to the conclusion that there is nothing to hope for from these dictators. Our early writings bear testimony that we anxiously explored the unheavals in Italy and Germany in order to find out evidence which would justify optimism on the part of Social Creditors. Not only that, but we and our associates made sure that the claims of Social Credit came to the ears of persons who were known to us to enjoy access to the ears of Mussolini and Hitler respectively. Since that time, and at the present time, the infiltration of Social-Credit knowledge and ideology has proceeded in Italy and Germany. How, and through what channels, we do not propose to explain; but in any case The New Age is not banned from entry into either country.

We attach great importance to the fact that the case for Social Credit is understood in all the political centres in the world—especially the storm-centres. The reason is that the application of Social-Credit technical principles is no less efficacious in war-economy than in peace-economy. Social-Credit is a non-moral instrument. It produces the results desired of co-operative national enterprise with the minimum of waste. It reduces the psychological frictions of organised co-operation to vanishing point. From this point of view it is a more vital instrument in war-time than in peace-time, for it eliminates the factors that impair the morale of a nation in times of stress. So if we are to believe all the horrors that are said to be inevitable in the event of another great war, and if the Governments in Europe believe that another great war is probable, we feel sure that those Governmental technical bodies who will be responsible for the efficient conduct of warfare will have been carefully weighing the claims of Social Credit as a stiffener of morale, if nothing else. Take this country for example. What do technical heads of the War Office and the Admiralty heads think of this proposition: that on the outbreak of war all taxation be suspended for the duration thereof—that no arbitrary limit of cost be imposed on manufacturers, particularly wages-and-services costs—that profits be allowed in proportion to costs and not restricted to fit in with arbitrarily limited appropriations of credit imposed by bankers through Parliament? In a word, the complete suspension of unnecessary haggling and accounting with the attendant loss of time and temper. Social Credit would be a nerve tonic in time of war, and precisely because of the horrors involved in another great war, the issue of victory or defeat would turn on nerves more than anything else. The nation which adopted Social Credit first would stand the best chance of victory even against mechanical odds. Hence we can be sure that Social Credit has been silently scheduled by military technicians as a factor of efficiency.

Reverting now to the question of the character of the dictators we are ready to agree that Mussolini has the makings of a doer of big things. But we should have more confidence in him if he behaved more like an autocratic leader and less like a democratic minister. We are entitled to demand of him something better than the tricks and postures that we can allow to the democratic minister. Neville Chamberlain, being committed by the principles of democracy to argue the toss with the Opposition in the hearing of the public, is entitled to use slogans and utter sentiments which gain him the maximum popular sympathy without yielding hostages of responsibility. Mussolini as an autocrat, and chief of a militocracy, has no need (or should have none) to consult popular sentiment at all. It is one of his implicit boasts that he has put the public where they belong, and apparently he is in fact able to hypnotise them into adulation of his person and prowess by the simple device of holding mass parades of blackshirts. Therefore he is free to eschew the humbug of democratic diplomacy. Last week he signed a pact with the German and Japanese Governments to resist "Bolshevism." What is this Bolshevism? If it is something different from Communism, what is the difference? If there is no difference, what is this Communism? Well, for all practical purposes, Communism, like Fascism, stands for a particular pattern of domestic regimentation, as shown by the digests of the two systems published by the Engineers' Study Group of the British Science Guild, and reproduced in these pages last week. Readers may prefer one pattern to the other, but will be puzzled to know how either can constitute a menace to the other, we mean a menace of the sort that can be defeated by a triple alliance. If the Communist menace resides in the philosophy and ideology professed by Communists the only way to defeat it is to counter it with a more attractive philosophy or to deprive it of force by showing as good concrete results under Capitalism (not to mention Fascism) as are being shown where Communism is being applied. Mussolini has no answer in either direction. As regards philosophical differences Dr. Einzig's statement is on record that there is no ultimate difference at all. As regards concrete results, he adduces no evidence that the Italian people are enjoying themselves any better than the Russian people. Even if he did it would not amount to much because Russia did not start off from the same mark as Italy: she was a century behind the industrial development of Central and Western Europe.

So why does not Mussolini cut out all this blather about "ism" menaces and affirm plainly that Italy's foreign policy clashes with Russia's—and also do Germany's and Japan's? Also, why does he not adopt the frank realistic language of the late *Morning Post* and explain that the object of foreign policy is "to provide trading opportunities for the nations"? If he did this he would blow the gaff on the sham of the Italian-German-Japanese pact against Russia; for these three autocracies are bigger menaces to each other in the field of market-hunting than Russia is to any of them.

