

THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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NOTES OF THE WEEK.

The following paragraph was published in *John O'London's Weekly* on August 16:

"The paragraph about Mr. H. C. Wells and Mr. Vowles in our issue of August 2nd was, we are informed, misleading. Although the projected collaboration broke down, Mr. Wells is carrying out his scheme and the MS. referred to is merely material prepared by Mr. Vowles for which Mr. Wells has no use. Mr. Vowles had received £800 from Mr. Wells, and the £700 awarded him by arbitration was in final liquidation of his association with Mr. Wells. He had claimed £6,000."

According to the letter we received from Mr. Wells's secretary and published last week Mr. Vowles was "not the only person" who was collecting material for Mr. Wells. If the rate of remuneration to the other person (or persons) is at all comparable with the sum claimed by Mr. Vowles, there must be a considerable fund involved in the preparation of Mr. Wells's projected economic history of the world. And it is rather a reflection on the business efficiency of the promoters of the scheme for Mr. Vowles to have been allowed to collect so much as £1,500 worth (at scrap price too) of material before they discovered that it was useless for Mr. Wells's purpose. It would interest us to know the nature of the material; and we suggest that Mr. Vowles might publish it, or a synopsis of it—that is, if he is not precluded from doing so by any condition attaching to the liquidation of his association with Mr. Wells. If so we shall have to do our own guessing. That is one of the advantages of arbitration over litigation: it leaves the question of publicity to the discretion of the disputing parties, whereas in a Court of Law the public has access to the evidence on which judgment is entered. We should not be reasonable if we were to suggest that this consideration governed the choice of arbitration in this case, because since Mr. Wells is the prophet of arbitration as against war in the resolution of international disputes he would instinctively choose to set the nations a good example in the resolution of his own disputes. The spectacle of this storm in a loving-cup will doubtless have an uplifting effect on the world's statesmen and we hope that Mr. Wells will not omit to point out

in his book how appropriately the Bank of International Settlements is constituted for exercising the functions of a permanent World Referee.

In the last quarterly review of Messrs. J. Henry Schroder and Co., private merchant bankers, an attempt is made to account for France's large accumulation of gold. The Review describes why France goes to the Bank of England for gold when France has far more than sufficient for her needs. It lays the blame chiefly on the "primitive" monetary system which rules in that country. It says that the Bank of France, besides being the central bank of the French nation, is also a trading bank with branches and offices throughout the country. This discourages the commercial banks from taking bills for discount to the central bank, as this would mean *disclosing their business secrets to a competitor*. So when they want extra supplies of currency they realise credits in London and take the proceeds in the form of gold, whereupon they can deposit it with the Bank of France and get the required currency without giving away their secrets. The Review contrasts this procedure against the English method, in which the Bank of England acts simply as the bankers' banker.

This explanation is discussed in the *Observer* of August 10 by the Financial Editor, who remarks, among other things, of the English system that—

"When the supply of credit becomes temporarily reduced through the calling in of loans on the part of the clearing banks, bills can be discounted and loans obtained at the Bank of England by the discount houses and bill brokers without the slightest fuss or hindrance. What is a mere commonplace money-market operation in London has no counterpart in the monetary system in use in France."

The same writer remarks, however, that Messrs. Schroder's explanation does not find complete support throughout the City.

"In Anglo-French banking circles responsibility for gold withdrawals is by no means attributed to an alleged out-of-date monetary system in use in France. . . . The adverse exchange position . . . which has made the export of gold a profitable transaction, is claimed to be

due more to the depreciation of sterling in the market for foreign exchanges than to an appreciation of the franc."

Readers will see in this passage another example of the chronic inability of the City to talk in intelligible terms. Take the last clause of the passage: it is nothing more than saying, for instance, that the reason why 12 Australian shillings exchange for only 10 English shillings is not because 10 English shillings have become worth so much as 12 Australian shillings but because 12 Australian shillings have become worth so little as 10 English shillings. This is just the sort of speech that the Cheshire cat might have made to Alice. It merely provides entertainment for connoisseurs of metaphysical whimsicalities. Messrs. Schroder do at any rate present a plausible and coherent hypothesis, and if their ability to do this is due to their being merchants as well as bankers, readers who desire enlightenment from financial apologists will agree that this would be a good argument for merging banking with other economic activities. The Financial Editor of the *Observer* concludes his comments by offering an explanation of his own regarding these gold exports: it is that "*Capital is being driven abroad by the highest taxation in the world*"—"it is not money going abroad in search of employment: it is capital going abroad for security." Notice—in contrast to Messrs. Schroder's analysis—that no human beings appear as taking part in these processes: instead, inanimate things and pure abstractions are invested with self-determined powers of thought and movement. To metaphysics is added magic. These are the two wings on which Finance flies from exposure. Nobody else may use them. If only, for instance, the cotton industry could borrow them. It could talk about *deflation driving trade abroad*, or about the *flight of employment from rationalisation*. But it is not allowed to. When anything goes wrong in an industry some person, or group of persons associated with it, must bear the charge of responsibility. When anything goes wrong in finance no person or group of persons associated with finance accepts responsibility. Either some external persons or groups are charged with having interfered with the financiers, or else the phenomenon is considered as having been magically precipitated by the vices of the people in general—capitalists, workmen, and consumers.

But let us now fly back to France for a breath of realism. The Schroder analysis rings true. For the strength of the French is that they have no belief in indirect benefits as compensation for direct sacrifices. You can assure your French peasant as much as you like that the "nation" will prosper more if only he lets the bank mind his currency; or you can give the same assurance to the French taxpayer if only he will make a full declaration of his income; or to the French Admiralty if only it will do away with submarines and aircraft; or to the French workman if only he will suffer a deduction from his wages for national insurance: but you waste your breath—the peasant goes on hoarding, the taxpayer continues to cook his returns, the naval engineer to build, and the workman to strike. It is therefore entirely credible that French commercial bankers should seek first to safeguard their business secrets, and should exhibit indifference to the alleged benefits of national economising in the use of gold. What if France has got more gold than she needs? Isn't that better than the other way about? Or what if France has got an antiquated money-system that feeds all her children—and a quarter of a million adopted Italians into the bargain—with jobs and wages? As M. Tardieu remarked to his audience on one occasion: "You won't require me to explain our financial policy.

You have the results before you, and if you are content with the results you will approve the policy!" That is the Frenchman's attitude. It was beautifully summed up in a remark made by a lowly French citizen to one of our readers during a gossip on international finance. He said: "What do I care whether the Franc looks the Dollar in the face so long as I can see my plate of dinner and glass of wine on the table?" What a contrast between this reaction against financial propaganda and another exhibited to the writer by an intelligent retired police inspector on the day when sterling first achieved parity with the dollar after the war. He rushed into the hostelry that night beaming as if he had beaten the book on the Epsom racecourse. "Have you seen the news?" he burst out: "the pound at last can look the dollar in the face." And the way he declaimed it!—the bar felt like a cathedral. "We must celebrate it," he went on. He put his good money on the counter and the celebration took place.

The comparatively intense "individualism," "sectionalism" and "nationalism" of France—so gravely reprobated elsewhere, especially in the United States—goes a long way to explain her comparative immunity from the infection of unemployment. France represents the policy of rational self-interest on all planes—while other nations flounder about under a policy of superstitious disinterestedness. We have seen that in terms of gold, armaments and business activity the policy has paid. A further example of this policy is France's solicitude for agriculture. The Londoner's Diary in the *Evening Standard* of August 29 contrasts this with England's neglect of agriculture. He makes the wise observation that:

"A nation which obstinately refuses to protect that section of the community which provides its foodstuffs and also the sinews of its healthiest stock must bear all the economic ills that come to it."

