THE NEW AGE
INCORPORATING "CREDIT POWER"
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NOTES OF THE WEEK.

The following telegram was despatched on Monday, May 10, to the *British Gazette* and the *British Worker*:—

Strike was made inevitable by withdrawal of subsidy. Question of subsidy not within terms reference coal commission, and no evidence called to prove supposed economic unsoundness. Therefore commission's veto ultra vires. Urgent public importance know if veto was originally imposed by Bank of England, and if stock of this bank controlled by American financiers. If so strike appears result American interference with Britain's right financial self-determination. Meanwhile subsidy been issued to date in America for benefit American people amounting over one thousand million pounds. Suggest immediate truce on basis immediate resumption subsidy pending searching inquiry influence private financial policy over constitutional government.—Editor THE NEW AGE.

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Just as the assassination of the Archduke was the spark that caused the military world war, so the killing of the *Daily Mail's* proposed leading article last Monday marked the opening of the economic world war. We must speak telegraphically, for reasons of space. For the supports and elaboration of our reflections and speculations we rely on our readers' memories. As they will have seen already, there is really nothing left for us to say except to travel back over the last three years' Notes and assemble all the prophesies and warnings we have spoken during that time. Even a bare summary of them would be too long for these pages; we must even summarise the summary.

Let us state at once that the issues involved in the General Strike are issues completely hidden from the vast majority of the population. People are speculating whether the Government or the Trades Union Congress will " win " the strike. The truth is that the winning or losing of the strike is a matter of a mere trench raid in a great war. The strike is the beginning only of a general revolt against the existing credit system, a revolt which, beginning as a scuffle between British capital and labour, may easily extend throughout all the debt-ridden countries of Europe, at which point Europe's rulers may at last be forced to announce in plain words the real cause of their common problems. It will require only that to bring about an instant fraternisation of the warring forces and cause them to ally themselves behind a single challenge to the miserably few agents of an obsolete financial policy which stands between them and the prosperity which they are so well able to create for themselves.

The issue is dispensational in its potential magnitude. And the stand taken by the Trades Union Congress against any further economic repression of the individual income-earner is as essentially a right one, as it was an inevitable one. It is said that the action of the Congress constitutes a challenge to constitutional Government. Practically that is true; but the gravity or otherwise of the action depends entirely upon whether the Government so challenged is administering a British policy or an American one. Suppose that the *Daily Mail's* rallying slogan—" For King and Country "—could be more truly phrased " For Coolidge and Country." Suppose the veto on the subsidy, which alone made the strike inevitable, was originally sent out by the Federal Reserve Board of America, and was afterwards relayed in series through the Bank of England, through the Treasury, through the Coal Commission, through the Cabinet, and finally through Parliament and the Press.

From first to last there has been no attempt to demonstrate the economic unsoundness of the subsidy: it has been taken for granted. The leading statesmen of all three parties know that industrial peace could be purchased at once by a resumption of the subsidy. What economic reasons can make the subsidy a greater menace to this country than the industrial paralysis which has overtaken it? The reasons are not forthcoming—and for a very good reason. There is no resisting the conclusion that the Government (and the same applies to all alternative Governments) is being coerced by American finance and diplomacy to maintain and consolidate a deflationary policy in Britain. When Mr. Baldwin says that there is no short cut to prosperity he is really saying that Britain has no right of way through the short cut. That there is a short cut is beyond argument, for anybody who looks can see America walking through it.

At the end of 1925 the United States, in financing the instalment-purchase system, had issued no less than one thousand million pounds in excess of earned incomes as a loan to home consumers to enable them to purchase goods beyond the scope of their earnings. This is a general subsidy. It is still extending. America is thriving by it. Yet, behold, when a sum only one-fiftieth of that amount has been issued to enable British miners to purchase goods, an edict goes forth that not a penny more must be issued. Where is the difference between a loan to every instalment purchaser in one country and a loan to a particular class of purchasers in another? It is true that while in America it is the purchaser who has to repay, in Britain it is the taxpayer; but that does not affect the principle—besides which, as an actual fact, neither has repaid at present, both amounts being outstanding credits.

