

# THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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## NOTES OF THE WEEK.

It is perhaps a fortunate circumstance that during last week we gave our pen, and ourselves, a holiday. And it is perhaps an unfortunate circumstance that the holiday could not have been extended for at least a month. These reflections apply, too, to all our active supporters. The reason is that events and controversies have been taking place on almost an hourly wave-length, giving rise to a continuous succession of rumours and counter-rumours, with the consequence that not even the most detached mind could work freely in the resultant atmosphere of confusion. Our letter-bag bears testimony to this; and had we not disciplined ourselves to our week's idleness we should probably have written and torn up a record number of folios on the situation. Every political agitator in the country has got his "second wind," and in the midst of the general uproar we and our readers would be less than human if we did not feel the itch to join in. Nevertheless our impression at the moment of writing is that we must all restrain ourselves for a time until the parties to the controversy have sorted themselves out, and their re-alignment takes on a more or less definite shape. We will support this by an example. At a certain moment last week, when it became clear that the Trade Union Congress would oppose the dole-cut, probably there would have been a consensus of Social Credit opinion that the opportunity had come for us to give the Trade Union Movement some advice on how to formulate their opposition and how to justify its formulation. But within a few hours out came a Socialist Manifesto in which the responsible authors, instead of contenting themselves with announcing a determined and absolute resistance to the cut, played into the hands of the new Government by formulating counter-proposals. The result was to debase the issue into one of pocket-searching, and so exclude the relevancy—and even the propriety—of our recommending them the adoption of the Social Credit alternative. For directly the Socialist policy of bleeding the capitalist or the bond-holder was announced, any

advice we could offer consistently with our principles would appear to have been inspired by the "enemy." So, there was one chance gone! We do not say irrevocably; for it may be that when the Socialists have had time to consider this hasty Manifesto in the light of the criticism to which it will be subjected by the Government's experts (*The Observer* is rubbing its hands at the prospect) wiser counsels may emerge. But at least our intervention is temporarily impracticable. And similarly, as our readers will doubtless confirm, there have been several other openings for our activities which looked to be possibilities at breakfast but had closed up by teatime. When you have the newspapers filled, as to one half, with nonsense spoken for the purpose, and, as to the other, with wisdom spoken by accident, all effort to talk wisdom for the purpose is paralysed. Willy-nilly we shall have to let the drunk Philip sleep off his thick head before we can talk to him. This, as we say, is the feeling we have at the moment in respect of what may be called concerted action by the Social Credit Movement. In the meantime individuals or small groups will have to continue their cell-planting and other methods of permeation. As a matter of fact, new work of this sort is already going on in two or three directions according to advices from some of our correspondents.

The circumstances being what they are, we must content ourselves with making tentative observations on some of the aspects of the situation. We will begin with the Manifesto. It not only goes too far, as already pointed out, but it contradicts itself. It says that there is no crisis, and then it prescribes measures for meeting a crisis! Then, as to one of those measures, namely the proposal to "mobilise the country's foreign investments of £4,000 millions" (*Daily Herald*, August 28) the Government's case for the dole-cut is based largely on the ground that it is impossible to turn long-term loans into money. Several financial commentators have explained that Britain has got into the present muddle through borrowing on short terms from America and France and lending on long terms to Germany. The

Government will be certain to challenge Mr. Henderson to explain the technique of this "mobilisation," and we doubt if he has a clear idea of what it means. He may be able to make a better show on the proposal to suspend the Sinking Fund, because precedents establish the feasibility of this being done; but that will raise the question whether in that case the Budget can be called "balanced." The principle of "equal sacrifice all round" has been invoked too soon. The proper policy would have been to challenge the Government to prove the necessity for any sacrifice at all before discussing how it should be distributed. Needless to say, the Government could easily meet the challenge if the Opposition conceded the validity of the current axioms of finance. And it is because the Opposition do not know that they are invalid, or because they have been advised not to challenge their validity, that they are reduced to the advocacy of futile specifics. The reality of the sacrifice demanded by the Government is a *lessened rate of consumption*; and from that point of view the doctrine of "equal sacrifice" means nothing unless it be so applied as to reduce the personal standard of living of everybody in the country—rich or poor—by an equal proportion. By what means any system of taxation short of confiscation of all personal savings can ensure this result is a matter on which we would like to be enlightened.

