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

Reference is made elsewhere to the *Wall Street Journal* in connection with the subject of the credit-expanding property of bank-purchases. That journal, it will be seen from the quotation we publish, is explaining the technique of credit-expansion in support of the proposition that United States bankers should buy a large block of gilt-edged bonds, etc., as a means of giving industry more money to play with so that a revival in trade shall be brought about. We have made some comments elsewhere on the technical aspect of this proposition, but there is also something to be said on the political aspect.

* * *

The scheme seems to have originated, or, at any rate, to have been first publicly advocated, not in the United States, but in Canada. Part of our evidence of this consists in the fact that at some time during last October the President of the Sun Life Assurance Company of Canada, Mr. T. B. Macaulay, delivered an address which was presented to members of the Empire Club of Toronto, the Board of Trade at Winnipeg, the Canadian Clubs at Saskatoon and Regina, and the Chamber of Commerce and Canadian Club at Edmonton. This address was entitled "Empire Trade Co-operation," and was, as the title would imply, a plea for the adoption of the scheme of Empire development being pushed in Britain by Lord Beaverbrook. "Lord Beaverbrook," said Mr. Macaulay, "by his forceful agitation, has rendered an unspeakable service to the whole Empire." Very good—Empire development within a protected Empire—let's have it.

* * *

But now comes the other part of our evidence. Bearing in mind that the United States is not a part of the British Empire it would not have seemed likely that Mr. Macaulay's address would be popular in New York. The plain, unsophisticated observer would naturally expect that any country against which the British Empire proposed to erect a tariff would oppose such an idea, and pretty strongly. Yet, strange as it might seem, the *Wall Street Journal*, in its issue of October 22, 1930, published a long account of Mr. Macaulay's views on the general business situation. It is true that in those views there was not any mention of Empire development; but all the same Mr. Macaulay was known to have stood for it; so that the observer just referred to might reasonably have expected the *Wall Street Journal* to lend its platform to some other publicist, whose sentiments were more nearly one-hundred-per-cent. American. But to our initiated readers the puzzle will be at once resolved when we state that the outstanding passage in Mr. Macaulay's contribution was the definite suggestion that the Federal Reserve Bank of the United States should purchase gradually $500,000,000 bonds with the object of—but let Mr. Macaulay speak for himself—

> "This would increase the lending capacity of the commercial banks not by $500,000,000 alone, but by several billions. The first result of this expansion would be heavy purchasing of high-grade bonds by the banks themselves. The bond market would steadily improve, and besides re-establishing *American business conditions* it would then become possible again for *foreign countries to finance their requirements in the United States.* This would increase the purchasing power of the whole world, and to the extent that *purchases were made in America* would be further helpful to American industry." (Our italics.)

It will be realised that we have two Mr. Macaulays before us: the one being an "Empire" crusader to whom the United States is a foreign country whose goods must be shut out of the Empire; and the other a "United States" crusader to whom the countries constituting the Empire are "foreign" countries, who, along with others, are to be assigned the role of borrowers on Wall Street and purchasers of manufactures from the United States. The fundamental contradiction between the two objectives is obscured by his saving phrase: "*to the extent* that purchases were made in America." It suggests, for example, that a protected British Empire might borrow American dollars without buying American goods. So it might; but if it did the injury to its industries would be just as severe. Our readers will remember that

Mr. Owen D. Young, in his address at San Francisco (reprinted in THE NEW AGE of September 11 and 18) to the Electric Light Association, said:

"When you think you are sending hundreds of millions of dollars to develop electric plants in other countries, you are not sending dollars at all: you are in the last analysis *sending American goods*. . . . The goods may not go to that particular country in which you build a plant, *but they do go out of America*."

And when they go out they do not come back, for if they do (or their equivalent) the loan is repaid, whereas the policy of the United States as seen by Mr. Young is to plant the loan and resist repayment. Throughout his address he insisted that what the United States needed was to be continually distributing its surpluses outside its own territory.

"The dividing line between prosperity and the want of it is so sensitive that all our surpluses vitally affect it. They may represent only a small percentage of our total volume, as in fact they do, but unless they are wisely and intelligently handled they are bound to create disaster. *In fact our surpluses are a kind of governor of our economic engine. Either they blow off at the appropriate moment or the engine blows up.*" (Our italics.)

* * *

So much as concerns America's necessity. But what about the identical necessity of the British Empire? Whether the Empire were to borrow or refrain from borrowing any of the dollars that the United States lent, the fact would still remain that "the goods go out of America," and if none of them entered the Empire then all of them would enter other countries which the Empire was previously supplying. In a word the U.S. loan policy threatens to invade the home or foreign market of every country comprised in the Empire. The answer to this is for the Empire to go in for the same policy. As the financial system is arranged to-day there is no alternative. It is commonly agreed among financial experts that the world outside their respective countries cannot increase its purchases unless it receives loans. But here comes the curious feature of Mr. Macaulay's attitude: he hints pretty definitely that it is the United States which must do all the lending. For instance, even in his earlier address (to the Canadian clubs) after adducing the United States as an example of the successful working of free trade within a protected federation of States, he proceeds as follows:

"I wonder if we all read the impressive remarks recently made by Mr. James W. Gerrard, former United States Ambassador to Germany. He gave a list of fifty-nine leading men on whom the industrial and financial development of the United States may be said largely to depend. He painted a dismal picture of the England of to-day, and as I have just returned from the Old Country I can confirm it. Things are not in a good way there. Mr. Gerrard went on to say, however, that *if we could give these fifty-nine men who rule the business of the United States ten years for the development of the British Empire* industrially, no country could approach it in per capita wealth. They could, he said, make Britain the financial giant that America now is. But they could only do it *if some such plan of Empire trade co-operation as that recommended by Lord Beaverbrook were adopted*." (Our italics.)

He is careful to add that it is not necessary to abolish tariffs between Canada and Britain, but that these and other parts of the Empire should make between them the "vast number of articles" which are at present imported from "other countries." Now, it is hardly possible to envisage such a thing as allowing these fifty-nine men to develop the Empire unless they are allowed to do it with Dollar loans. In theory of course one can imagine Sterling loans being raised, and these fifty-nine men being engaged at fitting salaries to conduct the development. But as a statement of probability this is fantastic. On the evidence already noticed (a small fragment of the total evidence) the conclusion is irresistible that the price for American organisation would be American control, which control would be secured by American loans. Whatever injury an Empire tariff might do to American manufacturers would be a matter of indifference to American finance, because it would control the business gains within the Empire accruing from business losses sustained in America. Finance has no nationality, but simply a sphere of operations—a sphere which may embrace any combination of nations at any time.

* * *

Mr. Macaulay discloses further evidence of contemplating Dollar loans being the exclusive means of Empire-, and world-development. Among his remarks in the *Wall Street Journal* is the following:

"But is it possible to stabilise the dollar? This involves a discussion of the currency of the United States, and I attempt this with the utmost hesitation in reply to your request for my views."

(The *Wall Street Journal* had invited Mr. Macaulay to contribute his views "because"—as the editorial foreword puts it—"of the prominent position held by the Sun Life Assurance Co. of Canada, and the respect bankers and business men hold for the acumen of the Sun Life's investment staff." Very pretty too!) Mr. Macaulay proceeds:—

"If the matter were one which affected only the people of the United States it would be sheer presumption for an outsider to interfere. The question, however, really affects the entire world, and Canada in particular.

"Our dollar [Canadian] is inseparably united to yours, and its value is completed governed by yours. For practical purposes your currency is ours also. We are, moreover, fellow sufferers in the present depression, and I venture merely to make a suggestion for our mutual benefit. *In any case the views I express did not originate with me.* They are held by thousands of your best informed people. *The opinions are American opinions even if voiced by a Canadian.* . . .

"Formerly London was the investment centre and gold the basis of the circulation of all the leading nations. To-day *New York is the investment centre*, and for practical purposes the monetary basis is now largely the American dollar. The United States *so completely dominates international finance* that any alteration in the purchasing-power of your currency affects all currencies, as is at present happening."