We have lately heard from a trustworthy business source that the preoccupation of American bankers is how to prevent other nations from following the American example. They have calculated that they can only safely deal with the problems arising out of the above tremendous consumer borrowing so long as other national banking systems keep a tight rein on consumption. This throws light on a recent remark made by Sir Robert Kindersley, a director of the Bank of England—"If I were to shift my headquarters to New York, I should become a high priest of extravagance and preach the advantage of spending." Over here he preaches thrift and restricted spending power.

There was a rumour current here some years ago that American financial interests had brought a controlling share of the stock of the Bank of England. It is beginning to appear a credible rumour. Two incidents lend support to it: one was the remarkable side-tracking of Mr. Maxton's Bill to nationalise the Bank, because it affected "private" property rights ("foreign" property rights would have been a more convincing reason), and the other was the case of Mr. Montagu Norman. He became Governor of the Bank five years ago, and has continued so since. In defiance of precedent he has been repeatedly re-elected by his co-directors. Naturally American Finance would want its "Minister of Deflation" to be in permanent charge of the Bank.

Now, logically, the strike is a challenge to the principle of deflation and a challenge to American finance. It will appear to be a challenge to our "constitutional government" only so long as that government remains in subjection to Wall Street. The Trades Union Congress, unwittingly as may be, stands for the financial self-determination of Britain. That is the bottom issue, whatever motives immediately inspire the contestants. Again, the strife in the industrial field is the outward aspect of a serious division of opinion among British financiers, who have split apart into deflationist and inflationist groups. Brawls in the streets answer to brawls in bank parlours. The strikers are associated with the essentially British financial policy represented by Lord Milner, Mr. McKenna, Mr. J. F. Darling, and the Midland Bank. The strike-breakers are associated with the essentially American policy represented by the Bank of England and orthodox economists generally.

It is not surprising, therefore, to hear that Wall Street is placing dollar credits freely at the disposal of the City; nor that the American Federation of Labour (whose late President, Mr. Gompers, was well in with Barney Baruch and other American financiers) has denounced the strike and refused to support it financially; nor that the American Press regards the Strike as the most serious event since the Great War. It is—for America. We are convinced that the reconciliation of British capital and labour is in sight. The almost complete suppression of private newspaperdom has held passions in check, and there is a quality in the temper of the combatants quite incompatible with any idea of a "fight to a finish." The Government promises an "honourable settlement," and keeps open the doors of negotiation day and night. Meanwhile, there are other negotiations going on in Washington. "See what comes," one can hear the British Ambassador saying there, "of my Government's attempting to administer deflation any longer in your interests."

An honourable settlement of the strike is immediately possible on the basis of "inflation"—so called. If America assents, well and good. If not, the Government must do without her assent. In view of possible reprisals, notice that the calling out of three million men from work puts this country in a state of military mobilisation. The Government has only to decide on a new credit policy to be able to compose the strike. Whereupon the already mobilised armies of the strikers and the strike-breakers can be immediately welded into a united British force in defence of this country's right to use its financial credit for the common good of its citizens.

Through the Subsidy to the Dividend.

WHERE THE SUBSIDY CAME FROM.

The Coal Subsidy was a series of loans made by the banks to the Government. Each loan was a new credit created by the banks, and was an addition to the amount of credit then in existence.

ILLUSTRATION OF THE PROCESS OF CREATING THE SUBSIDY.