Needless to say, our whole sympathy is with Mr. Henderson's policy of resisting the cutting down of the dole. And if it is true, as rumoured, that he has remarked of the economy policy in general that it is a "bankers' ramp," he is talking our own language. Nevertheless, to call it such does not get him anywhere. He must find out (if he does not know) and must enlighten his followers as to the why and wherefore of the ramp. He has sufficient acumen to see the significance of the fact that of all the charges brought during the last week's controversies the expression "bankers' ramp" has been by far the most strenuously and earnestly repudiated by the Press. Moreover, if his intelligence officers will take the trouble to scrutinise the largest London morning and evening papers they will come across numerous instances where the arguments in the leading articles are contradicted by the news or views in other articles. We cannot prove it, but we feel certain that in some way or other, more or less oblique, every leading article on the economic situation is patterned on syndicated matter released daily by the banks' intelligence-service. Each is as like the rest as Drage's advertisements are like each other. On the other hand, the other items in these papers are more or less the product of individual minds and records of observations. Hence the contradictions. So startling are some of them that one is inclined to wonder whether the proprietors are not deliberately trying to keep a foot in both camps.

Of course the bankers' news-ramp would be worked more subtly than in the case of the distribution of syndicated matter in the United States; but the principle is the same. Recently, for instance, we have noticed that letters from prominent correspondents to *The Times* have shortly afterwards been made the text, as to their argument, for editorial repetition and elaboration in other newspapers; and we should not be surprised if some of these correspondents were not the vehicles of syndicated views, and in some cases the originators. *The Times's* own leading articles must be taken as expressing the official views of the Bank of England—for since Mr. Montagu Norman is on the committee which was appointed to prevent *The Times* from falling, as to its share capital, into "wrong hands," we are bound to assume that he is satisfied that it is

now in "right hands" in so far as its policy on finance is concerned.

For this reason we wish that all our readers would take in *The Times* and study it systematically. By doing so they will be getting advance information as to what the popular Press is going to agitate about; and they will be listening in to authoritative instructions delivered to leaders of public opinion. It is most important at the present time for our readers to get to know, a few days in advance, what the man in the street is going to be told. Additionally, it is equally important for them to keep an eye on the correspondence, with the view of contributing to it themselves when the occasion arises. The betting is against their getting their letters printed, but that does not matter—the important thing is to send contributions in. If they are printed, well and good. If not, and copies are sent to us, together with references to the letters to which they are replies, we shall be glad to consider publishing them in this journal. Contributors should take care not to provide the editor with a plausible excuse for rejection: they should make one point, clearly and shortly, and above all, politely. Further, speakers and writers who concentrate on *The Times* will rarely miss any news of importance, and on the other hand will see a whole volume of news which will not be in the popular newspaper; also they will be spared the difficulty incurred by "multiple-paper" readers, namely, that of trying to remember in which one of them a certain item appeared that they want to turn up. On this point, *The Times* is especially helpful in its indexing system, which extends to the correspondence (subject and name of contributor). We speak from our own experience, and believe that most readers who try the experiment will become converts to the *Times*-habit.

Reverting to Mr. Henderson's position, the latest forecast is that the Government will command a majority of between 50 and 60. This is much smaller than was first counted on, but it is a safe margin. If nothing unforeseen happens to contract it the economy-legislation will go through whether the Socialist counter-proposals are debated or not. So why debate them? That would be adding to the mistake of publishing them. Since the Government intend to guillotine the debate, they are affording Mr. Henderson a good reason for suspending the exposition of his method of meeting the crisis until the next election (expected in eight weeks' time)—if he then thinks it worth while. In the meantime the duty of the Opposition is to oppose, and not to compete on a plan of its own. Parliamentary procedure allowing it, we should like to see the Opposition begin and end with a motion repudiating the right of the Government to enact any legislation at all. Upon the vote being taken, and the motion defeated, we should like to see them retire to their constituencies and expound their policy to the electors, leaving the "Wall-Street Government" to get on with the "bankers' ramp." We say "Wall-Street" advisedly, because since the Opposition do not know how to expose the basic defect in the present financial system, and since, even if they could, the electors would not understand the explanation, they would be unable to meet the argument advanced by the bankers that what was called a "ramp" was not a technical necessity, and that to call it names would not alter the fact. They would have to leave the technical answer to be given at the proper juncture, and in the proper quarters by those who know it, and they would fight on the ground of international politics. "Yes," they might answer, "we will take your word that you cannot help doing what

you are doing—but we assert that your helplessness is not inherent in the domestic situation but is imposed on you by Wall Street."