One is bound to conclude that Mr. Macaulay has left London out of count as a factor in the financing of Empire development; and, as we have seen, his ideal concept is that of American super-organisers doing the job. No wonder that his address was reprinted by the *Wall Street Journal* and has presumably been broadcast gratis everywhere (the reprint bears no price). On November 1 the same journal comes back to the subject in an article of its own headed: "Mechanics Of Macaulay Plan." (So that gentleman's disclaimer of originality is forgotten, and he is generously accorded the honour of thinking, as an outsider, of something that would not have occurred to the insiders on Wall Street.) On November 14 Mr. Macaulay again figures in this journal, this time to make comments on views which had been expressed by bankers on his first article. Some time subsequently the two last-named articles were reprinted together with the first in a 10 pp. pamphlet, which, we

notice, was printed in Canada—from which we assume that it has been circulated there by, or at the instance, and probably at the expense, of the Sun Life Assurance Company.

* * *

The enthusiastic support of the *Wall Street Journal* for the Macaulay Plan need not necessarily be connected with the wider objectives outlined by Mr. Owen D. Young; for, since that newspaper represents the interests of brokers and stockholders, naturally its mouth would water at the prospect of the Federal Reserve Bank's launching $500,000,000 extra cash into the Stock Market—cash which it calculates would ultimately cause new deposits to appear to the amount of $5,000,000,000. At the same time the question whether any such scheme will be put into operation will depend upon whether it will further those wider objectives. Experience has proved that bankers have never let the interests of people on 'Change and their clients interfere with their policy, and the only circumstances in which we can conceive of the banks being seriously concerned to help them would be those in which neglect to do so would result in universal distrust of the investment system as such. As we have been saying in recent issues, the optimism of the general body of investors has got to be fostered by the evidence that there do exist *some* prize-winning stocks (if anybody is smart enough to spot them) or else everybody might give paper a rest and go in for tangible articles of consumption instead.

* * *

We have not considered it necessary to analyse the Macaulay Plan from the Social Credit standpoint, because it embodies no features that have not been, and are not being, discussed in these pages at frequent intervals. The episode is interesting because it keeps alive, and extends, controversies between the right and left wing schools of orthodoxy—the deflationists and inflationists: and the longer they keep up their disputations the more quickly will they discredit the financial axioms on which they are now founding their arguments. The immediate effect is to confuse the public, with the result that the majority will give the whole thing up as an insoluble puzzle. But there is always a tiny residuum of serious enquirers who will say: "Now that I've followed this so far I'm going to get to the bottom of it." They're the fellows we're after; and since we have neither the energy nor money to go and find them we must be content that the present controversies, purposeless as they are, are at least doing something to help those rare individuals to find their own way to the solution of the economic problem.

THE "NEW AGE" DINNER.

This has been fixed for Saturday, March 21, at Restaurant Frascati. Tickets, 10s. 6d. Other particulars later.

"In a report to the governing body of the International Labour office, Mr. H. B. Butler, the deputy director, indicated that machines were rapidly revolutionising Canadian farms. The 'combine,' a machine which cuts and threshes grain, could harvest 40 acres a day, and required only two men to operate it. A farm which formerly took on 30 men in the spring and another 120 to 150 during the harvest, now employed 14 men throughout the year. As a consequence, whereas the railways used to transport thousands of men annually from the Eastern cities to reap the crops on the prairies, no harvest trains have been run during the last two years."—*News-Chronicle*, January 29, 1931.

To-morrow.

A SOCIAL CREDIT FORECAST.

By John Grimm.

[The names in this "Forecast," like the "Forecast" itself, are imaginary. The "argument" is a speculative description of the hearing of a case in the Law Courts about a year after the adoption of the *basic principles* of Social Credit. The *method of applying them* which is assumed in it is arbitrarily chosen, and is not intended to be taken as the author's opinion of what the right method should be, but rather of what it might probably be in the earliest days of the new epoch when the form of the scheme would be likely to reflect John Bull's instinct to go slow with a new thing.—ED.]

Leading article in "The London Times," dated June 1, 1933.

THE SOLVENCY ACT.
FIRST DECISION SINCE ENACTMENT.
£7,500 AWARD TO SHAREHOLDERS.

The first judgment under the Solvency Act was pronounced by Mr. Justice Reeve yesterday in the case of Messrs. Upward and Co.'s declaration of inability to meet their financial obligations. When the New Economic Charter received the Royal Assent last Midsummer Day it became necessary to review much legislation which had now become inconsistent with the principles therein embodied; and after the celebrations of Festival Week, it will be recalled, Parliament assembled to resolve these inconsistencies. Among the first measures to be dealt with were the Bankruptcy Acts, which were totally repealed in a one-clause Act on July 15. By July 31 the new Solvency Act had passed without division through both Houses, and was the law of the land when Parliament adjourned for the August Crown Holiday.

The implications of the present judgment are so profound that any discussion of them by us at this moment would be more likely to obscure than clarify knowledge. So we prefer to publish his Lordship's interpretation of the law in his own words, leaving the appreciation of its general significance to the intelligence of our readers.

JUDGMENT.

Mr. Justice Reeve.—The facts of this case are as follows. Mr. A. L. Upward, who is a research chemist, had been partially successful in making a dye of a unique shade of blue, and, needing capital to continue his experiments, raised it from friends and other persons interested in his object. A company was formed with £10,000 capital, which was in part spent on equipping a laboratory, and, later—the experiments proving successful—on erecting a factory. Unfortunately for the petitioners their product did not meet with the expected demand. According to their evidence this appears to have been due partly to the fact that in the meantime the popularity of blue had waned, and partly to the fact that other dye-manufacturers had put on the market shades of blue practically indistinguishable from the petitioners' product. The question whether public taste in colour will change, and, if so, when, is problematical—the more so because the change in this case depends upon women's preferences, which are proverbially mutable and never predictable. Even if otherwise, and the petitioners had sure grounds for expecting a revival of demand within a definite time, they would still be faced with the problem of marketing their product remuneratively in competition with the other manufacturers referred to. For these reasons they have decided to wind up their venture, and they now apply to this Court for a decision as to what relief, if any, shall be afforded them in respect of the loss which would otherwise result from their failure. According to the investigations of the official auditor appointed by this Court, it appears that creditors' claims amount to £500, against which a sum of £2,500 has been offered by a prospective private buyer for the laboratory and factory. There are no other liabilities or assets; so that the Company is in a position to close down with a balance of £2,000 available for return to its shareholders.

Before the repeal of the Bankruptcy Acts the winding-up of a company in such circumstances did not come under the jurisdiction of the Courts. Such jurisdiction was invoked only when a company was unable to meet its external liabilities, and not, as in the present case, when its realisable assets exceeded these liabilities. In such cases companies resorted to voluntary liquidation, paying their creditors in full, and returning whatever surplus remained to their shareholders. And that was the end of the matter. But under the Solvency Act it is not the end of the matter. In this Act is embodied the revolutionary principle that shareholders who have sustained losses may make application to the Courts for relief, and that the Courts may, at their discretion, grant such relief even to the extent of the reimbursement of all their losses. The petitioners have accordingly availed themselves of this privilege, and since they are the first to do so, a responsibility of great weight rests on this Court in arriving at a proper decision—a decision to which the whole commercial population will look for guidance.

Fortunately, what used to be a serious complication in adjudicating on cases involving finance is removed by the New Economic Charter. It provides (Section II., Clause IV.) that in all such cases:

"Evidence not directly referable to the immediate issue between the parties shall not be admissible. No submissions by either party shall be entertained which invoke in any form the supposed interest of the State as a factor to be considered in arriving at judgment."

Then follows later this decisive declaration (Section II., Clause V.):

"In Law the financial resources of the State shall be presumed to be inexhaustible."

Read conjointly, these clauses unmistakably mean that if on the strict merits of a case financial relief appears to be deserved by an applicant it shall be granted without reference to its cost to the National Credit Authority: it means that even if half the companies in this country failed and could prove their right to relief, that relief must be allowed, though its amount ran to some thousands of millions of pounds.

It has always been a Rule of Law that every case must be judged on its own merits; but up to the time of the New Economic Charter the discretion of the Courts was limited by the problem of doing justice as between the parties without doing injustice to the State—that is, to the individuals constituting the community generally. This problem was an especially weighty factor when the State itself appeared as party to a suit involving finance. Counsel for the Crown could frequently urge that if the Court decided in favour of the other party, a precedent would be set which, if followed generally, would jeopardise, and might precipitate, the insolvency of the State. No Court could ignore this consideration; for when the State's financial resources were presumed to be no more than the combined financial resources of His Majesty's subjects, the granting of a claim against the State involved a compensatory tax on the community to meet it. The Court might be completely satisfied that the other party succeeded on the merits of the case, but it would be futile to give judgment accordingly unless practical effect could be given to the judgment, not only in respect of that case, but in respect of all similar cases for which the judgment would now form a precedent. To express the situation in a phrase, there were circumstances in which the State could succeed on the plea of poverty. The Legislature has now expressly enacted that the Courts shall ignore all such circumstances.