He says this apropos of the French Government's policy regarding wheat. This year's crop in France is likely to be short, and expensive to reap, in consequence of the weather. The Government expects to have to import wheat. But it is aiming to stabilise the internal price at 56s. a quarter. Also, in order to prevent the French growers' having to sell their harvest quickly owing to the need of getting money, it is "attempting to provide for twelve monthly bonus liveries by special credits including a holding bonus of 8 per cent. on the value of the harvest." Last year, when the harvest was a bumper one, the Government voted an export credit equal to £2½ millions to enable the growers to export the surplus," says the country. "It was careful to explain," the writer, "that this was not a dumping measure: there was merely a fall in price that had to be stopped." (Our italics.) Beautiful! Put into other words that amounted to this: We much regret any injury that we may cause to you wheat-growers in other countries, but of course you will all see that we have to protect the wheat-growers in our own country. What a contrast to the action of the British Government who, after promising a stabilised price to the farmer, and getting him to force his harvests up soon after the war, allowed the City to stampede them into cancelling their promise. As the writer before mentioned comments:

"What a contrast with the position of the British farmer, who raises his wheat under far more expensive conditions, and who is lucky if he can obtain 40s. a quarter. How happy he would be if he could obtain 56s. a quarter. The Mansion House policy is to starve the British farmer in order to keep food cheap, in order to reduce the cost of living, in order to lower the cost-of-living index-figure, in order to cut wage-bonuses, in order to reduce manufacturing-costs, in order to

send capital equipment abroad, in order to create foreign indebtedness, in order to impose its policy on foreign Governments. Any tendency for home employment to increase by reason of increased exports is offset: (a) by the fact that the increase is subsidised at the expense of the farmer and rural worker (disemployment) and (b) by the fact that the capital equipment sent abroad sooner or later competes with the equipment at home (e.g., cotton-machinery exported from England to India and the Far East), and invariably under a lighter burden of direct charges—for the equipment goes where it does go in the first place precisely because labour (and sometimes material) is cheaper there than at home. Lastly, (c) not only does the exported equipment attack the exporting country through cut prices, but defends itself against counter-attacks by erecting tariffs. Thus the policy of the City is the primary cause of the trade barriers against which the original Bankers' Manifesto protested a year or so ago.

Last week the National Association of Merchants and Manufacturers issued to the Press copies of a "very weighty reply" to the recent bankers' Protectionist Manifesto, and invited editors to publish this reply. The *Star* published it under an introductory note stating that it was a "smashing" reply. Now a smashing reply is an unanswerable reply; but this reply is so vulnerable considered as a technical disproof of Protection that we are driven to the hypothesis that its smashing qualities are political—that it is to say that it is not the arguments, but the people who have signed their names to them, that do all the smashing. Looked at from this point of view the document is "weighty" enough: it bears the names of 116 signatories representing, so the *Star* declares, "practically all the big industrialists throughout the country." If so, the import of the document is not that Protection has been disproved as a desirable reform, but that Free Trade can muster forces powerful enough to defeat it, desirable or not.

This idea gains support from the style of the text. Thus:

"We find no reason for supposing that it is possible to remedy the present trade depression by adding to our customs duties and thus diminishing our foreign trade. It will not be seriously disputed that tariffs are levied in order to raise prices. But since the first need of British producers who compete in foreign markets is to bring down the costs of production, it would seem little short of suicidal to impose duties on our supplies of raw material and food. We do not believe that any stimulus afforded by Protection to certain favoured industries at home could compensate for mischief of this kind."

This is a typical example of what the *Star* calls "smashing." All it says is that the signatories, own, cannot see how Protection will do any good. As argument this is valueless. Any argument, to be effective against the Protectionist, must proceed logically from premises to which both he and the Free Trader subscribe. Moreover, if that argument is intended to enlighten public opinion (if not, why broadcast it?) those common premises should be clearly defined before the argument proceeds. Not only that, but such deductions as may be advanced should be brought into relationship at all points with ascertained and verifiable facts.

For example, what is the use of charging the Protectionist with causing injury to one industry for the benefit of another in this country without first having got him to agree to the principle that a fiscal system must deal fairly by all industries? Merely to mention this point is sufficient to reveal the unreliability of the controversy. The Free Trade advocate

dare not invoke such a principle; for the moment he laid it down the public would see that it ruled out Free Trade as clearly as it did Protection. And in the absence of a third system, whether fiscal or financial, the Free Trader would be under the obligation to prove that his system of selecting which domestic industries to encourage and which to penalise was a better one than that which the Protectionist proposed to substitute. Is it, for instance, better for the country if we sacrifice our coal-raising and cotton-weaving industries to the interests of exporters of cotton-machinery and other capital products, or if we reverse the process? It is not our business to supply the answer here: all we say is that until the entire structure of our financial and economic system is analysed by reference to Social Credit principles, and the fundamental flaw exposed, the Protectionist will always be able to smash the smashing arguments of the Free Trader. Our own opinion has been expressed before: it is that pending the adoption of the Social Credit remedy the best policy for any country is to stick to the fiscal system to which it is accustomed. They are both equally futile systems and produce equally grave injustices and abuses which exhaust all the energies of political administrators in rendering them tolerable to the population. But although equal in gravity, they take a different form according to the system in operation. Now, in Britain our administrators have had the advantage of generations of experience in dealing with the specific problems created by our Free Trade system. And since Britain is the only country in the world which maintains this system, our administrators are the only people in the world with that specific experience. If, then, we now substitute a Protectionist system, we immediately scrap this monopoly of experience, and the administrative efficiency which has been born of it, and virtually send our administrators to school again to learn a new job. In this event it requires very little imagination to see Lords Beaverbrook and Rothermere imputing inefficiency to our administrators when they failed, as they would fail, to control new forms of abuse (e.g., log-rolling, etc.) in such wise as to render them tolerable to industrialists generally; and it would not be long before we should hear talk of engaging Protectionist administrators to run the British system. After Mr. Gerard's hint, which we quoted last week, that American capital and American engineers would assist Lord Beaverbrook to develop a Protectionist Empire, it would be a short step to the spectacle of American customs-experts and graft-controllers coming in to keep Great Britain on a straight course upon the strange fiscal voyage on which she had embarked.

Our policy of "no change" is based also on considerations of Social Credit strategy. As we and our readers are aware, the banking classes in Britain could easily adapt themselves to a Protectionist system without yielding a particle of their power and privilege. Not simply that, but a change of system would give them a tactical advantage over the present critics of their financial policy. They could ascribe all the evils arising under Protection to this country's change from the "best fiscal system" to a "worse"—and against their advice. ("We warned you in our Manifesto issued at the beginning of September, 1930.") Nobody would see that the new forms of burden appearing under Protection were simply the old forms in a new disguise, and that the burdens in themselves were the product of credit policy, not fiscal policy.

There is another consideration. For the reason that our permanent administrators are so familiar with the specific problems that Free Trade creates,

the routine of administration has become semi-automatic, with the result that they are not too preoccupied to consider wider issues than those falling within their function as Civil Servants. Change the system, and these people will have all their contemplative faculties turned out of a job to allow their constructive faculties scope for settling the innumerable new problems with which they will be faced. They would be "kept out of mischief," as Finance would regard it. There is still one other consideration. At the present time the Social Credit advocate has the advantage of being able to draw on the evidence of actual experiences under both fiscal codes, and to relate the two sets of experiences in such wise as to lend, so to speak, a stereoscopic effect to his arguments. If he lives in a Free Trade country he can adduce facts from Protectionist countries to prove that the economic problem is not fundamentally a matter of fiscal policy. And conversely if he lives in a Protectionist country. But if the whole world went one fiscal colour he would lose that advantage; for then the other colour would be a theory—a dream—and everybody in trouble would aspire to get out of it through a fulfilment of the dream. No. It is ever so much better from our point of view to have things remain as they are. We have at least got the bankers pinned down to the declaration that there is no better fiscal system than Free Trade. Good: so if we are hard up we need not chase after tariffs. This narrows the number of things left to be chased, and turns noses on to new scents—of which the Social Credit scent, though difficult to pick up, never lets the hounds down.

Let us now quote another passage from the "weighty reply":—

"... British investors have employed a very large amount of their capital in foreign countries, particularly in South America, and that the income which this capital supplies contributes in no small degree to the well-being of the British people."