A Strange Enigma.

[The following is a copy of a letter recently addressed by our old contributor, John S. Kirkbride, to *The Church Times*.—Ed.]

Sir,—It is a most disturbing enigma—and one I have long since give up attempting to solve—that whenever a discussion on "money" crops up in the correspondence columns of *The Church Times* there never appears a contribution on this important topic from any of those well-known, highly respected personages, both clerical and lay, to whom we humble folk professing the Catholic Faith are wont to look up to for help and guidance in our spiritual and intellectual difficulties.

Can it be that they are so completely satisfied with the defence of our monetary system tendered them by their financial advisers that all reforms suggested by us smaller fry are either ignored or rejected as the facile schemes of a few negligible cranks and faddists?

And yet these same dignitaries are not without their financial worries. How much time and energy are they constrained to waste in attempting to raise "money" for a thousand worthy objects? Whether it be church schools, theological colleges, clerical incomes, restoration of cathedrals, housing of the poor, etc., etc., all these laudable schemes are delayed and many hopelessly crippled for lack of funds; although that eminent financial authority, Mr. J. M. Keynes, has protested in respect of a great building project, "that there can be no financial obstacle to such achievements, provided that the labour and the material resources are available."

Well, years ago, J. S. Mills said of money that it is "a machine for doing quickly and commodiously what would be done, though less quickly and commodiously, without it." Will any reader of these lines take exception to that lucid definition? Is everything physically possible and socially desirable being done as quickly and commodiously as might be expected considering the triumphant progress of applied science since the days of Mill?

Now nearly a century later, C. H. Douglas elaborated Mill's definition in these words:—

"Perhaps the most important fundamental idea which can be conveyed at this time in regard to the money problem . . . is that it is not a problem of value measurement. The proper function of a money system is to control and direct the production and distribution of goods and services. . . . It is essentially a mechanism of administration, subservient to policy, and it is because it is superior to all other mechanisms of administration that the money control of the world is so immensely important."

A few years after Pope Pius XI. warned the Catholic world in the *Encyclical Quadragesimo Anno* that,

"It is patent that in our days not alone is wealth accumulated, but immense power and despotic economic domination is concentrated in the hands of a few, and that those few are frequently not the owners, but only the trustees and directors of invested funds, who administer them at their good pleasure."

Here we have the classical economist, the cultured engineer, and the great High Priest all thinking on similar lines and coming to conclusions startling in their common relevancy. One might reasonably have expected widely spread beneficial reforms to have sprung from so remarkable a concatenation of opinions; but, alas, little or nothing of the kind has happened. The money power to-day is even more skilfully concentrated, more relentlessly used, and more impervious to reform than ever it was.

No wonder then that there are many who profess and call themselves Christians who find it increasingly difficult, when writing or speaking on this topic, to maintain that judicial calmness and courteous equipoise so essential to fruitful discussion. Nay, I would go further and add that when one considers the demonstrable possibility of abolishing government by debt, with its corollaries of balanced budgets and struggles for markets, substituting a saner system in which money becomes an accurate reflection of physical facts and a mechanism of administration based on the teaching of Our Lord, automatically removing at least one of the causes of those international jealousies which must culminate in war, it becomes a superhuman task to exercise that Christian forbearance, that moderation of tone which the editor of this influential journal has a right to expect of his correspondents.

One is tempted sometimes to wish that the money power was actually in the hands of a clique of crooks and swindlers. The situation would have a logical simplicity that might be dealt with; but, it is not so. Those who bear rule and are obeyed in high financial circles are men of undoubted probity and unquestioned sincerity of purpose. That is the tragedy of it—for is there not just the possibility that they may be mistaken? If, as Fr. Demant reminds us, there is in their adherence to "financial soundness" a gross violation of that *justitia* which is the foundation of all Catholic ethics, might we not reasonably expect from the official protagonists of the Catholic Faith a challenge to the existing system? If, to quote Fr. Demant again:

"There is no particular Christian money system, but there is for Catholics a Christian obligation to demand a correct one, just as there is a Christian obligation to require any human function to fulfil its natural purpose,"

may we not venture to hope that the day is not far distant when the Lords, spiritual and temporal, in the exercise of their high offices will demand of the "City" an account of its stewardship?

J. S. Kirkbride.

Notes on Australian Banking Commission's Report.

By Arthur Brenton.

IV.