It is not my function to express any view on the wisdom of the Legislature, but simply to administer its legislation. In this case I have to apply the relevant provisions of the Solvency Act. They are as follows:

"The State, in principle, guarantees the solvency of all business enterprises." (Section 1, Clause 1.)

"The word solvency means the ability of an enterprise to discharge all its liabilities not only to external creditors, but also to its own shareholders." (Schedule A.)

"In the case of external creditors the rule of immunity is absolute. In the case of shareholders it may be resisted by, or at the instance of, the official auditor of the Solvency Court, on the ground that the company has failed to exercise reasonable care in anticipating the nature and extent of the need or desire of the consumer for the products it decided to manufacture, or, in estimating its ability to manufacture them in a form calculated to satisfy the average purchaser." (Section 1, Clause 2.)

As is common knowledge, the State has taken powers under the New Economic Charter to finance through the National Credit Office any enterprise it chooses—powers which it is exercising to-day, and to an ever-widening extent. It is also common knowledge that the State does not impose any obligation on business enterprises to borrow National Credit if they prefer to raise capital privately. Clause III. of Section 1 of the Solvency Act says:

"The omission of a company to borrow State Credit, whether by its own wish or by reason of its failure to obtain such credit upon application, shall not be construed as a default in the exercise of reasonable care as described in the foregoing clause."

These citations narrow the present issue so much that its outcome would appear to depend on the exercise of ordinary common-sense. To take an extreme hypothetical example, if a company chose to manufacture snow-ploughs for the tropics, or sun-shades for the North Pole, it could not hope to succeed in a petition for relief from the financial losses incurred.

It is self-evident that the petitioners have not done anything remotely approaching such a degree of stupidity. Therefore their plea for relief succeeds in principle. The question remaining is: What is the just measure of relief which the merits of the case demand?

Firstly; with regard to the capital invested, independent witnesses have expressed the opinion that, having regard to the dimensions of the dye-market as a whole, £10,000 was not an extravagant sum to invest in the manufacture of this particular dye. Secondly; other witnesses of experience in the trade have agreed that the process of manufacture was technically sound. Their opinion is confirmed by actual tests made on material treated with the dye, for these show it to be structurally stable, and not liable to deterioration under exposure to the sun or under subjection to the processes of washing or dry cleaning. Thirdly; the cost of production was not such as to impede its sale in competition with comparable dyes of other makes. Fourthly; the profit asked was never excessive; and even if it had been so initially, the necessity of selling the product in a resistant market would have forced the petitioners to scale the price down before they could hope to obtain relief from this Court. So far, then, the evidence all combines to justify the petitioners' plea for full reimbursement of their losses.

But there remains the question: Ought they to have foreseen the two circumstances which have caused their failure—the change in public taste, and the concurrent manufacture of new competing products elsewhere?

The first question is governed by Clause IV. of Section I. of the Solvency Act which says:

"When the product of the petitioning person (or company) belongs to a category of products normally in demand by the consuming public his original expectation of selling that product shall be deemed to be reasonable notwithstanding his ultimate partial or total failure to sell it."

It is clear that the petitioners survive this test. The second question is not specifically covered in the Act, but a clause in the New Economic Charter affords guidance on how the Courts shall weigh it. Clause X. of Section I. is as follows:

"The proper object of all production is personal consumption. The right order in which articles of consumption should be produced is the order of necessity: basic human needs should receive priority of attention; and other needs and tastes in their descending order of urgency or ascertained popularity."

Now, the Legislature has not laid upon any company the responsibility of ascertaining what its competitors are likely to do, and I do not conceive it to be within the province of this Court to question the reasonableness of the petitioners' policy in keeping their own counsels.

But witnesses representing the National Credit Authority have given evidence, supported by official figures, to show that at the present moment the collective demand for boots exceeds the current ability to supply, and that the manufacturers are obliged to defer deliveries. Incidentally they stated that this excess is due to heavy ordering in Lancashire and South Wales; and it appears that the manufacturers had under-estimated the arrears of consumption, so to phrase it, that accrued in these districts during the period of acute distress up to 1930 and beyond. Measures are now being taken to quicken production so as to overtake these arrears.

In view of this fact, both the petitioners and the other firms mentioned in this case, by planning to cater for a public taste while public necessities have not yet been supplied, have acted somewhat divergently from the spirit of the Charter. Although their product was reasonably "calculated to satisfy the average purchaser" (Solvency Act, Section 1, Clause II.) its utility-value is not even remotely comparable to the utility-value of boots. In my view this is the consideration which must govern the judgment.

Since this is the first petition to be heard, and since, therefore, the petitioners have lacked the guidance of any decided case when considering their manufacturing policy and programme, I may safely take a lenient view. The loss incurred by the company is £8,000. The relief awarded by this court will be the sum of £7,500; and an order will accordingly be made for its payment by the National Credit Authority.

I may properly observe that some of the evidence in this case indicates the advisability of closer co-operation, or at least consultations, between business enterprises and the National Credit Authority. This Authority, as the evidence shows, possesses information as to the course of trade which will greatly assist industrialists in avoiding mistakes in framing their policies and programmes, whether they choose to use national credit or otherwise. The old objection to "State interference" should be carefully revised in the light of what is now undoubtedly a policy of State protection extending to producers and consumers alike.

* * *

[*News item in the same issue of the "London Times."*]

Unprecedented scenes took place upon Mr. Justice Reeves's emergence from the Law Courts. Deafening cheers greeted him from a huge concourse of business men who blocked the Strand and Fleet Street. His Lordship's car was surrounded, and pushed at the head of a procession a mile long through Ludgate Circus, past St. Paul's, and up to the Bank of England, where crowds of stockbrokers from Throgmorton Street intercepted and held up the procession. All business ceased, and the staffs were dismissed for the day. Nothing comparable to the ensuing scenes has been experienced since the morning of Armistice Day when the maroons signalled the surrender of Germany.

Australian Conditions.

Sir,—The following extracts from recent private correspondence between two business men, one in New Zealand and one in London, may be of interest in view of more recent developments, as showing on the one side the "correct" opinion of the Australian situation held by polite society in the Antipodes, and on the other its vulnerability on the (hitherto) proudly acclaimed self-determination platform of the Commonwealth of Australia and the Dominion of New Zealand.

The purport of Sir Otto's visit to New Zealand has not yet been disclosed for unhallowed eyes, but should there be any defection on the part of the Dominion from the Borrower's Progress, no doubt the economy of time and passage-money indicated in Sir Otto's anticipatory visit there, whilst the Commonwealth was swallowing the Bank of England pill, will be fully appreciated.

W. T. SYMONS.

FROM NEW ZEALAND, OCTOBER 30, 1930.

Conditions in Australia I found much worse than anticipated, and it is most difficult to estimate how long the present depression will last, as the general public will not realise the seriousness of the situation. As the result of the policy of constantly keeping in power men who are irresponsibles there is little hope of the Government making the necessary adjustment in their administration.

Sir Otto Niemeyer's mandate is as a "red rag to a bull" to this class of people, who will not listen to common-sense reasoning, and the only possibility of salvation for the country will be in the refusal of the English and American financiers to advance more money to carry on the present extravagant methods.

It was obvious to me on all sides that money had been Squandered in non-productive works! They actually spent £2,000,000 on the Savings Bank building, £7,000,000 on the bridge (quite an unnecessary venture), £5,000,000 at Canberra, and so on—and it is little wonder the country is on the verge of bankruptcy.

We in New Zealand, of course, are feeling the pinch of the decreased revenue from our wool and other products, but otherwise the country is in a very sound position.

REPLY FROM LONDON, DECEMBER 22, 1930.