No description of the process accompanies this statement, the truth of which is assumed to be obvious, for it proceeds:

"It is equally obvious that... the general expansion of trade cannot be aided, nor the total volume of employment in this country increased, by imposing taxes which diminish the purchasing power of the consumer and place fresh restrictions on the process of exchange."

A general criticism of these two statements is to say that they are incomplete for the one part, and not in accordance with fact for the other. It is no use for the Free Trader to make a credit entry in his account for imports representing interest on capital invested abroad, unless he makes a debit entry representing the unemployment at home caused by the competition of this exported capital as pointed out previously. For instance, part of the British capital in Argentina has contributed to squeeze the British farmer out of business by lowering the world-price of wheat below the home cost. It must be remembered that the Free Trader has always claimed the rapid export of capital abroad as the outstanding triumph of Free Trade. So the Protectionist can very plausibly retort that if there had been less of this exportation there would have been more work for British people to do now. Again, with regard to the interest received from Argentina on this capital, it suits the Free Traders, in the document under discussion, to speak of this interest reaching Britain in the form of foodstuffs, because the public already know that we have to import such goods in addition to our home production. But it is a different sort of picture when the interest comes in the form of goods that Britain can export and needs to export if she is to remain solvent. Even the traditionally Free Trade cotton industry would have something to say were the interest on capital

in the Far East to reach this country in cotton goods to an amount equal to the total present home consumption. Not only would this blot Lancashire right out, but there would not be any compensatory employment elsewhere in England; for, as the Reparation experts took some years to discover, goods sent into a country as interest on debt or repayment of debt do not cause a return flow from that country, and they therefore disemploy its work-people without providing any compensatory re-employment.

The United States, a self-supporting continent, protected by a tariff, has a heavy list of unemployed workers. Great Britain, a dependent country, unprotected by a tariff, has a similarly heavy list. France, an intermittently dependent country, protected by a tariff, had last week a total unemployment roll of 700 men and 200 women. Germany, a country in debt to the world, condemned to flood the world with goods, has a heavy roll of unemployment. Australia, with a chronic surplus of the essentials of life, has a heavy roll of unemployment. In the face of these phenomena it is a farce for any groups of politicians or bankers to discuss the merits of fiscal policies at all, unless their object is to divert public interest from something else—which is becoming a more credible hypothesis every day we reflect on it.

We see that Lord Beaverbrook was landed at Dover from his yacht last week suffering from ptomaine poisoning. If Mr. Pierpont Morgan's yacht is still in the Solent we should be inclined to guess that Lord Beaverbrook had been on board and had eaten something that did not agree with him. If so let us hope it will be a lesson to avoid unaccustomed food.

The *Irish Times* of August 28 gives a pretty full account of the agitation among Labour circles in Sydney in favour of Australia's formally repudiating her debt. The unions called upon the New South Wales Labour Party Executive to

"insist on the repudiation of War Debts and the reforms proposed by the Premiers' Conference, and to ask for a five-years' moratorium on the service of Government overseas loans." (Quoted from *The Times*.)

These "menacing" proposals, as they are characterised by the *Times* correspondent, had yet to be considered by the Australian Workers' Union, the Miners' Federation, the State Executive of the Australian Labour Party, and the Australian Congress of Trade Unions. The last-named body meets on September 9. In the meantime Mr. Fenton, the Acting Prime Minister of the Commonwealth, has shown no sympathy with the proposals, stating that he stood to the position outlined by Mr. Scullin. The correspondent reports that although the above-mentioned Labour bodies will probably decline to endorse the Sydney proposals, they may nevertheless "vigorously endeavour to avoid deviation of wages." A further item of comment is that the State Labour leader, Mr. Lang, has "courted the left wing a good deal" but has "never quite subscribed to its policies." Apparently the conclusion to be drawn from this is that while there's life there's hope; for there was no mistaking a touch of uneasiness in the sniggering references to this demand for repudiation which appeared in the London newspaper. Since the war, repudiation, like war itself, has been growing less and less "unthinkable." In fact there has been repudiation for all practical purposes, but it has been disguised by the process of scaling down debts and reparations. And it will be well for this to be borne in mind in Australia, because after the immense sums that have been written

off—apparently at no person's expense—by creditor countries, it is useless for the City to pretend that any personal losses would be necessarily sustained supposing that all the demands of the Sydney unions were to be voluntarily conceded. Of course London Finance could decide to take it out of the British taxpayer, but if it succeeded (which it could not, for he is bled white already) that would be a matter of bank policy, and not an automatic consequence of the concession to Australia. Again, Mr. Lang, if he did not like Australia to appear in an invidious position, might very well consider the late Lord Balfour's offer to America to cancel all war debts, which was the same thing as proposing universal repudiation. Mr. Lang could reasonably infer that anything proposed in the hearing of the whole world by an honourable and experienced Minister of the Crown must have been proposed with honest intent, which in turn presupposes that his Government's financial experts had assured him of the technical feasibility of this proposal: also that since it is unthinkable that cancellation on this astronomic scale could have been borne by private individuals—whether as bond-holders or taxpayers—these financial experts must have been aware of an alternative method of causing debts to disappear without drawing on any person's credit, and must have been prepared to use it in case of America's agreement. America refused, and her refusal must have been based on reasons of policy and not on technical grounds. America, then, is primarily responsible for the existence of all war debts at the present time. Australia, however, has to deal with her immediate creditors, presumably British investors (although Sir Otto Niemyer may very well have been treating on behalf of others as well—for goodness knows where any country's debts are held at any given time). In any case the issue, in a formal sense, is between Canberra and London.

Now the foregoing conclusion as to the fictitious nature of existing debts does not rest essentially on inferences from the Balfour offer. Direct proof has been given in Major Douglas's credit-analysis, and confirmed by Mr. Reginald McKenna. On the basis of this proof it is possible for the Australian Labour Organisations, if they are rebuffed by the Federal Government on the repudiation issue, to raise another, which is to call upon the Government to offer to repay the debt by the method prescribed by Major Douglas in his correspondence with Mr. Lloyd George on the question of how to repay the American debt. With some modification which might appear advisable to suit the slightly different circumstances such a proposal would keep Labour united without alienating the non-labour elements of the population who are naturally hostile to anything suggestive of the breaking of a contract. Instead of repudiation let the slogan be fulfilment.

On July 10 Major Douglas's article on "The American Situation" appeared in this journal. In the course of it he referred to Mr. Hoover as "some-thing new in Presidents," as a man who had been accustomed to doing things. "He has the training and the experience of an engineer." Also: "the financiers distrust him." Last week we quoted from ex-Ambassador Gerard's pamphlet on Empire Free Trade and reproduced part of his list of names of "men who rule America." This week we quote the following from the *New York Herald*, Paris, August 22:

"Gerard explains the omission of President Hoover from his list of men who rule America by saying that 'if Hoover had been a man in private life his name would have headed the list.' It was pointed out, however, that Andrew Mellon, Secretary of the Treasury, appears third from the top." (Our italics.)

This suggests that manhood requires a banker's endorsement before it becomes negotiable.

In the same report Mr. Gerard is quoted as saying that his 59 rulers "rule by virtue of their ability." *They are too busy to hold political office, but they determine who shall.* This is useful to have on record because it is the most authoritative public admission to date of the fact that the power of government does not reside in the Legislature. We notice that the only member of the United States Legislature who figures on the list is Mr. Mellon, the Secretary to the Treasury—i.e. the liaison officer between the financiers and the subservient politicians. Otherwise the list "ignores politicians, also educators, clergymen, artists and writers." (*N.Y. Herald* Correspondent in the same report.) An intriguing omission from the list is the absence of the name of the man who admittedly ruled the whole of the United States industrial organisations during the war—Mr. Bernard Baruch. Perhaps he is so busy that, like the Irishman's thirteenth pig, he won't keep still enough to be counted.