When a bank grants a loan, all it does is to write figures in a book representing the sum loaned. Suppose the sum to be £100. The bank opens a Loan Account in the borrower's name, and debits that account with £100. Simultaneously, it opens a Current Account in his name, and credits that account with £100. In this way, the totals of the bank's debits and credits, i.e., the totals of the bank's loans and deposits, are both increased by £100. There is now in existence £100 of extra money available to be drawn upon by cheque; and this sum is for the moment at the disposal of the borrower. Notice that this new loan had been made without reducing the deposits of any of the bank's other customers; no person or persons have been called upon to put up one penny of it; it is absolutely new additional money. This truth applies to the loan system as a whole. It is a truth of fundamental importance, for it inverts the popular idea that all loans have to come out of previous savings. They do not: rather they become new savings.

To return to the case in question. The borrower may now draw cheques on his current account up to the amount of £100, and use them to pay for various goods or services. As he does so the amounts are debited against his deposit in that account until the £100 has been spent; whereupon the account balances, and may be regarded, at that juncture, as being closed. But the people to whom he has paid these cheques also have current accounts, and they pay them in. So, as fast as the borrower's deposit is being reduced these other people's deposits are being increased. And no matter how many times thereafter the £100 is re-spent it must always persist as a deposit in the account of somebody or other. Thus the extra £100 will remain in circulation until the original borrower repays the loan. When he does so the bank, instead of entering the sum to the credit of his current account, will enter it to the credit of his loan account and close it. The effect of doing this is to reverse the previous procedure. The £100 is not thereafter available to be drawn upon. It is withdrawn from circulation.

These processes of loan creation and loan cancellation have been summarised by the Rt. Hon. Reginald McKenna in the formula—"Every bank loan creates a deposit, and every repayment of a bank loan destroys a deposit."

WHOSE PROPERTY IS NEW BANK CREDIT?

It is evident that since credit (or money) can be called into existence in this fashion, it cannot be said to belong to the bank. If it could, everybody would want to be a banker. Nor can it be regarded as the property of the bank's customers. If it could, everybody would want to make a living merely by opening a banking account. The new money, then, either belongs to nobody, or to everybody—according to how one looks at the question. In short, the true ownership of new money, if we must attribute ownership at all, is communal—social—public—national. This concept will be seen to be of vital importance, for it is one which the Communist, the Socialist, the Liberal and the Conservative—all

capitalists and all workers—may consistently hold in common; one which affords a clear and practical starting point from which the nation as a whole may proceed to construct a new policy of industrial and social reconstruction.

THE REAL LENDERS OF THE SUBSIDY.

It will be seen that the subsidy to the mining industry has been a loan of money belonging to the whole community. The bank created it and issued it, but only as an agent of the community. At the most, the bank is simply the leaseholder of the money—the freeholders being the community. This is as true as if every individual citizen of this country had written some amount—say 10s.—on a piece of paper and had handed it to the bank to endorse and pass on to the mining industry as effective money, in the name of the Government.

The real lenders of the subsidy being the community, obviously the right to decide whether to extend it or stop it belongs to the community, not to the bank. Moreover, and still more important, this same right extends to the issue whether the subsidy need be repaid at all.

IF THE SUBSIDY WERE MADE A FREE GIFT.

If the present subsidy is not repaid, it will mean that the community has authorised a gift of new money in its name in order to supplement the earnings of a certain section of it. Now this new money has, as a matter of fact, long since passed out of the miners' possession in the purchase of the means of life. It is now in other people's hands—many other people—in fact it may be fairly stated that it has been diffused over the nation generally. Now, the repayment of the subsidy would mean that everybody would have to give up money in taxes, only to have it withdrawn permanently from circulation by the banking system. If consulted, everybody would demur to that procedure. But the community never is consulted. The banking system has always decided the question, and neither people nor Parliament has claimed the right to have any say in the matter. The sole practical political issue of the near future will be whether the nation or the banking system is to control monetary policy.

IF THE SUBSIDY WERE GIVEN TO EVERYONE.