The Australian Commissioners attribute to the Social Credit advocate this proposition:

". . . that the aggregate value, at retail prices, of all the consumable goods put on the market is always—or nearly always—greater than the aggregate income received by consumers (for example, wages, dividends, and interest) which is available to purchase the aggregate output."

The phrase "put on the market" weakens the force of the Social Credit advocate's contention. Obviously, industry only *puts on* the consumption market such quantities of goods as it calculates it can sell there. Those quantities are only a fraction of what industry has the capacity to put there. Even if it could be proved that consumers' incomes are able to buy all that is actually offered, this would be a poor consolation to a community who found that this "all" was too little for their needs. But, apart from sentiment, the Commissioners' belief that incomes are equal to prices in respect of *small* offerings of goods in the consumption market throws on them the onus of showing why the same should not be true of *large* offerings. If they say that it is (or would be) true, then why do the large offerings not appear? There is no physical obstacle—there is plenty of idle labour and machinery. So the obstacle must be financial. (If someone says it is psychological, the reply is that obstacles of this nature always arise out of monetary, not physical, calculations.) My earlier analysis has shown one aspect of the financial obstacle—the diversion of money away from the consumption market. This leads to a restriction of supplies "put on" that market.

Since the first Companies Act was passed in England (1862) the aggregate capital of companies registered up to 1926 amounted to about forty-five thousand million dollars; but in 1926 half the companies had ceased to exist, and the total capital of the survivors was about twenty thousand million dollars. ("How to Form a Company"; Jordan, 18th edition, p. 10.) Half the capital had disappeared.

The lost money, which was originally diverted from the consumption market, does represent in some measure a relief to consumers—a subsidy to them at the expense of unlucky investors. But in a large measure it represents a contribution towards the profits made by the lucky investors, for the failure of one business to get back its costs means the success of another in doing so. And since, as pointed out, high profits are largely allocated to Reserves, most of the money does not go back into the consumption market, whence it was first abstracted. The resulting situation is similar to that shown in my " harvest " illustration, where half the crop was inaccessible. Imagine a harvest of grain, half of which is left unreaped and sows itself, producing a further crop which also sows itself and so on indefinitely, and you get a working model of the present-day expansion of capital side by side with an inadequate supply of the means of life.

The cause lies, as shown, in the timing (or rather the mistiming) of bank-loan retirements. The Social Credit advocate contends that the timing must be corrected or else compensated. To correct it would involve unnecessary and complicated adjustments in company finance. So it must be compensated. And the method of compensation is to provide the Social Credit dividend or discount (or both).

The object of Production is Consumption. To facilitate the full attainment of this objective, the inducement to produce must come from the consumers' end of the system, not the bankers'. In that event both the quantity and the character of what is produced will be governed by the natural desires of consumers, instead of the unnatural ideals of moneylenders. Thereupon the people will have entered into the new dispensation prophetically described by Major Douglas in the title of his first book—" Economic Democracy."

(*Concluded.*)

News Notes.

" Higher Rates Menace to Home-Buyers."

Thus a headline in *The People*, October 31. The Central Valuation Committee, a Government organisation in Whitehall, has instructed local valuation committees that the assessments of many classes of new houses are to be raised for the next five-year period. " This threatens increased rates for five million householders," says this journal. [This does not follow] " besides increasing their income tax and water bills." [This is correct.] Selective increases in assessments alter the proportions of the collective rates paid by various sections of ratepayers, but the total amount of collective rates required depends not on valuations of property but on municipal expenditure.

Disallowed Alberta Bills.

The Federal Government's right of disallowance is to be tested by the Supreme Court at the earliest date possible. The Government's decision regarding the second disallowance of the Bills in question has been postponed until this week. The Government have received from London a copy of the original British North America Act. [*The Times*, October 30.]

LETTERS TO THE EDITOR.

PRICE-INCOME SHORTAGE.

Sir,—In my last letter I described the out-of-balance to which we tend when saving of income is followed by its re-investment in Industry. Starting from a taking-off-ground of constant conditions of output, etc., I showed that in any given time such saving entails a price-income shortage equal to its own accumulated amount. The orthodox scheme of rectification of this error is to create new money and pass it through Industry to consumers in such a way as to defer the addition of price to retail articles to as late a date as possible. Let us consider if this can be done effectively.

I said that I (our weekly income) minus S (our weekly savings) plus S' (our increase in income due to re-investment of S) plus M (new money weekly issued through Industry) would be more than able to meet R (the total price of all retail goods completed during a week and offered in the retail market), *IF* the addition of price due to S' and to M have not yet reached the price tickets of retail goods. We must investigate this time-lag between income and price.