The 116 signatories to the Free Trade Manifesto to which we have referred might be considered as corresponding, after a fashion, to Mr. Gerard's "rulers." They include 20 bank directors and one insurance director. Of the rest we think that the *Star* has overestimated their importance in its zeal for Free Trade propaganda. The latter include well-known people like Sir Hugh Bell, Mr. L. J. Cadbury, and Mr. B. S. Rowntree, but there is nothing about the other names to impress the man in the street. In fact, barring the banking institutions represented (though not necessarily committed) by directors' signatures, and the industrial interests above indicated, the list is a shoddy one. It looks very much like the walrus, carpenter and oysters holding a united demonstration on the beach. Mr. Gerard's list is also mixed, although probably each of his names represents a higher index of ruling power.

It would be a great help if someone would classify these people like engineers do machines. Instead of in horse-power they could register them in terms of ruling-power or ramping-power, using the sign "r.p." with numerals. Thus John Smith, the plain workman, would be the unit, and would be registered as 1 r.p. On that basis could be built up an illuminating register—and a most useful one for reformers, because when they wanted anything done they could cut the low-rated classes out of their consideration and start their advertising campaign among, say, the 1,000 r.p. class, or higher according to the nature of their proposals. This suggestion offers a fine field for rationalisation: it would save a tremendous amount of time, energy and postages; and the reformer would no longer have to measure his prospects of success by counting the heads that were for or against him, but by adding up the ratings. Consider how convenient it would be for him to begin with a letter costing 1½d. to the top ruler of all—say the 20 mill. r.p. man. If the reply was "No," then he could take, say, the 5 mill. r.p. class, of let us say, ten persons, and write to them at the cost of 1s. 3d. That might be sufficient. But if not, then for 12s. 6d. he could write to the, say, 100 people in the 1 mill. r.p. class. And so on until he either succeeded, or reached a point in his investigation where the collective r.p. of the classes not yet consulted was seen to be less than the hostile collective balance of r.p. already ascertained. In the latter event he would cut his loss and try something else. Contrast this with the enormous waste involved in following the democratic principle of consulting electorates!

Russia's Economic Blind Alley.*

By Alec Henderson.

II.

Up till now the Russian national economy has been in course of reconstruction, but the reconstruction, however, has been effected by the using up of the heritage from the old days of capitalism, and thanks to this alone has it been possible to reconstruct at such speed. But, now, when all the fixed capital of the old industry has been used up or has got worn out, new investments, to the tune of milliards are required, not simply for a step forward, but merely to maintain the present achievements. The State cannot risk having further recourse to inflation, for this would have a disastrous effect upon all branches of the national economy. Nor can the prices of industrial products be raised; and the screw press of taxation has been used to the utmost limit.

The nationalisation of industry in the U.S.S.R. during the last ten years has not resulted in supplying the country with cheap goods of a high quality. We find that the products of industry of contemporary Russia are from one-and-a-half times to twice as dear as the products of Russian pre-war industry, and very much worse than those in respect of quality. Nor has the nationalisation of industry been able to bring about any exceptionally good working conditions for the operatives. Real wages to-day are somewhere near the pre-war level, but everyone knows that the Russian worker of pre-war days was condemned to an exceedingly low standard of life, and that this was the main cause of the frequent and widespread strikes of that epoch. Furthermore, the problem of unemployment is extremely acute. According to official data the number of unemployed trade unionists reached two million at the beginning of 1928, and unemployment continues to increase at an accelerating speed. In the rural areas things are just as bad. In the Russian countryside to-day nine millions of able-bodied peasants can find no employment for their productive activities, and according to the calculations of the Soviet authorities this number is likely to increase year by year by 0.75 to one million. The only effective and realist way of solving the problem of land scarcity and over-population is to bring about the rapid industrialisation of Russia and to make Russian agriculture intensive. The industrialisation of agriculture might well be of even greater importance.

The revolution has done two things for the Russian peasant; one, having made a clean sweep of the patriarchal conditions that had prevailed for centuries, it has created a situation very favourable indeed for the introduction of improved technical methods, and, two, it has tended to raise the general cultural level of the peasants. In fact, during the first years of the Nep, the damage Russian agriculture had sustained during the civil war and owing to the compulsory levies of grain, was made good with extraordinary speed, and the peasants' demand for industrial products increased so rapidly that industry was unable to satisfy it. This is one of the reasons that so little agricultural produce finds its way to the market.

One of the most difficult and complicated of problems in Russia to-day is that of fixing prices. As regards the circulation of commodities the State has fixed the prices of factory products, and has established a maximum cost of production in every branch. But the attempt to carry out these regulations has been to a large extent unsuccessful. The retail prices of industrial products are very high.

* *Economic Trends in Soviet Russia.* By A. Yugoff. Translated by Eden and Cedar Paul. (Allen and Unwin. 12s. 6d. net.)

The demand is great and the supply is small. Circumstances work in the opposite direction as regards the prices of grain and other agricultural produce. Under the pressure of the monopolist consumer, the State, the prices of agricultural produce remain at a much lower level than the prices of industrial products. By taxation, by scarcity of industrial products, and by enforcing subscriptions to loans, the State compels the peasants to hand over grain, meat, flax, butter, eggs, wool, etc., to the governmental purchasing department at the prices fixed by the State. An exchange of agricultural products for industrial on unfair terms has become a daily occurrence.

The foreign trade of the U.S.S.R. is nationalised and the sale of exports and the purchase of imports is carried on by a State department. But the system does not work well. Owing to its lack of funds, the State cannot pay a proper price for the surpluses of grain produced by the peasants or for the agricultural raw products required by industry. It forces down prices, thus causing widespread discontent among the peasantry and hindering the re-establishment of peasant agriculture. Consequently it is compelled, year after year, to restrict imports. The State apparatus is unable to cope with the complicated task of providing raw materials in the huge territories of Soviet Russia and with the task of buying foreign goods to supply the manifold needs of the country. The State possessing a monopoly of foreign commerce fixes the prices of imported goods at from 10 to 30 per cent. higher than the average prices of home products, although the prices of Russian textiles (for instance) are 238 per cent. higher, and the prices of Russian metal goods 250 per cent. higher than the prices in the world market.

During the period of war communism the Russian currency underwent a complete collapse. The depreciation of the currency was so extreme that the cost of printing paper money exceeded the value of the notes. Inflation reached its logical doom by devouring itself. No doubt the disorganisation of the Russian currency had begun during the opening weeks of the Great War. On August 9, 1914, the supply of gold in exchange for notes was suspended and at the same time increased power of emission was granted to the State bank. The printing of notes became one of the main expedients for the financing of the war. The amount of money in circulation rose from 1,633 millions of roubles in July, 1914, to 18,917 millions in November, 1917. After the establishment of the Soviet State, the depreciation of the currency proceeded even more rapidly. This was due to the arrest of normal production, to the dependence of the whole financial system of the Government upon the income from the note issues, and to the deliberate attempt of the Soviet Government to "liquidate money as the foundation of the capitalist economy by making it entirely valueless." By March, 1924, there were 865.5 quadrillions of roubles in circulation. But in this year, after the depreciation of the currency had been going on for six or seven years, a stable currency, on a gold basis and reckoned in gold roubles, issued by the Treasury, was introduced by a decree, the amount of the issue being fixed. The financial authorities have since been doing their best to maintain the stability of the new currency, but, notwithstanding all the precautions of the Commissariat for Finance, there have nevertheless during the last five years been repeated indications of an open or concealed inflation. During the years when industrial production was being expanded by a more vigorous using up of the old industrial capital, the direct or indirect financing of industry by note issues was less dangerous than it has become of late. In the earlier period the capital investments served to strengthen the capital of enter-

prise, and thus very soon after the issue of new paper money, new commodities could be placed on the market. It is different to-day, when the money supplied by the State is needed for the starting of entirely new enterprises, and when, according to the Soviet programme of industrialisation, it is needed to provide chiefly new means of production. Speedily, and in large quantities, the money gets into circulation (being used to pay the workers their wages, to pay for raw materials supplied by the peasants and so on), whereas the new commodities will not find their way into the market for from five to seven years at least, when the works where the new means of production are to be made will have been set a-going, but when, with the aid of the machinery made at these works, the articles of mass consumption will have been brought into being. But the putting of these excessive quantities of money into circulation burdens the market and gives rise to the phenomena of inflation. Owing to the peculiarities of the Soviet economy, the phenomena of inflation do not manifest themselves as an obvious depreciation of the currency, taking the form of a general rise in prices, as usually happens in such cases in capitalist countries. The State which controls the exchanges and the banks, fixes the value of money. Consequently as prices are fixed, the fall in the value of chervonets manifests itself in Soviet Russia as an increase in the scarcity of commodities.