I am afraid that since you wrote affairs have become even more distressed in Australia. I am, personally, doubtful whether the financiers' demand for a lowered standard of living will really solve the problem, as this will hit the export trades of this country, whose Australian customers will be able to buy less, but I realise that the whole matter is complicated, and that the financial "reality" is different from the reality of Australia's great producing power, which should result in prosperity for all classes in the Commonwealth. There is a good deal of instructed criticism here of Sir Otto Niemeyer's mission, except, of course, in banking circles. It is this division between industrial and financial objectives which seems to be causing so much trouble to all of us. It looks, from here, as though the large expenditures on public works to which you refer must have brought prosperity to the shops and importers with whom the wages and salaries represented by those sums were spent, and it does not seem quite right that the power of English and American financiers, operating from outside the Australian Commonwealth, should be used to lower the social conditions which the wonderful energy of Britishers in Australia and New Zealand have won by their conquest over natural difficulties.

SOCIAL CREDIT IN AUSTRALIA.

The first study circle for Social Credit has been inaugurated in Brisbane. A slip notifying this is being inset into copies of Mr. Rhys's pamphlet which we reviewed in the "Notes" a fortnight ago. Australian readers who are interested may obtain particulars from Mr. C. B. Da Costa, Architect, Deagon Street, Sandgate, Brisbane. Telephone: Sandgate, 126.

The Douglas Social Credit Association in Sydney has its headquarters at Room 215, Adyar House, Bligh-street, Sydney. Correspondence should be addressed to Mr. G. M. Morrison, the Hon. Secretary.

America Bids for the Critic.

By Andrew Bonella.

America, naturally envious of European culture, has for years been buying up our pictures, buildings, antiques and first editions; and yet, with all her museums, libraries, and picture galleries, she is faced with the distressing fact that the Almighty Dollar, while it commands the finished work of art, can never create the genius that inspired it. Still, she can always congratulate herself on her business ability and flatter herself that in time she may advertise us into accepting her inferior literary productions as hundred per cent. Literature. Some weeks ago I gave an unfavourable notice in these columns to a book of American verse: the publishers, a Boston firm, have taken me to task in a letter which will interest THE NEW AGE readers as an example of attempted dollar supremacy in other fields than those of finance.

"Dear Sir,—We are sending this letter in care of THE NEW AGE because we are sorry to say we do not know your personal address. We have read with great interest your review of Brookes More's poems, which appeared in THE NEW AGE, October 30, 1930. We will say at the start that you know more about poetry than most of the reviewers with whom we have had business relations, and although, as you will note below, we do not agree with your conclusions for reasons which we will state, at the same time, we will give you credit for a logical mind and knowledge of your subject."

Flattery is the soul of advertising; but my logical mind asks what, in the name of honesty, is a "business relation" between publisher and reviewer. The phrase will be explained later on.

The publishers object to my calling a stanza of Mr. Brookes More's "inexcusable doggerel." They quote Coleridge—the exact reference being given in a further letter—as saying that a poem of any length "neither can be, nor ought to be, all poetry." This is a mere debating point. The poem under review is not "of any length": it is one of a series of twelve lyrics and has only four stanzas, a length which leaves no room for imperfections; and in any case, all the other stanzas are as bad.

The human side of advertising is important: here is a charming picture of the poet:

". . . You also compare him to Tennyson and give both of the poets a slam by calling them prigs. Well, we showed your review to Mr. More, and he just laughed and said, 'If Tennyson is a prig I guess I can stand for it.' He also said, 'Reviewers cannot make one mad by praising Marlowe, even at my expense, because to me they cannot praise Marlowe highly enough.'"

Later we have another dose of flattery:

"We are not in the habit of replying to reviewers this way because, frankly speaking, most reviewers who review poetry show that they do not know what they are talking about, but you plainly show that you do know what you are talking about, and also, there is a little hint there that you do not know what you are talking about. You are not to blame for the 'don't know' part of it. You had one book only of Mr. More's for review and you could not judge the real value of the poet by reading one of his books; you only got about one-sixth of him; and, out of the five hundred pages he has published you were intelligent enough to hop on the four prosiest lines he ever wrote."

And now we come to the "business relations" between publisher and reviewer:

"We hand you a bouquet for your intelligence, *and* we want you to be more intelligent, so we are sending to you with our compliments, by parcel post, a copy of his Sonnet Sequence entitled, 'The Lover's Rosary.' You are going to have a mighty hard time finding fault with that book, and if you like this book that we are sending (which will show further that you know what good poetry is) then we will be careful to send you a copy of one of his best works, gotten out in beautiful style; each copy of this book is worth about one pound sterling. We mean his 'Beggar's Vision,' also his 'Ring of Love.' Then you will have a harder time getting out a slam against these books."

Next they give me a stable tip to get ahead of my fellow-critics in spotting the winner of the Parnassus stakes:

"We want to give you some inside information on 'The Lover's Rosary.' You will observe the sonnets are connected together by interlinked rhymes—referring to the bunch of sonnets entitled 'Pearls.' The author played a trick on his critics—this is inside information—by changing the connecting rhyme in the second part of his book entitled 'Ashes,' so that the next to the last rhyme in the sonnet connects it with the following part instead of the last rhyme. You are the first reviewer to whom we have given this information."

Another tip and a good-humoured thrust or two complete the letter:

"We will also give you another little bit of information. Mr. More never writes for periodicals or news papers under any circumstances. This is one reason why his name is not quoted around amongst the public, but by the time you have read his complete works, instead of comparing him with other prigs like Tennyson, you will do as some other reviewers have done: compare him with such dough-heads as Keats, Shelley, or perhaps Robert Browning. My, but you will have a hard time! But we believe you are going to enjoy it, so good luck to you. We are sorry that you will not be forced to compare him to Shakespeare. That reminds us, just to give you another GOOD kick, we are sending with it a book of his entitled 'Sweet Maggie McGee.' Unfortunately we do not know of any other doggerel writer who can write anything like it at present. Gee-whiz! You will have a hard time.—With our compliments, Very sincerely yours,

"THE CORNHILL PUBLISHING COMPANY
(of Boston, Mass., U.S.A.)."

It puzzles me that the Cornhill Publishing Company should have thought it worth while to spend their time on a comparatively unknown critic, and that they should have expected the results to justify the expense. I can only suppose, since they appear to be a business concern, that such methods do succeed with Americans; and perhaps this explains the twenty-three pages of eulogy from professors of English Literature and heads of colleges in Ga., Va., Pa., Ill., and Mass. that adorn the volume under review.

No critic has the right to declare himself incorruptible until he has faced starvation without lowering his standards; but I may be allowed to tell the Cornhill Publishing Company that, so long as I am not wholly dependent on writing for my support, my pen is not for sale. And if it were, I should ask a better price for it than two pages of boisterous flattery from some Yankee college-boy, and a copy of the "Beggar's Vision" gotten out in beautiful style and worth about one pound sterling.

GLASGOW SOCIAL CREDIT MOVEMENT.

Public Lecture.

A lecture, entitled "Poverty: Its Cause and Cure," will be given by J. White, of the Glasgow S.C. movement, in the Christain Institute, Bothwell-street, Glasgow, on Tuesday evening, February 17, at 7.45 p.m. Questions and discussion.

"In a resounding speech which reverberated menacingly through the Capitol's marble corridors, Senator Robinson bellowed:

"'Congress has little knowledge of the true situation. . . . The riot at [the town of] England was not the first of its kind, but news of the others has been suppressed. . . . There are three entire counties in Arkansas where not a single bank is open to-day, and in fifty counties credit conditions are almost as bad.'"—*Time* (Chicago), January 19, 1931.

"The topsy-turvy economic situation in the United States is vividly illustrated by the fact that, while there are thousands of hungry persons standing in the bread lines wheat is being used as a fuel in the farming State of Idaho. The explanation is that, owing to the huge surplus and the fall in prices, wheat at 37s. 6d. a ton is cheaper to burn in stoves than coal at 68s. 4d. a ton. The grain, it is said, makes a good slow fuel."—*News-Chronicle*, December 23, 1930.

Drama.

Strange Interlude: Lyric.