In the nature of the case no direct proof could be given, but fortunately there is available a formidable volume of presumptive evidence. The history of Australia during this year should in itself be sufficient to establish the charge in the minds of the electorate. Men have been hanged on less. Additionally there is on record the famous warning by the City to Mr. Lloyd George that the banks are able to "destroy the fabric of government" by refusing to provide the Government with ways and means advances. That has never been contradicted, and cannot be. This is what makes the banks, as the Dean of Winchester recently observed, an "efficient Second Chamber." "Yes," the British bankers may reply, "but it does not follow that, because we can exercise that power, we do, or will." Nor does it follow—until one sees it done! A short time ago Mr. Lang was publicly told by the Australian banks that unless he agreed to a certain course of action they would refuse him the money to pay the Civil Servants of the New South Wales State. They would thus destroy the fabric of government. Our readers are familiar with the circumstances in which this took place, namely that the Australian banks were acting at the instance of Sir Otto Niemeyer, representing the Bank of England, which in its turn was acting on behalf of external holders of Australian debt. Now consider. We have in this country at this moment Dr. Sprague, representing the United States Central Bank, which acts on behalf of external holders of British Debt. This gentleman is the official "Adviser" to Mr. Montagu Norman. We have Mr. Pierpont Morgan, the great United States banker. This gentleman is the unofficial "adviser" of the Archbishop of Canterbury. (Already in *The Times* a correspondent has suggested a national day of prayer for the success of the new Government.) Then we have just parted (last Friday) with Mr. Stimson of the U.S. Government who has returned to New York after having "advised," entertained and watched Mr. Ramsay MacDonald during the crucial days of the crisis. A suggestive picture, isn't it?—the Governor of the English Central Bank, the Prime Minister of Britain and the Primate of the Anglican Church each manacled to an American keeper. Could we not, as Counsel for the Opposition's case, reasonably ask any jury of British electors to consider the visit and activities of these Americans as presumptive evidence of alien constraint on the late British Government?

We could go further and recall to their attention the statements made recently in the City columns of the London Press that Mr. Ramsay MacDonald's decision to form the new Government only "saved the situation" by a matter of hours. What situation can make a matter of hours a question of life or death to a Government except a sudden hold-up of credit by the bankers? Is not the conclusion irresistible that Mr. MacDonald was faced with the same ultimatum as was Mr. Lang? The absence of published evidence to that effect has no weight against this conclusion; for in the case of Mr. Lang the banks knew that it was no use their delivering their ultimatum privately because he would have published the fact at once, as he did on a previous occasion when the Commonwealth Bank privately offered to lend him the money to pay the State interest on which he subsequently defaulted. In this country and not one of them has yet distinguished between the tradition of silence still holds with Statesmen, and the use and abuse of the oath of secrecy. The tale

told in the Press was that the £50,000,000 credit had been exhausted and that gold was about to flow abroad again. But before the public believe that this would have meant a sudden catastrophe we suggest that they ask for an explanation why Mr. J. F. Darling, who is an experienced banker, and a director of the Midland Bank, was able to suggest Britain's forcing gold into America in payment of debt. (*Economic Unity of the Empire*.) And they might enquire what Mr. McKenna meant when he stated that Britain was not on the gold standard but on a dollar standard. And they might also ask what about the fact that in this and every other industrialised country there is as much gold in industrial and private ownership as there is in the vaults of the banks. Lastly, after the episode when the Bank of France paid £20,000,000 of gold to the Bank of England and still showed it among its own assets until someone gave the game away a couple of years afterwards, who is to say what gold any bank holds or disposes of? The elaborate arrangements for flooding strong-rooms that one reads about may be designed not to protect gold but to conceal the fact that there is none from unauthorised intruders. As *Candide* (Paris) remarked lately: "What's the use of gold anyway? Lead bars would do as well so long as the public thought they were gold. May it not be that money is just an idea?"