One of the first steps taken after the establishment of the Soviet Government was the nationalisation of all banks and credit institutions. The banks were amalgamated with the State Bank, which was then given the name of People's Bank. But during the period of war Communism, when Russian economic life was completely centralised, and when a monetary economy had been abolished, the People's Bank was a functionless organisation, and by degrees all its branches were closed. But the inauguration of the Nep compelled the Soviet State to create the banking and credit system anew, and on November 16, 1921, the first Soviet bank, the State Bank, was called into existence. When it was founded the assumption was that it was to be the only banking institution in the U.S.S.R., but by degrees a number of special banks have come into existence. All the banks, with the exception of the private credit institutions which finance private industry and private trade, receive their monetary resources from the State, are subject to State control, and are of the nature of State banks. The right of issuing notes is the prerogative of the State Bank.

Only after the currency had been stabilised could the Soviet Government draft a State budget. Until then revenue from note issue formed a considerable part of the revenue, but in 1924-25 note issues ceased to constitute an official item of revenue in the budget, and since then the State revenue has been of three main kinds: revenue from taxation; revenue derived from State property and State enterprises, from the transport system, and from the post office; and revenue from loans. The Soviet State, whose economy is in the main nationalised, has to finance at the cost of the State almost the whole of industry, home and foreign trade, and banking. There is hardly any private capital in the country, and no influx from abroad worth mentioning, so that the State Treasury has to provide for everything. The budget of the U.S.S.R., as far as revenue is concerned, is mainly composed of taxes, but the burden of taxation has nearly reached the limit, and the drying up of the sources of taxation has compelled the Soviet Government to consider the possibility of increasing the borrowing operations of the State. After the Communist revolution the old national debts were annulled, but now the increase in the national debt is very rapid. In 1922 it was only 2.5 millions of roubles, while in 1928 it was 1210.7 millions.

And so we see that Russia is back again to where she started. No one who is interested in the economic life of Soviet Russia should miss the book from which the above facts are taken. It contains a mass of potentially useful information to the student of Social Credit, who would be well advised to consider what might have been done by the Soviet authorities had they known of the Social Credit analysis. The broad trend of what actually happened is clear. First they completely broke the power of the banks and of the old economic system. Next they tried to manage with a glorified system of barter, but found they could not do without money as a medium of exchange. Then they once again went back to the old system of a gold standard, the issuing of credit in the form of loans, which have to be repaid before the goods produced are ready for the market, and so on. *Once more Russia is in the power of a wrong accounting system.* It is quite obvious that the bolsheviks lacked the key to the economic (banking and financial) situation, and also that Yugoff, the author of *Economic Trends in Soviet Russia*, also lacks the key to the present Soviet financial position. The key is, of course, the Price Calculus as regards consumable goods and services. There seems to be an actual shortage of capital goods in Russia, but also it seems as if Russia is unable to distribute even the few goods and services she does produce. The first thing to be done, therefore, is to see that what is produced is distributed, and this would have the effect of stimulating production. But by seeking to increase exports from Russia in return for capital goods (machinery, etc.) the U.S.S.R. must needs cut down her internal consumption of Russian-made consumable goods. Much more serious than that is the Soviet policy of trying to attract foreign capital and of trying to borrow money from other countries—foreign loans. This would not be necessary if the Communists understood the Price Calculus, and on that basis capitalised the actual and potential productive capacity of Russia.

The introduction of Nep (New Economic Policy) has led Russia into an economic blind alley, but the introduction of Nid (National Industrial Dividend) and the Exact Price will bring her back to the broad highway which leads to prosperity.

(THE END.)

HARVEST FESTIVAL.

"The return of a further £5½ million of currency from active circulation this week just about completes the reflow of holiday money into the banks' coffers. Altogether over £11 millions have returned, and the bank's reserve has risen to £53½ million." . . . It will be seen, therefore, that the Bank is in a much better position to meet the autumn gold demands than it was a year ago.—*Evening Standard*, August 15.

"All is safely gathered in
Ere the winter storms begin."

"Australia is trying hard to put its house in order in a financial sense. Sir Otto Niemeyer, representing London creditors, has been discussing the need for Budget-balancing with the Commonwealth and State Premiers."—*Evening Standard*, August 21.

"Really Lord Passfield excels even his own Empire record in his fresh message to the depressed people of the British West Indies. In effect he says: Our hearts in the Mother-land bleed for you; we deplore your sad condition, due for the most part to circumstances beyond your control; but don't imagine we mean to shape our policy to fit new Empire and world conditions; turn to other enterprises and smile even though you sink. Is it surprising that the Colonies, following the lead of Barbados, are turning to Canada? If West Indian sugar were admitted into Canada free of duty the ultimate effect upon the future of the British Caribbean might surprise British politicians."—*Canadian Gazette*.—Quoted in the *Commercial Review* (British Guiana), June, 1930.

Crowley's "Come-Back."

By I. A. O.

II.

Mr. Stephensen quotes from an article by Florence Farr which appeared in THE NEW AGE (1907), in which we read:

" . . . It requires a certain amount of serious purpose to stir Public Opinion into active opposition, and the question is, has Mr. Crowley a serious purpose? It is still an open question whether he will excite that life-giving animosity on the part of Public Opinion which is only accorded to the most dangerous thinkers."

So we seem to see in Crowley's life and work:

1. *Serious purpose, or objective:* to "give back its youth to the world."
2. *Method whereby this shall be done:* the "chosen" to be tested and instructed in the "Mysteries of Eleusis."
3. *Result:* "mud-throwing" followed by "white-washing."

In the above process Crowley has produced some good stuff in the way of richly woven words, both in poetry and prose; and also some very poor stuff, as in his novels, "The Diary of a Drug Fiend" and "Moonchild." But the world has not gulped Crowley's elixir of youth; the world is just as aged, or just as youthful, as it was in 1907, is now, and ever shall be. The objective, to "give back its youth to the world," if that was ever Crowley's serious purpose at all, was silly. The world—mankind as a whole—is every moment on its death-bed, for ever dying, dying, dying, and every moment coming forth from the womb, born again. While Mrs. Snooks, at *Alma Mater*, Orphic-avenue, Balham, gives birth to twins, and while Mr. Clynes Tells of His Peep Into Royal Cot at Glamis Castle, the world is not in need of "youth." But, of course, we shall be reminded that Crowley's phrase about giving back its youth to the world was a poet's phrase, and that he was speaking, not of physical youthfulness or physical age, but of the "spiritual" decay, the smug suburbanism, the miserable meanness, the muddle-headedness and dead-and-alive deadness of this phase of commercialised civilisation, and the need for "spiritual" re-birth.

But, if this was the objective, if this was the serious purpose that Florence Farr referred to, Crowley has missed his way like all the others. He gives us, as they all give us—all these Poets, and Prophets, and Mystics, and Teachers, and Masters, and Adepts, and Yogis, and Christs—a Peep into Paradise (by means of "ecstasy" induced by Ceremonial Magick, in the case of Crowley) when what we all want, and what we are determined to have, is The Goods. In place of Crowley's Ecstatic Magick we—that is, the world, mankind as a whole—want physical Food, Warmth, and Shelter, up to our actual physical limit of consumption. If Crowley can live on sun and wind and "lustral dew"—we can't. We want tripe and onions, not spiritual tripe and astral onions.