It is admitted that the subsidy as hitherto administered is open to one objection—namely that since everybody could, in a greater or less degree, do with an addition to his income, why should the benefit be restricted to only one section of the community? This leads to the question of how to eliminate the element of injustice associated with past procedure. Must the subsidy stop, or can it be extended to the whole people? Suppose, then, that it were extended. The immediate result would be an immense increase of money in circulation. This, as the bankers would quickly object, would lead to inflation—namely a serious rise in the price-level—in the cost of living; and that as a further consequence the value of the £ sterling on the international exchanges would slump like the German mark and the Russian rouble.

But are they right? It may appear so. These evils always have followed expansions of credit in the past. Nevertheless they are not right. It can be demonstrated that there are principles on which what may be conveniently called a General Subsidy can be so administered as to produce exactly the opposite consequences forecasted by orthodox banking authorities. That is to say, there can be an increase in the quantity of money in circulation accompanied by an actual decrease in the cost of living. Everybody can receive a greater number of pounds per annum as income, and yet each of those pounds possess increased, not decreased, purchasing power. The technical demonstration cannot be given shortly, nor can it be appreciated properly without previous study. It is a matter for experts; and the advocates of the new system are ready to submit it to public expert investigation—preferably a Royal Commission. That is by the way. So far as the general public is concerned, it ought to see that at any rate the new idea accords with ordinary common sense. For consider. What is involved in the conception of there being more money in a country and cheaper prices? A larger consumption of actual goods and services by every individual. Can these individuals produce the extra goods and services? Look round. Labour? Any amount—a million unemployed. Machinery? The nation's factories on half and quarter time. Willingness to work? Never a doubt of it—so long as the reward of that work is assured. No physical or psychological factor is wanting. The one thing lacking is the thing we call Money.

THE NATIONAL DIVIDEND.

Whatever ultimately happens about the strike, it has demonstrated that a mere skeleton staff of volunteers has been able somehow or other to keep things going tolerably well in spite of the withdrawal of two or three million workers from industry. Without pressing the conclusion too far it is clear that there is an immensely greater amount of human service available for industrial production and distribution than industry requires. This has been brought about by scientific discovery. Machines are dispensing with men so fast that a new system of providing people with incomes will have to be adopted sooner or later. If not, our constantly increasing power of production must be accompanied by a constantly decreasing power of consumption. To the extent that human beings are dispensed with they must be subsidised, or industry will die of over-production. For example: a machine may displace as many as a hundred workers; but if the displaced workers are denied an income, the machine will have destroyed a hundred customers for its output. And, notice; this same consequence follows in a lesser degree from the cutting of the wages and salaries of people who are still in employment.

The industrial wage, therefore, will have to be progressively supplemented by issues of money other than personal earnings. These issues of money will be in the nature of a National Dividend. The problem of industry to-day is not how to get workers but how to get customers. The National Dividend will create those customers. This dividend is already being anticipated in a crude and limited fashion for humanitarian reasons. Besides the miners' subsidy there are doles and poor law relief. It must now be put upon an efficient and national scale for scientific reasons. The husk of "Charity" which surrounds such monetary assistance must be stripped away, and will be stripped away as soon as the public realise that they need not be levied upon to provide it. As for rights—the right of an individual to an income is his right as a consumer. The urge to consume is the fundamental incentive to production. No consumption, no production. Therefore the monetary system must finance the consumer as well as the producer. In other words, the abolition of what we call Poverty is the first step towards industrial reconstruction; and not its ultimate consequence. With the first issue of the National Dividend, Poverty will be translated into Home Demand, Labour unrest will be swallowed up in healthy activity, and the nation will have laid the foundations of a permanent and continuously increasing standard of prosperity.

The Troubling of the Waters.