Eugene O'Neill's "Strange Interlude" was reviewed at length in THE NEW AGE of March 7, 1929, soon after its publication in book-form by Jonathan Cape. What I have to say, now that Gilbert Miller has brought the New York Theatre Guild production of the play to London, is in extension of the original review. First let sincere gratitude be given to Mr. Miller for his adventurousness. If he loses by it, London repeats its confirmation that it is a damned city. To have so much exercise for one's brains in one evening is a refreshing treat; and "Strange Interlude" is a definite attempt to develop the theatre as a medium. That the result does not crown the effort with complete success is a minor point. The play will stand as one of the jumping-off stones for the further development of the most important branch of dramatic presentation; which is, of course, neither staging nor lighting, both of which have outgrown the main branch, but the revelation of the stresses and motives of human nature in the modern mixture of order and chaos which is human nature's own doing.

The greatest proportion of discussion of "Strange Interlude" has been based on what have been called the "soliloquies" and "asides." A convention decrees these devices obsolete, and O'Neill's use of them has been treated mainly as the revival of a forgotten trick. In the instances where they are of the nature of asides or soliloquies, they could be cut out, and the chief fault I have to find with the production is that, while some have been cut out, more could have been. On numerous occasions the character is fully understood before he takes unnecessary trouble to make himself doubly clear by uttering the thoughts or wishes at the periphery of consciousness. But O'Neill's problem was a real one, with which the dramatists of earlier generations have not had to struggle, and which most modern dramatists avoid except by academic references which they throw in just to appear up-to-date. The problem arises from the fact that the "unconscious," to use Freud's term, is no longer entirely unconscious. Wisely or foolishly the more complex types of men and women have delved into it, and have become downward and inward searching sufficiently to listen in to their unconscious, which they do not observe simply, but through a technique learned from one or more schools of psycho-analysis. When a father objects to his daughter continuing to worship the fiance killed in the war, he knows that his motive is only partly solicitude for his daughter's happiness; and that it is partly because he feels superseded, or jealous of the person to whom affection he once had has been diverted. When a mother learns that her only son is in love with some other woman, no matter how pleasant she may be to the new angel's face, she not only feels angry at supersession, regretful of her past youth, and jealous of the new ruler; she is nowadays partly aware both of the facts and the causes. People do not normally communicate to others these motives and wishes of which they are partly, and only partly aware. There they are, however, and O'Neill's purpose involved the necessity of their coming out in some way. Every great dramatist of human character has had intuitions of the "unconscious." "Oedipus" contains intuitions of Freud. Strindberg's revelation of the unconscious is almost miraculous testimony to his truthfulness. But up to Nietzsche and Strindberg, and the observers and clinicians who followed, the unconscious was revealed only to poets and divine men. O'Neill has attempted a dramatisation of men and women to whom the unconscious is a partial formalisation more than an intuition. They may not have read Freud, but they have breathed him and picked him up everywhere.

Since Nietzsche and Strindberg the dramatic focus of *growing* character has been changed from outside to inside the mind. For the dramatisation of complex types O'Neill has perceived this as clearly as any other dramatist, and he has tried to use the equipment of psycho-analytic technique as well as to reveal some of its results. Jean-Jacques Bernard has come nearest to enabling the audience to *read* his characters "pre-conscious." O'Neill has attempted the dramatisation of the growing consciousness, that field of perpetual crux, as it listens in, willy-nilly, now that communication has been established to the unconscious. "Strange Interlude" is a contribution to what I see is now being generally called the "thinking-aloud" theatre; but it is also a contribution to the theatre of involuntary and partly voluntary thinking; to the intimate theatre in each individual mind, the curtains of which were rung up by the psycho-analysts.

The frontal attack on this particular revelation has been made hitherto only by the novelist, who has advantage over the dramatist in that he can exploit omniscience openly, and tell his reader what was in the unconscious of his characters as a commentary on what they say and do. He can exploit soliloquy to his heart's content. He can be explicit everywhere, and not merely implicit. It seems likely that O'Neill deliberately tried to endow the theatre with something which the novel, within its own frame, already possessed. The nine acts of "Strange Interlude" are too much like nine chapters of a novel. Some of the "thinkings-aloud" are novelists' commentary and interpretation. Thus the New York critics who described "Strange Interlule" as "pure theatre" were merely using a catch-phrase as a substitute for critical thought. The advocates of "pure theatre" are at root the offspring of the art for art's sake movement, and demand an aesthetic theatre. In no degree does "Strange Interlude," or most of O'Neill's other plays, belong to that movement, whose archetype, as every logical Continental advocate sees, is the circus. O'Neill's work, including "Strange Interlude," belongs to the theatre of mind; it is laced with Western philosophic truthfulness of observation and interpretation, far more so, indeed, than O'Casey's. This brings me to the last critical observation I have to make at present. The pattern through which motive and emotion are manifest in "Strange Interlude" is excessively Freudian. This raises expectations of O'Neill's next play, since he is not by nature an interpreter according to Freud. In "Strange Interlude," when O'Neill is himself and not merely fitting the Freudian isosceles triangle on his characters' minds, he is unconsciously weaving according to Adler, whose work he might have mastered, if it had not been already part of him, before writing, for example, either "The Hairy Ape" or "All God's Chillun." There can be no objection to a dramatist knowing more than Adler. But the analyst of "complex-types," of which the characters of "Strange Interlude" consist, is, anyhow, Jung, not Freud.

The play then is to be seen. So far from being pure theatre it is a challenge to the theatre, an invasion of the theatre with problems of dramatisation which authors have shirked; and the effort to solve which may bring either triumph or the conclusion that the spheres of the novel and the drama have to be definitely distinguished. All the acting, under Phillip Moeller's production, is first class. Over the twenty-eight years covered by the action the integrity of the characters is maintained, while growth is nevertheless manifest. The method of delivering the "emergent" thoughts is to distinguish them chiefly by gesture and pitch from the "spoken" lines, in the interests of audibility, and it works well for the most part. But I did not like the monotonous delivery of Mr. Ralph Morgan in the first act in spite of the fact that it would have been even more monotonous if O'Neill's own stage directions had been strictly applied. Later, Mr. Morgan gave a very fine, sympathetic rendering of Charlie Marsden's escape from life by tying himself to his mother and writing highly coloured novels of "adventures."

PAUL BANKS.

The Films.

Min and Bill: Empire.

I hope to write at greater length next week about this Hogarthian film, which is noteworthy for bringing together Marie Dressler and Wallace Beery as screen partners for the first time. Meanwhile, I will content myself with saying that it is directed by the maker of "The Big House," and is a worthy successor to that excellent picture.

Africa Speaks: New Gallery.

Africa may be speaking, but the voice is that of Hollywood, or perhaps one should say, that of Iowa. I was prepared for the worst by the announcement that this was "the first all-talking jungle picture," which sounded horrible enough, but I did not anticipate that the film itself would fall so flat. It is far inferior in interest to such pictures as "Tembi" or "Chang"; is, so far as I can judge, almost completely devoid of scientific value, although sponsored by some high-sounding "Expedition"; and has from first to last been made with so obvious an eye to the camera as to have little of that naturalness which should characterise a travel or hunting film. As for the announcer whose interminable drone accompanies the picture from beginning to end, and whose voice at times drowns the roar of lions, his presence is rendered even more intolerable by the "wisecracks" which he will emit at all costs. These may be suitable for unsophisticated Middle Western rural audiences with the sense of humour of a schoolboy of ten, but their infliction on the English public is an unpardonable piece of stupidity. The nature of the dialogue can be gauged from one sample; the announcer thinks it necessary to explain that the elephant is the largest of animals and the pygmy the smallest of men. Such banality is the inevitable outcome of insisting that a film which could carry a minimum of titles must have a continuous vocal accompaniment, an insistence that might have been excusable when talkies were a novelty, but for which there is no conceivable justification now that the novelty value of sound and speech is entirely exhausted. (That is not the assertion of a professed Diehard, but represents the opinion of both the British and the American trade Press.)

In fairness to "Africa Speaks," I should say that it possesses two undeniable high spots. These are the killing of a wart hog by a lion and the flight of an army of locusts, the latter the most impressive thing of its particular kind I have seen in a film. There is also a scene in which a native boy is killed by a lion, an episode of which the presentation for public entertainment is in somewhat questionable taste. One of the London newspapers has published a statement from Berlin, where the film has also been shown, that this episode was faked, and the makers of the picture have not, to my knowledge, issued a denial or made any announcement on the subject. They should do so in their own interests, since the belief, justified or not, that one scene was counterfeited may raise the question whether other portions of the picture were made in Africa or Hollywood.

You've Said It, Baby.