True, Crowley does not hand out stones instead of bread. He pours out poetry drenched in ecstatic lustral dew. We do not want these Eleusinian dewings—we want "the doings"! Good poetry or bad poetry—it does not matter. Good or bad, we cannot live on poetry. Man cannot live by ecstasy alone. If Crowley cannot hand out hunks of bread and butter—if he cannot feed the multitude—he is just one of the helpless multitude, and does not matter very much. He may be a wonderful poet, a scholar, he may seem to be a Master of Magick, and all the rest of it; unless he can "magic" some fish-and-chips for the hungry, some good beer for the thirsty, and clothes for the ragged and bedraggled—he is no Master of Magick at all. He is just another psychologically interesting Exhibitionist.

He can call himself 666 or 606, for all we care. He can call himself a Man, or a Beast, a Hippogriff, or a Boojum—we know it cannot help us. It is all poetic Celestial Slime, conjoined after separation in due, harmonic vitall proportion, and, the Soul descending from the pyroplastic sphere, restored by a mirific embrace, and proceeded with according to the Volcanico magica theory, until the whole is exalted to the Fifth Metaphysical Rota. In other words KNUB, which, properly transliterated and read kabalistically reveals the Last Word—if not the Lost Word.

Mrs. Crowley called her son "The Beast 666," and at an early age Aleister, the son, must have said to himself, "Right! I will be The Beast! I'll show 'em, I will! I'll be The Bad Lad—I'll be Anti-Christ! I'll bust their beastly bigotry, and peel the skin off all this repressive Puritanism—Yah! (also JAH, and AH-HA!)—you watch—"

Well, that was his little hobby. And—here we come to the economics of it all—"he left Cambridge at the end of the '90's with a fortune of £40,000 to burn . . ." According to Mr. Stephensen's account, Crowley burnt it in producing very expensive, special, privately printed editions of his own poems and his works on Magick. Why shouldn't he? His poetry, we are told, "was 'outrageous' in the manner of Swinburne, Baudelaire, and the Yellow Book." Well, what about it? "Even if his poetry is erotic, blasphemous, indecent, obscene, corrupt, perverted, pagan, decadent, sensual, and what-not—is it good lyric? That," says Mr. Stephensen, "is the question."

That may be the question for Mr. Stephensen and others interested in such a question. The point is that "good lyric" will not "give back its youth to the world."

The only thing that can even begin to do that is—MONEY FOR JAM! Not money paid over for a few drops of "lustral dew." It was all very well for Aleister Crowley with his £40,000, to "blue it in" by indulging his poetic and magical interests. Every man to his own taste.

Crowley pleased his whim, and had enough money to do so. His whim, or complex, or whatever you chose to call it, led him to write in such a way as to upset a number of respectable, smug, and orthodox people, and to provide very rich and colourful material for "exposures" in such papers as the *Sunday Express* and *John Bull*. Popular journalism, in order to earn its living, has to find a sensational story, and Crowley provided the "copy" free of charge. He tried his best to "live dangerously," did his utmost to create a legend of The Beast, and became a butt for the mud-throwing. All right. That's that. He must have been a pretty poor Master of Magick if he did not expect all the "mud" he got. And, after all, he has the satisfaction of having written some good lyric. What more does he want? Very lucky to have £40,000 to start with.

We read that, as recently as May, 1929, *John Bull* described Crowley as "England's worst man," and warned him not to come to England. On arriving in London, Crowley dined very pleasantly with one of the Scotland Yard chiefs, and that was that. Splendid. Crowley may be of special interest to Scotland Yard, or even of some use. But of what special interest or use is Crowley to us—to the world—to mankind? Those who like his poetry can read it and enjoy it, and those who are interested in his magical writings can read them (if they can get hold of these very expensive volumes). That—what? Nothing. . . .

We read that when Crowley:

"came back to Europe in 1919 and lived in a villa which he called 'The Abbey of Thelema' at Cefalu. In Sicily, he seriously believed that the World War had signalled the breakdown of Christian civilisation, and that

his was the tremendously responsible part of teaching an ethical code of the New Aeon."

Oh, come on it, Steve! Because, if he really did think that . . . my gracious, what a Mug!

Mr. Stephensen says it is not his task to expound the Law of Thelema, even if he understood it:

"but the main principle is perfectly simple in formulation—that each Individual should ascertain his True Will and do it . . . The implications are as manifold as there are individuals in the Universe."

The word-formula of this Law of Thelema, as set forth by Crowley, runs as follows: "Do What Thou Wilt Shall Be The Whole of The Law." In other words, As You Like It, or What You Will. Fine! That is just what we have always wanted to do—and couldn't.

Crowley, Old Chap, hand us over £40,000 apiece and we will obey the Law of Thelema. . . . Eh? Oh, well, lend us a fiver, then? Come on, be a sport! Yes, Most Holy Master, we have—long ago—ascertained our True Will, and would very much like to do it. But, alas! it costs money. Yes, it does—yes, it does! Now, now, don't begin laddling out any Spiritual Jollop. You had £40,000 to start with yourself, don't forget. There wasn't any poetry about that—nor any Magick. Credit—cash—cheque-book. And we want our £40,000—every man Jack of us. Give us that, and we will soon show you how we—the world—take back our "youth"! Ceremonial Magick be-damned! And the Law of Thelema into the bargain. . . . Show us how and where to get Purchasing Power, and we'll have the good manners to say "Thank you," and tell you to buzz off and be a child of the wood, stream, mist, mountain, sun, wind (especially wind); and, for all we care, you can go forth under the stars, drink lustral dew, see God face to face, and even choose and test and instruct those who happen to want to be chosen, tested, and instructed in the Mysteries of Eleusis—or any other mysteries. For ourselves, we should go off on the spree. Might even go to Southend-on-Sea. WHAT? You're not proposing to show us, as individuals, how to increase our material wealth? You're another of these Spiritual Teachers?—You're giving us Ecstasy induced by poetical and ceremonial words, *mantras*, *Hotum-potum*, *paradise tantum*, *perry-merry-dic-tum*, *domaree*? You offer magical words written for those who wonder wanly what A . . . stands for?

Apple-pie, pudding, and pancake,
All begin with A.

And we want the apple-pie, pudding, and pancake—and not the symbolic mystery of the alphabetical cipher A. You don't propose to *pay* us if we come to your "Abbey" and nibble "cakes made of goat's blood and honey," and walk round the Magic Circle a-widdershins, chanting:

Round the rick, and round the rick,
And there I found my uncle Dick.
I picked him up and sucked his blood,
And laid his body by. . . ?

You expect us to pay? Then you can stick your Magick right up the spout!
Thereupon all shall stand and sing, with Mr. Stephensen:

"Whiter than the Whitewash on the Wall!
Whiter than the Whitewash on the Wall!
Wash me in the Water where you wash your Dirty Daughter, and—
I shall be whiter than the Whitewash on the Wall!"

Then, from the semi-gloom of the temple, Mr. J. Krishnamurti stands forth, robed in pure white.

Krishnade: Seek Happiness . . . the One True Happiness that is incorruptible and unattainable. . . .

At that moment, accompanied by a flash of livid

lightning and a clap of thunder, Mr. A. Crowley, robed in black, appears before the altar, saying:

666: A . . . A . . . sir! Do what thou wilt shall be the whole of the Law. And, by the way, I think you ought to know that I have written my Autobiography, entitled "The Confessions of Aleister Crowley" in Six Volumes, to be published by the Mandrake Press, price—please note the price—£2 2s. od. per volume, and cheap at that!

And, Gentle Reader, if he can get away with it, why shouldn't he? Quite so—and so say all of us. For there are more mugs in heaven and earth, Aleister, than are dreamed of even in your philosophy.

THE END.

The Films.

Romance: Empire.

Greta Garbo's first talkie, "Anna Christie," was an outstanding film, which has won the reputation of being above the heads of the groundlings, although in view of the special character of the Empire as a shop window or key theatre, the real test of its popularity will not come until it is generally released. The film went very far to convert me into one of Miss Garbo's "fans," which I had previously been far from being, and "Romance" has finished the process. It is based on the stage play in which Doris Keane won such popularity, and while the story is to a large extent a blend of melodrama and "Family Herald"—certain ingredients of box-office success—Miss Garbo, Lewis Stone, and Gavin Gordon make it both credible and convincing, although it may displease the professional highbrows. The setting, New York in the sixties of last century, is a most refreshing change from the Broadway of to-day with which picture-goers have lately been surfeited, and the surroundings provide just the right note of artificiality inherent in the screen or stage presentation of a period which is so near to us in point of time, and so remote in all other respects.