The following manifesto was circulated to the Archbishops and Bishops of the Church last month. Readers will notice the similarity between its main proposals and those embodied in the Archbishop of Canterbury's recent message to the Government and the nation. The League of the Kingdom of God is a band of Churchmen and Churchwomen who stand, among other things, for "the awakening of Churchmen to the lost social traditions of Christendom and the re-creation of a Christian sociology consonant with the needs of the age." The Honorary Secretary is the Rev. Paul Stacy, St. Peter's Vicarage, Coventry. Readers who have opportunities for work of this nature in the Church should communicate with him.

TO THE ARCHBISHOPS AND BISHOPS.

We, the undersigned, on behalf of the Executive Committee of the League of the Kingdom of God, a Society of Churchmen independent of any political party, appeal to your Lordships in the present industrial crisis to act upon the declarations made by you at the last Lambeth Conference. You then laid it down as a consequence of the three principles in which you summed up the position at which you had arrived in regard to industrial and social questions that "the fulfilment of these principles must lead to something better than a 'tinkering scheme of piecemeal reform.'" Your phrase aptly describes the scheme which the country is asked to accept as a solution of the problem of the coal industry. You were careful to insist that "the Church as a body should never concern itself with a political issue unless it involves a clear moral issue, and then only in the interests of morals and righteousness, and not in the interest of parties." The Church must be impartial, but can never be neutral when moral issues are at stake.

We submit that the proposals of the Coal Report in so far as they involve a lowering of the already inadequate wages of the miners—large sections of whom are existing on a wage which is a disgrace to the nation—involve a moral issue, and the crisis therefore calls for a definite and unequivocal pronouncement from your Lordships that you are not prepared to acquiesce in the lowering of the standard of life of one of the most deserving sections of the community. We would point out that not only did you reaffirm the principle commended in the Lambeth Report of 1908: "The Christian Church, which holds that the individual life is sacred, must teach that it is intolerable to it that any part of our industry should be organised upon the foundation of the misery and want of the labourer. . . . The fundamental Christian principle of the remuneration of labour must be the proper maintenance of the labourer, an idea which it has been sought to express in popular language by the phrase, 'the living wage,'" but you added: "This must not be interpreted as a bare subsistence wage. There must be sufficient to live a decent and complete, a cleanly and noble life."

In view of these declarations, we ask that you take action now that the principle laid down in these declarations is challenged, and urge on Christian people the duty of refusing to connive at proposals which are based on expediency and the supposed necessity of submitting to alleged "economic laws." For Christian men there are no insoluble problems in economics; there are only problems badly stated.

After prolonged consideration we submit to your lordships the following propositions:—

(a) That there should be no lowering of the present standard of living.

(b) That a subsidy (though perhaps on different terms) should be continued during the period of transition between existing conditions and those which might eventually arise from the re-organisation of the industry on the lines proposed by the Report.

(c) That this is the more justifiable since the policy of the reduction of costs by decreasing the earnings of the workers has been extensively tried for the last half-dozen years, with no other results than the impoverishment of the masses, the decrease of the consuming power of the community, and the accentuation of the economic deadlock by which Society finds itself threatened.

(d) That it is desirable to press for a closer inquiry than has been provided by the Report into the alleged watering of capital invested in the mines, and to inquire also into the nature and amount of what are called invisible reserves. It is suggested that in this, as in previous industrial crises, the public is not given sufficient of the relevant facts to enable it to form a judgment.

(e) Seeing that the granting of the subsidy, which is in fact the pledging of the community's credit, though issued by the banks, has revealed the fact that finance, or the control of money-power, is the real crux of social life, the Government be urged to institute at once a free, public, national inquiry into the relations between banking and the issue of credit on the one hand, and the needs of the community, both as producer and consumer, on the other.

Finally, we urge that if the policy of wage reductions is pursued and no protest made by the Church, the industrial workers will conclude, and conclude rightly, that the declarations of the Bishops in their solemn assembly are merely "scraps of paper," to be thrown on one side whenever a definite issue is presented, and that once more the Church will have shirked its witness for fear of giving offence.

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On behalf of the Executive Committee of the League of the Kingdom of God.
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