The parallel with Australia extends further. When Mr. Lang defaulted, the Commonwealth Bank paid the debt of about £700,000 on his behalf in London; and a little later the British Government virtually lent the Australian Government £3,200,000 by remitting for two years the interest due on an outstanding £82,000,000 loan. (See *THE NEW AGE* of April 23.) The result of this triangular transaction was that the British bankers conceded to Australia on balance a sum of £2,500,000 as a reward for going through the form of repaying a £700,000 debt. This balance of course is now being applied towards the balancing of Australian Budgets. It has been a game of pretences all through—Mr. Lang's debt has not been actually paid, nor will Australian Budgets truly balance. When Mr. Lang said "I won't pay" he was charged with destroying "confidence." When the Australian Government said: "I will pay" the vanished "confidence" reappeared and presented Australia with the money to pay with plus nearly four times more.

And so in this country. The late Government's delay in balancing the Budget amounted to passive repudiation. The new Government has begun to make the gesture of balancing the Budget. The United States and France between them are preparing to lend Britain another £80,000,000. This, added to the £50,000,000 already lent by them, would bring the total to £130,000,000, which is almost exactly the sum which our fiscal experts calculate will be the size of the next Budget deficit on the existing basis of taxation. The orthodox explanation of this would no doubt be that since the actual balancing of the Budget will take time, some banks or other will have to nurse the deficit, and that America and France are doing this because the Bank of England has not got the credit resources to do it. Against this story we can quote Mr. J. M. Keynes, who says that the Bank of England, and any other Central Bank, can create credit-resources up to any amount provided that they all "Keep in step." The orthodox reply to this must take one of two forms: either (a) that the Central Banks cannot keep in step or (b) that if they do, and they all increase the provision of new credit, the inflationary consequences to prices will automatically cancel out the expected benefit. The answers are: (a) the chief

Central Banks are virtually one International Combine, and that in the absence of direct evidence to the contrary they must be presumed to have the power to adopt any concerted policy they like: (b) the notion that credit-expansion must necessarily cause price-inflation has been exploded by Major Douglas, who has shown it to be an exact inversion of the truth. Granted that a country's productive capacity is expansible it can expand its money resources and at the same time distribute products on a lower price-level.

We strongly urge Mr. Henderson to link his repudiation of the new Government's economic programme with a demand for the immediate publication of the evidence and cross-examination of Major Douglas before the Macmillan Committee. We can imagine no reason why he should hesitate. The request would commit him to nothing. If Major Douglas's analysis should prove to be unsound Mr. Henderson would not suffer any loss of prestige for having called for it to be investigated. On the other hand, if the analysis is true, it affords Mr. Henderson a complete technical proof of his rumoured allegation that the present crisis is the outcome of a "bankers' ramp." Neither Major Douglas nor the Movement which affirms his proposition seeks to enter politics in competition with or in alliance with any existing Party. The services of both, and of THE NEW AGE, are at the command of any Party or alliance of Parties who will resolve to investigate sincerely the policy and technique of the banking monopoly. On the other hand, if Mr. Henderson goes forward simply on the lines of the Manifesto we prophesy that he will fall a victim to the very "ramp" that he is hoping to defeat. We again recommend him and his advisers to follow the story of Mr. Lang in New South Wales. He won a great electoral victory on a programme in which was embodied a threat to cancel the banks' Charters if they put obstacles in the way of his policy. To-day his own Charter of Government lies in scraps of paper. He made the mistake of violating the neutrality of "Capitalism" in his invasion of Bankers' privileges, with the result that the non-Labour sections of the community stood by and condoned all the anti-democratic intrigues of the bankers—ranging from the monetary blockade of the State Exchange and the Savings Bank, and the fomenting of secessionist movements, to the mobilisation of armed forces. This mistake need not be repeated; and a proper understanding of what is the essential element in the bankers' ramp will disclose the fact that Capitalism has as much to gain as Labour by defeating it, and that an alliance between them for that end is a sound business proposition. It surely ought to mean something when this journal, whenever it appeals to its readers in the name of the Social Credit Proposals, receives money from Conservatives, Liberals, Labour Supporters, Capitalists, Communists, Workmen, Anglicans, Catholics, Nonconformists, Freethinkers, Military and Naval Officers, Journalists, Civil Servants, and (whisper it!) Bank Officials. And just as they are united in our support so are they ready to put the force of their influence behind any leader who is prepared to make our policy a practical political issue.

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## Current Politics.