"Romance" emphasises a notable fact already made apparent in "Anna Christie," that the talking screen has given Miss Garbo a new lease of artistic life. Speech lends her an added individuality, or rather, strengthens her dominating personality, which is partly due to the remarkable quality of her voice, and in part to the manner in which she knows how to use it. Also, unless I am mistaken, the use of the spoken word has greatly lessened her former dependence on direction. Her impersonation of Cavallini is sincere and finished, and it should be emphasised that the role, although containing "fat" in generous quantities, is one which it would be easy to make ridiculous or cloying. Miss Garbo's interpretation suggests that she would make the ideal Dame aux Camélias. Lewis Stone is as admirably polished and satisfying as always, and in Gavin Gordon, as the young lover, the screen has secured a notable newcomer. "Romance" is admirably directed, and I shall be surprised if it does not score a considerable box-office success.

Women Everywhere: Astoria.

Fifi d'Orsay is one of the greatest living exponents of the quality variously known as "sex appeal" and "It." It is of psychological interest that actresses possessing this particular qualification to a very marked extent enjoy the greatest box-office popularity among their own sex, as is shown by Tallulah Bankhead and Greta Garbo. In the circumstances, it occurred to me to ask a representative girl of the period to give me her opinion of Miss d'Orsay's latest film. Here is the verdict.

"The technicalities of this film are all wrong. Soldiers singing in the desert about the boiling sun, etc., looked freezing cold, and their breaths looked a frozen white. Fifi d'Orsay is a mixture of all sorts

of things. When she tries to look tragic the attempt is very laughable, but when she vamps she looks the personification of everything that goes to make 'it.' The part of a dancer in a third-rate French café suits her admirably. Comedy is more to her style than tragedy—unless she only looked tragic to make the audience laugh! J. Harold Murray, as her lover, played well under the circumstances of a very cramped scenario. A scene in Morocco is obviously built in the studio. This film is enjoyable to everybody except critics."

The last sentence, of which only critics will appreciate the poignancy, may be described as praising with very faint damns.

The Living Newspaper.

The Avenue Pavilion some months ago abandoned its policy of showing the best silent films, including revivals, which had made it one of the most noteworthy picture houses in the world. Last month, it inaugurated a programme confined to news reels, travel pictures, and cartoon comedies, and has in the process become the British Movietone News Theatre. The purely "topical" programme had already been tried with success in other countries, and it is another indictment of the unimaginative and unbusinesslike manner in which the British industry is conducted, that it has taken so long to make the experiment in England. On the night of my visit last week, the menu included such diversified items as marvellous aerial views of the buried city of Angkor Vat, the T.T. Race in Ireland, wonderful "shots" of New York skyscrapers, the Devil Dancers of Singapore, Mr. Edison whiffing through his teeth, the Test Match, and a monologue by Mr. Shaw. This last was a saddening performance. G.B.S., who is, incidentally, the least camera-shy person in the world, and whose elocution is excellent, must pain his real admirers by giving such an exhibition of complacent and self-advertising buffoonery, of which the burden is "Come to Malvern and See MY Plays." The author of "Saint Joan" has no need to adopt these methods, and his continuous comparison between himself and Shakespeare had even before the war worn more than a trifle thin.

My only criticism of the programme provided by this theatre is that its "topicals" are still too much devoted to sport and the uninteresting ceremonious doings of royalty, and too little to the interesting affairs of everyday life, and that both the musical accompaniment and the speech are far too loud for so small an auditorium. The latter is a technical defect, which can no doubt easily be remedied; as to the pictures themselves, it will be necessary to ginger up the various concerns which specialise in this class of film, and for them to encourage photographers and editors with a taste for originality. We have had enough bowler-hatted provincial mayors laying foundation stones, and more than enough inspections of Girl Guides by popular members of the reigning house. I should add that prices for admission to the Fox Movietone Theatre are only sixpence and a shilling, so that the poorest can enjoy this interesting combination of living newspaper and armchair journey round the world. The innovation has my most cordial wishes for success.

DAVID OCKHAM.

"With a mighty heave and roll as of giants turning over in their sleep, the leading bankers of the British Empire abruptly, jointly, and publicly changed their minds last week. With the air of reporting a modern miracle the *Financial News* referred to 'the bankers' complete volte face.' Such a thing has not happened in a generation. It was as though President Hoover and Mr. Morgan should suddenly announce that they favoured tearing down the U.S. tariff wall."—Press item—authority and date not given.

Producer Credit.

"Thank you for your little book and also 'Economic Analysis of Monetary Systems' with new proposed system. As I understand it the latter boils down to the unlimited discount of manufacturers' bills as a right and not as an act of grace with the Banks.

"While I think such a process would temporarily improve the present situation it is far from being the cure for it.

"The fundamental defect in the existing financial system is due to the fact that effective demand, i.e. money, can only reach the consumer as a loan. If you will realise that money and goods are bound to be on opposite sides of a double-entry book-keeping system it is quite obvious that the correct ownership of credit must originate with the consumer and pass over to the producer in exchange for his goods. It cannot possibly originate from and return to a third party any more than it can originate with the producer, who would then have both the money and the goods."—Letter sent to a correspondent by Major C. H. Douglas.

Bank Credit as a Source of Capital.*

(5) There are many writers who would deny that new bank credit is an addition to capital at all. They would say that it is absurd to contend that the signing of a note by a bank's customer, accompanied by the entry of a new deposit credit on the liability side of the bank's balance sheet—the mere creation of two debts—should mean the creation of new capital. None the less, for the business man seeking capital, this is enough. Armed with this new bank credit, he is able to go into the market and buy materials and hire the labour which he needs to provide him with new capital equipment. It must be recognised that, when held within proper limits, this is a real source of new capital. The borrower, armed with the new bank credit, is able to divert labour and existing equipment from the production of consumers' goods to the production of producers' equipment, with the result that in the course of the succeeding months more actual physical capital comes into existence than would have come into existence if the loan had not been made.

The foregoing should suffice to make it clear that I have no disposition to be doctrinaire, or to speak from the standpoint of the old-fashioned "strict construction" school of banking theory in my comments upon the recent great expansion of bank credit in capital uses. Nor am I even disposed to be doctrinaire in commenting upon a representation of bank credit for consumption purposes as represented in the financing of instalment buying, though this obviously stands at the opposite pole from the conversion of income into capital. When commercial bank credit is used to finance consumption, we have not merely the conversion of present capital into income, but even the hypothesis of future capital for current income. As a minor factor in the commercial bank credit situation, this is manageable, but it obviously cannot become a very important element in the situation without standing things on end.

The older doctrine of bank credit as stated, for example, by Adam Smith, would limit the banker to short-term advances of part of the working capital of a merchant. The banker, Adam Smith would hold, may properly lend a merchant funds for the turnover of readily marketable goods, and he might lend a manufacturer also some part of his working capital for the purchase of materials for quick conversion into marketable goods, but he must lend to a manufacturer no part of the funds used to purchase a forge or his smelting house." It would have seemed weird and strange to Adam Smith, and, indeed, incredible, that banks could safely place their funds at the disposal of a railroad for the construction of a roadbed or the building of bridges or terminals.

The development of the modern stock market has changed the facts and has provided a safe machinery for using the funds of commercial banks directly or indirectly for many

*Extract from an article in *The Bankers' Magazine*, August, 1930 (New York), entitled "The Abuse of Bank Credit," by Benjamin M. Anderson, Jr., Ph.D. (Economist of the Chase National Bank, New York).

capital purposes, still keeping them liquid. No commercial bank would lend directly on the roadbed, terminals, and bridges of a railroad. If the loan were not paid and the bank were obliged to foreclose, it would have a white elephant on its hands. No ready market exists for a railroad as an aggregate, or in fragments. But the bank may with entire safety lend money against the \$100 shares or the \$1,000 bonds representing the roadbed, terminals, and bridges of the railway, because for these bonds and shares a wide and active market exists. The bank may even own the bonds, though American banking opinion, unlike banking opinion in parts of Continental Europe, is adverse to extensive bank ownership of corporate shares.