If money is paid as wages, say, to boot machine operators, it is possible that the time-lag may be of the order of four weeks between receipt of income by consumers and offering of retail boots in boot shops.

If money is paid to miners to hew coal to burn in electricity works, for driving machinery, for crushing ore, for making metal, for the cylinders of locomotives, for carrying the steel to make the frames of the boot machines (or any other history of progress of manufacturing costs), then the time-lag may be any time up to 100 years. (Are we not said to be paying still the costs of the Battle of Waterloo?)

If money is paid to police, or soldiers, or makers of armament, it is collected in rates and taxes which Industry must add to its costs at once, so that the time-lag of its effect on retail prices must be some average of all time-lags.

Dividends may have a negative time-lag, being paid out in some cases after the corresponding prices have reached the retail counter.

It is difficult or impossible to gauge an average figure, and for the moment I will only take token figures of four weeks and forty weeks for my investigation.

If weekly savings S are re-invested weekly and spent at once, so that S' appears as price addition on the price-ticket of retail goods in four weeks' time (other conditions remaining as before), there will be no income-price shortage for four weeks, until S' appears on the price-tickets. The moment it does so, at the end of the fourth week, the shortage will be S'. A creator of money, observing the shortage, and that it occurs weekly without end, can issue new money weekly with the object of rectifying the error. How does he reckon the quantity M that will be required per week? M must as a minimum be equal to S' per week, and as S' is a permanent weekly figure M must be permanently at least equal to S'; but by the end of the next fourth week M itself has given rise to a further addition M' on price-tickets of retail goods. Hence thereafter the amount M itself must be covered by another weekly creation of money of the same minimum value. Every fourth week an additional M per week must be added, and so on for ever. M being at least equal to S' it is at least equal to S, the original weekly saving. At the end of the year the new money M added each week has attained the value of thirteen times S, that is, thirteen times the original weekly saving.

If consumers' average weekly income is 50s. and they save 2 per cent per week, i.e. 1s., then after a year's operation 13s. of new money must be created each week and put through Industry in order to restore the income-price balance; and four weeks later the figure must be increased to 14s. per week, and so on ad infinitum.

It will be understood that this addition of an increasing amount of new money weekly has removed the lack of balance indicated in my last letter, which in one year had attained a total equal to the total prices of all retail goods offered per week. The effect of saving of 2 per cent. of incomes per week by consumers is offset by the issue of new money per week equal to 26 per cent. of all incomes—whether the new production made by this issue is wanted by the community or not. Is this a reasonable solution?

Assuming the time-lag between distributing incomes and the arrival of the corresponding retail articles on the market to be forty weeks, as an alternative to four weeks, the whole series is simply postponed, and if we stick to our token figure of 2 per cent. weekly saving it will take ten years (instead of one year) for the amount of new money required per week to reach the figure of 26 per cent. of the total weekly income of the community. In forty years as much money must be put into Industry *weekly* as is paid to-day weekly by the whole of Industry working as we assumed it to be in the beginning in a constant closed circuit in which consumers were able to buy all products. And all this due to a saving of 2 per cent.! Note that rates and taxes paid by individuals are of the nature of forced savings and re-investments, and affect the figure that I chose as a token. Perhaps the actual figure should be 20 per cent. Readers can choose to their own taste figures for savings and time-lag, and then draw out a weekly schedule of incomes and prices to confirm the above reasoning, based on any figures within the limits of possibility. The incubus of the mass of new money per week may be reduced by assuming unlikely data, but deadlock is only postponed.

Presently the earth would not be able to contain all this production, without destruction and restriction, and though men might have money to buy it (thanks to the money-creators' beautifully regulated issue), they would be overwhelmed by the unnecessary glut, and could not enjoy it, even if they had time.

In the above I have not mentioned the effect of interest on the debt of the new money issued by the money-creator. I have assumed that all such interest is treated as income and used to buy retail goods. Only 2 per cent. of such interest must be saved, put to reserve or re-invested, otherwise conditions are altered and M will attain astronomical dimensions in even quicker time.

Clearly this, the orthodox, method of curing the income-price shortage is unworkable. History is confirming it.

Social Creditors maintain that incomes must be distributed, to a certain extent, otherwise than through Industry.

N. R. TEMPERLEY.

Forthcoming Meeting.

LONDON SOCIAL CREDIT CLUB.

Blewcoat Room, Caxton-street, S.W.

November 12, 8 p.m. *New English Weekly* Night: " Freedom of the Press," by Pontifex, Mr. Will Dyson, and Miss Travers.

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