Pola Negri is this week appearing in a sketch at the Coliseum, whose publicity department has issued the following gem:—

"It is a happy coincidence that Mme. Pola Negri will make her first personal appearance in England, at the London Coliseum, on the day of her patron saint, St. Apollonia, whose name she bears in her real baptismal name, which is Apollonia—from which, perhaps, her stage name, Pola, was derived.

"St. Apollonia is the Patron Saint of Dentistry, and was installed as such a few years ago by the Ivory Cross; and St. Apollonia Day is next Monday, February 9."

Box Office.

I record, also without comment, that the British International film, "Juno and the Paycock," is being shown in the United States under the title of "The Shame of Mary Boyle."

DAVID OCKHAM.

How Bank Purchases Create Deposits.

[Extract from "Wall Street Journal," November 1 1930.]

The proposal of T. B. Macaulay, President of Sun Life Assurance Co. of Canada, that Federal Reserve Banks purchase a substantial volume of government bonds in an effort to restore general purchasing power, has elicited many inquiries as to the mechanics of such an operation and its effects. Before discussing the effect, the mechanics by which $1 of Federal Reserve credit becomes approximately $10 ordinary bank credit should be explained.

To simplify the explanation it may be assumed that all transactions are made on a cash basis, though in actual practice cash, in the form of currency, would not enter into the operations, which would be effected by check and book entries. In theory, the expansion of credit following the purchase of $500,000,000 of government securities, would be very much as follows:—

The Federal Reserve banks pay for the $500,000,000 of Government bonds with $500,000,000 of Federal Reserve bank notes. (In practice they would pay by check or by crediting the seller on their books.) This first operation increases the assets and liabilities of the Reserve banks by $500,000,000, and is, in effect, the "manufacturing" of credit which did not formerly exist, an operation which the Reserve banks may indulge in provided their gold reserves are plentiful, as they now are.

CREATING CREDIT.

The sellers of these government securities deposit the $500,000,000 received in commercial banks. Thus commercial banks acquire $500,000,000 cash, balanced by an equal volume of deposits. But against these deposits they must carry a legal reserve with the Federal Reserve banks, which for purposes of simplification will be assumed to be 10 per cent. Out of the $500,000,000 cash, therefore, the commercial banks take $50,000,000, placing it with the Federal Reserve as a legal reserve of 10 per cent. against deposits.

The commercial banks, it will be noted, are left with $450,000,000 of idle cash, and supposedly they will immediately seek means of putting it to work. Supposing the demand for commercial loans to be slack, as it now is, the first impulse would be to invest in securities, first of all perhaps in government, state and municipal bonds, and later, in other high grade first liens. They buy these securities from individuals and corporations, who, of course, put the funds received on deposit. After this cycle of operations the commercial banks have $950,000,000 of deposits, balanced by $450,000,000 of cash, $450,000,000 of bonds, and $50,000,000 on deposit with the Federal Reserve. On the new $450,000,000 deposits the commercial banks must set aside the legal 10 per cent. reserve, which reduces their cash holdings to $395,000,000 (?$405,000,000 F.P.) lying idle. Theoretically this money will be invested as above outlined. This continued reinvestment of growing deposits can continue until the original $500,000,000 of cash put out by the Federal Reserve has been returned to the Reserve banks as legal reserve deposits. In the case under discussion the theoretical limit will be the purchase of $5,000,000,000 of bonds and the simultaneous creation of $5,000,000,000 of new deposits.

In practice, of course, the operations would not be so simple, although the ultimate results on the credit structure would be the same. Actually it is entirely unreasonable to assume that investors, having parted with their bonds,

would be willing to leave their funds on deposit with banks at a rate of interest probably not exceeding half the previous return. These tens of thousands of investors who have parted with their bonds would immediately seek new investments. Although they would draw on their deposits to some new investment, they would pass the funds on to some seller of investments or to some newly created enterprise, which would, in turn, deposit the funds. In other words, bank deposits would increase to the theoretical maximum ($5,000,000,000), and that amount of additional credit would be put into circulation.

Another Account of the Process.

[From the "Commercial Review," September, 1930.]

For the benefit of those who may not have studied these subjects, the way in which gold produces five times its own value in credit is this; first, the Bank of England receives, say, £1,000,000 in gold. Against this it issues £1,000,000 worth of notes, or, if necessary, more; the holder of the £1,000,000 worth of notes deposits them with a bank who under its statutory powers can lend 100 per cent. against 20 per cent. reserve, or 4 to 1, or £4,000,000, so that between the original depositor of the £1,000,000 worth of notes he received for his gold and the borrower from the bank on overdraft, or otherwise, of £4,000,000, there is £5,000,000 worth of credit created against the original £1,000,000 worth of gold.

NATIONALISATION OF THE TOBACCO TRADE.

Economically and logically it is ridiculous that if I want to buy a packet of twenty "Gold Flake" cigarettes I must pay a shilling, which is the same price demanded for "Player's," "Capstan," "Kensitas," "Wix," or "Craven 'A.'" Now I am not trying to say that these cigarettes may or may not be worth the shilling, nor even that one of these brands is better than the other. It is entirely a question of taste (or habit in some cases) which decides which particular brand of gasper we may prefer; and although, for several obvious reasons I am not going to say that So-and-So's cigarettes are made of a better quality than the other people's, still it would be more than a miracle if all the different brands of cigarettes sold in England for one shilling were of the same value materially.

Why, then, cannot I buy my own pet brand for a shilling, which I am quite prepared to do (as a matter of fact I live in France, where for a packet of English cigarettes I pay 1s. 5d.), and let my friend, who prefers another make, pay tenpence or one-and-three, as the case may be?

In France the tobacco industry is a Government monopoly. Monsieur Dubois smokes "*Maryland, bleu*," and pays Frs. 2.25 for them; the man working with him in the factory is accustomed to smoking "*Maryland, jaune*," for which he is charged Frs. 2.27. These two cigarettes may be of the same quality, but they are certainly not the same in strength. How is it possible then for the Frenchman to buy cigarettes of approximate quality and strength at different prices?

The answer is, of course, that he has no competing tobacco combines, who are trying to maintain a level in their prices. It is natural that Messrs. Thingmebob, Ltd., should try to sell their wares at the same price as Messrs. Whatyoumaycallit; they are private traders, and, as such, being in that line of business for profit and not to cure their tuberculosis, should attempt to sell cigarettes as high as possible *without going above the price fixed by their competitors.*

In Great Britain the only cigarettes sold at varying prices are those very high-priced Virginia, Turkish, or Egyptian cigarettes smoked by a few wealthy people whom the newspapers usually refer to as "clubmen" or "men-about-town"; occasionally their wives may be tempted to consume one or two cigarettes, but until now we have no word to define their status in such terms.

The only possible answer to this anomaly is nationalisation of the cigarette and tobacco industry. Did the Government control the manufacture *and sale* of these commodities under the guidance of expert tobacco dealers there is no doubt that the English working man could afford to smoke a better quality of cigarette if he desired at the same price he pays now or continue to smoke his same old brand at a lower cost. Die-hards may dispute this to their hearts' content: it has been tried, it is being continued in every European country except this progressive land of ours.

Let us compare some prices of the better class of cigarette which the Frenchman of modest means can afford from time to time. He can buy a very acceptable cigarette of Egyptian tobacco at a cost of Frs. 4 per twenty. That is eightpence in our money. A cigarette of British manufacture of the same quality would cost at least one-and-sixpence, or just twice the price. Suppose Monsieur Dubois has friends coming to his house for the evening and wants to do the thing in style, he can get an excellent Turkish brand for Frs. 5, or tenpence in British valuta. Now, I ask you, what you would have to pay for twenty cigarettes of Turkish tobacco as advertised in any English newspaper? Something more than tenpence, as you all know.

I can buy cigars of excellent taste and quality for fourpence apiece here in France. In Belgium and Holland, where the tariffs are not so high, I can get the same cigar for threehalfpence. What is the sense then in allowing private individuals to boost the price of one of the foremost needs of the average man when nationalisation would give him better value at half the cost.

And it is not only in the realm of cigarettes and tobacco that the experiment of nationalisation has proved efficacious. Each attempt to introduce this sane and humanitarian piece of legislation has shown the same moral. Let every English, Irish, Scottish, or Welsh working man insist on this necessity and one of the greatest evils of our constitution will be abolished. Once it will have been tried the benefits to the State and individual will be so apparent that its repeal will be unthinkable.