Reviews.

A Book of Make-Up. By Eric Ward. (Samuel French, Ltd. 3s. 6d. net.)

Having regard to the position occupied by the publishers, this very useful little book would appear to have been written primarily for amateurs, but it should also be of great value to many professionals, as well as to the large army of film aspirants. The text is supplemented by illustrations in colour which leave no doubt as to the author's meaning, and Oswald Blakiston, author of that excellent volume, "Through a Yellow Glass," contributes two chapters on filmic make-up. In the words of the advertisers, this book should fill a long-felt want.

D. O.

A Child's History of the World. By V. M. Hillyer. Illustrated by C. M. Boog and M. S. Wright. (George Allen and Unwin, 7s. 6d.)

A good world history suitable for children is greatly to be desired. The volume now under review will, however, hardly meet the need. Its treatment of the origin of the world and the appearance of man suggests that the author is trying to make a compromise between modernist and fundamentalist views, and that he will hardly succeed in pleasing members of either school of thought. (His use of the word "animal" when he really means a "mammal" comes presumably from that Transatlantic squeamishness and legs"! His view of the "cave man" seems to have been taken from Miss Ethel M. Dell; he regards our prehistoric ancestors as being abominably degraded creatures, from whom we get "many of their wild ways." His treatment of modern history is as sketchy and inaccurate as his as this book is a U.S.A. production, it is needless to state what country it shows as having "won the war." Nevertheless, the book contains many narratives from classical and European history, and from the biographies of famous men. Much of this is well told, so that, although this work cannot be recommended as a text-book of world history, it will form a useful source of reference to the teacher in that subject.

I. O. E.

LETTERS TO THE EDITOR.

ANSWER ME THIS ONE!

Sir,—The absurdity of the proposal to create a new economic order by an ever increasing rapidity with which we consume the material resources and manufactured products of the human race should not blind us to the possibility that we may be just as doctrinaire and perhaps more obstructive to progress than the proponents of the idea, if we blindly oppose it rather than try to modify it to suit the realistic concept of the problem as it exists. From the standpoint of the managers of industry, whose attention is engrossed with problems that mature within a quarter- or half-year, the increase of consumption is a very convincing solution of their immediate problems.

The increase of wealth enables an ever widening number of people to have more goods than they can possibly consume or even waste. This means that increased consumption can be achieved only by extending that number to more and more people. Critics of the present order should think that a very considerable portion of their grievances had been assuaged when that surfeit became in fact universal. At that time only could we oppose the increase in consumption, without qualifying our opposition.

The most casual student must be aware that the programme to increase consumption, and its effects upon profits, is the motivating force that keeps many business executives, at least in the United States, interested in remedial programmes for the shortening of hours and the increase of wages. In many cases it may be that factor which makes them allies rather than foes of progress. Reformers are not

yet entrenched in power so that they can reasonably afford to spurn such assistance.

As a concession to the necessities of an evolutionary stage, let us concede the rightness of the proposals to increase consumption up to the point where the legitimate needs or desires of all men are met; and let us qualify our opposition by limiting it to the time when that shall have been achieved. THORWALD SIEGFRIED.

Los Angeles, Aug. 14.

[Mr. Siegfried ought to pay a few dollars to some journalist or advertisement-writer to express his views for him. After reading his letter four or five times we can only make a guess at what he means. Namely—

Par. 1. It is absurd to try to promote ever-increasing consumption.

Par. 2. When every consumer in the world has got enough, critics of the present system, which does not give them enough, ought to be satisfied!

Par. 3. Because reformers are without power they can afford to do without assistance!

Par. 4. Let "us" encourage consumption up to the point when all needs are met; and then, when nobody wants any more, let "us" oppose his having any more! Par. 1 is ambiguous: Par. 2 is self-evident: Par. 3 is illogical: Par. 4 is superfluous.

We print this letter to show our readers a sample of Mr. Siegfried's literary style. If he has anything further he wants us to print it will have to be written very much more intelligibly than this.—Ed.]

THE CHURCH AND SOCIAL CREDIT.

Sir,—I would submit that my friend Major Douglas's attack on the Lambeth Conference Report is far from justified.

I do not know the exact limits which his term "the whole of the report" is meant to cover. But at least the introductory Encyclical is obviously an integral part of this. And here the financial system is at least mentioned. "Neither industry," it is laid down, "nor commerce nor finance lie outside the borders of the Kingdom of God, for at every point they touch human values and depend on human motives" (p. 24).

But further, a large part of "the Report," as published in book-form, is made up of the reports of the several committees. Indeed, it is these which necessarily give the most detailed and fruitful treatment of all special issues.

Now, the report of the Committee on the Life and Witness of the Christian Community—though it had to cover such far-spread topics as Marriage and Sex, Race, and Peace and War—does get home very closely on the matters of peculiar concern to social creditors. Thus: "We cannot say that society has even yet come to believe that industry exists for man, not man for industry" (p. 104). And again: "It is a strange paradox that the capacity of the world to produce more than it needs of almost everything should co-exist with extreme poverty in large areas of population, and the discordance between consuming and producing power" (p. 105). "Again, for hard thinking and courageous action" (p. 105). "Without the crucial problem of finance is international. The Church entering into difficult technical considerations, the Church may rightly urge that the solution of this and kindred problems involves human, social, and spiritual issues . . . the Church . . . cannot accept the contention that these questions lie outside its province" (p. 105).

When I read the above sentences, I thought, "Then our special Lambeth Conference number does seem to have had some effect after all." It is difficult to hold that a body claiming to represent the Church as such could well say much more. Some of us are ourselves ardent believers in Social Credit, but most of us who are also attached Church-people hold that it would be neither wise nor even right for the Church to pledge itself to any particular remedy of (necessarily) a highly technical character.

We may indeed regret that the principal points, made in this section of Committee II's report, did not get embodied in the Resolutions adopted by the full Conference, but at any rate that body has sent these statements out to Church and world, with some kind of general commendation of them to the favourable consideration of all and sundry. N. E. EGERTON SWANN.

"The Australian Loan Council has finally decided to reduce the loan expenditure for the current financial year for the Commonwealth and the six States to £15,000,000 from the £30,000,000, which was the sum originally fixed. This drastic cut was reached after successive meetings of the Council, at which the figure was reduced, first to £24,000,000, and then to £17,000,000."—*Evening Standard*, August 21

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The Social Credit Movement.

Supporters of the Social Credit Movement contend that under present conditions the purchasing power in the hands of the community is chronically insufficient to buy the whole product of industry. This is because the money required to finance capital production, and created by the banks for that purpose, is regarded as borrowed from them, and, therefore, in order that it may be repaid, is charged into the price of consumers' goods. It is a vital fallacy to treat new money thus created by the banks as a repayable loan, without crediting the community, on the strength of whose resources the money was created, with the value of the resulting new capital resources. This has given rise to a defective system of national loan accountancy, resulting in the reduction of the community to a condition of perpetual scarcity, and bringing them face to face with the alternatives of widespread unemployment of men and machines, as at present, or of international complications arising from the struggle for foreign markets.

The Douglas Social Credit Proposals would remedy this defect by increasing the purchasing power in the hands of the community to an amount sufficient to provide effective demand for the whole product of industry. This, of course, cannot be done by the orthodox method of creating new money, prevalent during the war, which necessarily gives rise to the "vicious spiral" of increased currency, higher prices, higher wages, higher costs, still higher prices, and so on. The essentials of the scheme are the simultaneous creation of new money and the regulation of the price of consumers' goods at their real cost of production (as distinct from their apparent financial cost under the present system). The technique for effecting this is fully described in Major Douglas's books.

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