FRANCIS MUSGRAVE.

Paris, January 27, 1931.

Reviews.

The Idea of a University (Select Discourses from John Henry Newman). Edited with an introduction by May Yardley. (Cambridge University Press. 5s. net.)

This volume, the second of a series, contains extracts from *Discourse I.*, and from *Discourses V.—IX.*, in addition to a *Lecture on Literature*. The volume is well printed and neatly bound, the introduction being a very able piece of work.

S. R.

Revelations of a Spirit Medium: Spiritualistic Mysteries Exposed. Edited by Harry Price and Eric J. Dingwall. (Kegan Paul. 2s. net.)

This is a Facsimile Edition (with Notes, Bibliography, Glossary and Index) of a book first published in 1891, at a time when fraudulent mediumship was doing good business. This book is difficult to read because it is a facsimile—page for page and letter for letter—of the 1891 edition published by Farrington and Co., St. Paul, Minn., U.S.A. Why it should be thought necessary to reproduce exactly the bad type, broken letters and slipshod type-setting we do not know. Reading through it is like watching one of the very earliest "Moving Picture Shows" (before the days of the Picture Palace) for six hours without a break! There are 328 pages of blindingly bad type. Was it worth it? We doubt it. If it was, why not have had the book reset in plain and readable type? The book is illustrated.

H. E.

Rationalization. By J. A. Bowie, M.A., D.Litt. (Pitman. 1s. net.)

This book, or booklet, of 36 pp., is "*Reprinted, by permission, from The Times Imperial and Foreign Trade and Engineering Supplement, July-September*, 1930." Need one say more? As a foreword there is an "Editorial Comment" from *The Times Trade and Engineering Supplement*, August 30, 1930, headed "Quis Custodiet Custodes?" which says:—

"It is to be hoped that all our readers are following closely Dr. Bowie's trenchant articles on rationalization. So much nonsense has been printed in regard to this extremely important matter . . ."

But why *re*-print it?

S.R.

LETTERS TO THE EDITOR.

LORD TAVISTOCK AND THE "NEWS-CHRONICLE."

Sir,—In your issue of January 29 you were good enough to comment favourably on my letter on Social Credit in the *News-Chronicle*. I should like to call the attention of your readers to the significant and sinister manner in which discussion of the topic was latterly dealt with. At first I received the fairest treatment. Numerous letters in support were published and my answers to criticisms were given publicity. Suddenly, however, someone in authority smelt a rat: "This is the old wolf of the Douglas scheme arrayed in the sheep's clothing of Lord Tavistock. Lord Tavistock's letter never ought to have been allowed to appear. This correspondence has got to stop: what is more, something must be done to remedy the mischief and Lord Tavistock's suggestion must be made to appear discredited."

Suddenly all letters in support were refused publication, although to my knowledge several were sent at this period, including replies to Professor Philipps. I wrote three letters answering criticism, two of which were never printed. For a time only hostile criticism appeared, including one letter so silly and so completely off the point that it was not worth the paper on which it was written. Then came the finish. One of my letters was sent to Professor Philipps for criticism and published with his reply, and the editor immediately closed the correspondence. Thus the Professor secured the advantage of the last word, and protection from further criticism, a protection which, in view of the unconvincing nature of his reply, he badly needed!

A weak case does not need recourse to unfair means to expose its weakness. Recourse is had to such means because the strength of the arguments for Social Credit is known and feared. But I wonder how much longer all the people who are suffering from the burden of the present artificial state of poverty are going to lie down under this sort of thing to please a few theoretical economists and fill the pockets of a few financiers? TAVISTOCK.

THIRD PARTY INSURANCE.

Sir,—Your correspondent, Mr. Welford, is evidently under a misapprehension. All that is happening is that the real government of the country, i.e., the banks and insurance companies, are now beginning to impose their taxes direct, instead of, as previously, through the agency of the straw government represented by the House of Commons. Personally, I think this is a good thing. The success of the gigantic fraud which has been perpetrated on the world by banking and insurance, the two being to a large extent complementary, has been veiled by National Institutions which have acted as the Tax Collector. For instance, probably more than half of the interest on the internal National Debt is paid to insurance companies. They are becoming above the law, as it is their policy to appeal against any adverse legal decision to such an extent that the expense of litigation outweighs the redress that the private litigant can expect to obtain.

In principle, a payment of a premium to an insurance company for a third party insurance is exactly similar to the payment of blackmail to the Mediaeval Robber barons, the return being an undertaking to protect the contributor from the normal consequences of his delinquencies.

C. H. DOUGLAS.

Sir,—Is not Mr. Arthur Welford a little too sentimental in lamenting the abridgement of freedom enforced by third-party claims insurance? The 90 per cent. of motorists who insured of their own accord were probably the best drivers and those most able to pay damages from their own resources if they occasioned them. Why should the impecunious and incompetent be permitted to take potentially lethal weapons on the highways? I would have this "freedom" still more abridged, by imitating France and most European countries in imposing driving tests. The French disqualify more than half the women applicants for licences!

C. E. H.

MR. KENNEY AND PROPAGANDA.

Sir,—Mr. Rowland Kenney's suggestion inspires another. It would seem a useful piece of work if someone would write a series of articles showing detailed ways in which industry tries to equate prices with spending power. You instance (page 160) the writing down of capital, reconstructions and bankruptcies, adding that "between two and three thousand million pounds have been lost by investors since the Companies Acts were passed." In a word, a documented précis of the many ways in which efforts have been made to release the brake which the present financial method imposes on production. Such a précis would be most useful to all those of us who are arguing "Douglas" with our friends and enemies.

(Rev.) H. EDWARDS.

COOKING HISTORY.

Sir,—The naiveté displayed by Mr. Hilderic Cousens in his letter about "The Historical Adviser" is amazing, and deserved your editorial footnote insisting on your views of "selective exclusion." Mr. Cousens states that in Italy and Russia text-books are prescribed by Government. This may be and probably is so; but if awkward facts are suppressed by "prescription" in those countries, what about our achieving the same results by other methods?

I happen to have studied the contemporary history of the two countries just mentioned very carefully ever since the last year of the Great War; a study facilitated by the fact that I read and talk Italian fluently and also know Russian, though in a lesser degree. If Mr. Cousens read my bouts with Signor Villari (the Fascist champion) about Italian politics, a few years ago in *The Saturday Review,* he may remember that the Signor never got the better of me—usually he rode roughshod over his opponents—for I could confront him with extracts from Italian papers in my possession. So let us take Russia as a "classic" example where "selective exclusion" has been operated extensively in books and in the Press. Below I give a few instances where explanations would be interesting.

(1) Why is it that in all our books and journals published about Soviet Russia since the Revolution the fact that at the one and only meeting of the Russian Constituent Assembly (January 18, 1918) a resolution was unanimously passed to continue the Bolshevik armistice with Germany and to make peace with her and Austria is carefully omitted? It has always been pretended that the Peace manœuvres were merely the handiwork of a group of pro-German Bolsheviki! I myself at one time was in favour of intervention in Russia to fight and check and pin down the Austro-Germans, but became uneasy when I found we were not fighting the Austro-Germans in South Russia (Ukraine), but the Russians in Central and North Russia!! When I read the book, "From Liberty to Brest-Litovsk," written by Mrs. Tyrkova Williams, a Russian lady member of the Executive of the Russian Kadet (Liberal) Party, published in the spring of 1919, and there saw the Peace Resolution textually given—it opened my eyes wider.

(2) A few weeks ago I read the book on Russia written a year or two since by Sir Ernest Benn, based on information culled in the Russian border States. Why is it that in his section on Finland and the Finnish "Reds" he makes no mention of the fact that in the Civil War between the "Reds" (then the majority of the nation) and the Finnish "Whites" the latter won only because of the assistance rendered by a German division complete with artillery and machine-guns? In front of me is the Address with which General Mannerheim, the Finnish Commander-in-Chief, greeted the German troops when they landed in Finland at the beginning of March, 1918. Sir Ernest is not alone in this omission, for only a few months ago, when the Finnish Lapua movement (Fascist) and its excesses were being discussed in our Press no mention was made of that German assistance.

(3) Why is it always stated that Soviet Russia started the war against Poland when this is absolutely contrary to fact?

(4) Since having the above in draft I have read this week a book, "Britain and the Baltic," by Major E. Polson Newman, based on two visits to the Border States. There is much nonsense in it, propaganda, of course, provided by the politicians in those lands. Why does Major Polson Newman say on p. 64: "Yet Estonia with all her troubles was able to help her neighbour, Latvia, until the excellent fighting qualities of the two nations finally crushed the Bolsheviks and Germans and an armistice was proclaimed leading to the Peace Treaty," when, as a fact, in October, 1919, the Bolsheviks, after having made General Yudenitch retreat from the Petrograd neighbourhood, utterly smashed, near Narva, his polyglot army composed of Russian "Whites," Estonians, and their allies, and other details, including British tanks? Mr. Garvin, in a lyrical article in his Sunday *Observer,* made it quite clear that General Yudenitch was utterly routed. The Bolsheviks could have over-run the whole of Estonia, but they refrained.

J. C. MACGREGOR.

ANSWERS TO CORRESPONDENTS.

Bank Interest and Bank Loans.

E. C. A.—You ask in what form bank-loans are repaid, and if the interest has to be paid in cash. (1) The general answer is that repayments can be in any form, and are, in fact, wholly paid in transfers of bank-credit. It makes no difference if anybody were to repay a loan with currency-notes, because before he got them, he or someone else would have drawn them from a bank and thereby reduced his deposit by their amount. When used for repayment—the bank would put them back into stock and write off the loan—and the position would be exactly the same in the end as if cheques had been used throughout. (2) Interest is best regarded as the bank's charge for its services. If anyone borrows £100 and has to repay £105, the odd £5 is not destroyed as is the £100; it is posted to Profit and Loss as a liability to the bank's shareholders. (See Mr. Leod's example illustrating bank discounting in the article "On the Creation of Credit." THE NEW AGE, January 1). From the point of view of its profit (which is all that interest is), the bank is like any other commercial enterprise. Industry as a whole cannot make any profit in the sense of collecting more money than it distributes: those enterprises which succeed in doing so get the surplus at the expense of others which fail to do so. A bank is no more involved in increasing loans because it is making a profit than it is because other successful enterprises are doing so. The reason is that fundamentally there is no such thing as a money-profit: profit *in actuality* is *goods;* and the *ultimate realisation* of profit is the *distribution* of goods. Industry's profit consists, not in getting more money for its total production than it spends, but in getting back all it spends against delivery of only a portion of the production—and as small a proportion as possible. The balance is *valued in monetary units,* but it is not itself *money.* This is true within a closed credit area—i.e., it is universally true. It is obscured in practice because of the complications arising from investment operations, from appropriations to reserve, from insurance, and from every other form of saving—voluntary or compulsory—all of which processes are handing back to industry monetary units which industry has previously handed out, and which, instead of buying goods for consumption are buying them for re-sale. Thus while industry gets its money back in full (through these processes and through revenue from consumption sales) it does not discharge its liabilities—it merely changes its creditor from the bank (which destroys the money) to the "savers": it merely changes the direction of its liability, and does not reduce it. Calculations of profits and losses will be seen to depend on what financial valuation can be attached to the physical profit—the undistributed balance of goods previously spoken of.

POINTS FROM CORRESPONDENCE.

Sydney, Australia, Dec. 30.—We are doing our very best to keep in touch with our Federal and State leaders. We are also issuing leaflets to popularise the Douglas Proposals. So that our politicians may have outside pressure, we send publications to our leading men. Mr. Rhys's new book we have sent free to a hundred leading Ministers and public men . . . We have collected a very fine group of earnest and studious members anxious to get the Douglas Proposals into operation . . . A Bill [is being prepared] for the purpose of co-ordinating industry and finance and equating prices and purchasing power in the State of New South Wales—also applicable to other States of the Commonwealth—by means of a Sales Subsidy Act. R. P.

London, S.E., October 12, 1930.—I heard in a speech at a Bank Officers' Guild Conference the other night that THE NEW AGE was defunct. The speaker was referring to . . . the New Age of Oragean days. In particular he alluded to Orage's address at the National Guilds League on "Women In Industry." Altogether it was a good effort, but I have supplemented it by sending him the current number, and comparing notes of our experience with Mr. Orage in a somewhat lengthy letter. W.

Dundee, December 12.—At my home I am meeting regularly several of the young members of the Scots Movement. [One is] a chartered accountant [and he is] clear on the point that an equation does not at present exist between incomes and prices . . . [Another is] a young American . . . It is very encouraging to watch their keen, young minds wrestling with our problem. Each of them is a potential social asset and is the kind of recruit that I like best to cultivate . . . On enquiry I learn this week that in the Public Reading Room there is a greatly growing demand for THE NEW AGE. J. M.

Richmond, Surrey, January, 1931.—It is significant that the present Archbishop of Canterbury, who has been calling for "sacrifices" recently spent some time with Mr. Pierpont Morgan on board the latter's yacht. This may account for the Archbishop's saying that we may have to sacrifice our present standard of living, as he did, according to the *Daily Mail.* . . . By the way, what position does Pierpont Morgan hold in the financial hierarchy? [Banker and foreign-loan-monger.—ED.] E. C. A.

London, S.W., February 6.—I enclose a cutting from the *Wall Street Journal,* which contains the clearest account of this* that I have met. . . . A chartered accountant to whom I have shown it says that a vital operation is omitted—that the commercial banks do not create credit, but only utilise as loans a certain percentage of what has been deposited, and backs up his statement by describing the process of book-keeping. As such a loan is only extinguished by another loan, he argues that purchasing power is kept at a common level. F. P.

*[The reference is to credit-creation by bank-purchases, and we publish the description elsewhere. Our correspondent submits it as possibly exemplifying the kind of exposition which Mr. Kenney suggested should be adopted by Social-Credit writers. Perhaps he will pass an opinion on it from this point of view. With regard to the criticism of the chartered accountant, (1) it is in contradiction to McLeod (pre-war) and McKenna (post-war); (2) his book-keeping illustration ought to be interesting, because when a bank grants a loan to a borrower it debits him with the amount in his loan account and credits him with it in his current account. So, even if he does not spend the money, the total deposits of the bank are increased by the amount of the loan, and remain so until he repays it. If this chartered accountant can show otherwise, we suggest that the bankers' intelligence publicists would be glad to receive particulars of the demonstration, and ought to pay him generously for it. Even the late Dr. Leaf admitted that credit was created when borrowed; but he declared that it was the borrower, not the banker, who created it—a distinction of no practical value at all, seeing that the creation could not take place but by the banker's permission, and the repayment (and destruction) had to take place at any moment when he chose to demand it. The distinction would have constituted a valid argument if a borrower could create credit *at will,* call it *his* credit (as logically he should), and cancel it as and when *it suited him;* but neither Dr. Leaf nor any upholder of the present system would affirm such a proposition. In conclusion, the chartered accountant's final statement that the maintenance of circulating credit at a given level (by the process of continuous re-lendings) means the maintenance of purchasing power at a given level is invalidated, because, to use his own words, "a vital operation is omitted," namely, the accounting of loan-credits as costs. When aggregate costs progressively increase (as they do under the present system), while circulating credit remains constant, there is a progressive diminution of purchasing-power. To illustrate:—Cost of total production, £100; money in the consumption market, £100; the purchasing-power index of £1 can be called 100. But if production rises to £200, and money in the consumption-market is constant at £100: the purchasing-power index is 50. What you get for your money does not alone decide its purchasing-power: what decides it is the ratio of what you get to what you do not get, but ought to get, and could get—and will get when the Social-Credit price-regulating system comes into force.—ED.]

Glasgow, February 5.—In connection with our last lecture, you will be interested to hear that it was an unqualified success, thanks partly to the insertion in THE NEW AGE. Much more rapid progress is being made now in the Glasgow area with S.C. ideas, the failure of political Labour causing a severe reaction in the ranks of the nominal supporters of Labour in this (Glasgow) stronghold of the Labour Party, while the results of the policy of Industrial rationalisation in the wholesale scrapping of highly efficient Clyde shipyards is promoting resentment in all sections of the community, giving a strong impetus to the demand for the complete political separation of Scotland from England. One section of the Glasgow population showing itself receptive to S.C. propaganda is the numerically strong Irish section. W. F.

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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