The political events of the last week could not have occurred outside England. An actual political revolution took place without a threat of violence or one stone thrown. A Government of no colour resisted one proposal of the bankers. Learning that the T.U.C. refused to agree to the cutting of unemployment benefit, the majority of the Cabinet realised that the party they had built in forty years of organisation would leave them in the wilderness unless they resigned rather than fulfil that particular part of the bankers' commands. Almost in a night, without any of the fuss or trouble of "conquering the people," the dominant economic power of Finance appointed its own Government. Only persons who agreed with the bankers' policy were permitted to apply. Thus Banker Fascism was established. It has no other object but to save the City of London. Its rhetoric about saving the nation is pater designed to obtain the consent of a people which consists, so far as its education in finance goes, of children to the sacrifice of the people to preserve the City. In short, the new alignment of parties is now on a realistic basis, whether politics becomes a truthful reflection of that basis or not. It is Society versus the financial system, society being represented personally by practically the whole people, and the financial system by the bankers, their propagandists and hangers-on, and their politicians.

The bankers' party knows exactly what it wants. The people's party is not yet crystallised, either as to method or aim. It is almost without experience or knowledge of the system it is called upon to save, which it has hitherto trustingly left to the experts in the firm faith that greater knowledge, greater integrity, and surer understanding were in the possession of the financial administrators than in any other body of men or women. The people's faith is shaken. The *Daily Herald's* revelation of the facts about the interference of American bankers, backed by the London bankers, in English domestic politics led to an unprecedented demand for the paper among people who would not before have dreamed of reading it. The bankers' party, in spite of all the skill its control enables it to command, has so bad a case that the awakened, though as yet untaught, people may be expected partly to see through it, and strongly to lean towards the advocates of an alternative policy. Although Finance rules at the moment, it can rule only as long as the industrialists, engineers, trade-unionists, and all who fulfil a social function believe in it, or at least, consent passively to accept its control.

Truths about the existing financial system which were esoteric a fortnight ago are now being asserted to the public as axiomatic. The proofs of them are in the air, put there mainly because of the pioneering work done by THE NEW AGE during the last twelve years. But for that pioneering work it would have been far easier for the "explained" the "National" Government to have "explained" the situation and justified their action. While not fully informed, is much more so than would have been. In consequence, the "National" Government has been exceedingly careful in its explanation of the things which all its members repeat with one voice are accurate within one frame of reference, accurate enough to justify the assumption of enquiry and collaboration. Yet what sense they speak when they make a comment on themselves! If it be granted that a reserve of millions or more of gold is vital to the proper

duct of the Bank of England, if it be granted that the franc and dollar exchanges have to be maintained at par and free gold export not interfered with, if it be granted that the bankers' control and administration of National Credit must not be supervised in any way by the nation, if it be granted the City of London has to be saved as a world banking centre whether the people of England are impoverished or not, if all these things and more be granted, which none of them is, Mr. MacDonald, Mr. Baldwin, and Sir Herbert Samuel have some sort of a case for their policy and submissiveness to the United States Federal Reserve.

Mr. MacDonald, whose voice choked in a personal written appeal to his followers to cut this week and the next two months out of his record, said that,

"as we all know, questions of international finance are very complex, and I have consulted every shade of opinion, . . ."

with the result that he had completely entangled the question of pegging the exchanges with that of the relief of the unemployed and the continuance of the social services.

"A slowing down of programmes which make large drafts upon national credit and involve borrowing at a time when the market is so much against us can no more be averted than a similar course of action can be avoided by you individually if your income is suddenly curtailed."

indicates that Mr. MacDonald had not proceeded far enough with his consultation to recognise the difference between a credit area of co-operative service and a solitary individual within that area. A family living on a self-contained farm, making boots, clothes, and everything wanted, and, in addition, issuing money-tickets to the different members of the family, would be a credit area. Even if it took some of its produce to the town-market for books which it could not make, it would still be a credit area. Nothing that happened outside could prevent the family from building a new barn, an extra bedroom, a bridge across the dyke, an irrigation system, or anything for which it could afford labour and materials. If it were argued that the necessity to peg the exchanges was immediate and real, it remains that the particular method of balancing the Budget should have been left to a more leisurely collaboration. Mr. MacDonald has missed a chance such as comes to no statesman twice. When it became clear that the Federal Reserve insisted on the balancing of the English Budget in their way as consideration for trying to peg the sterling exchange (up to now the American credit has failed to do so), Mr. MacDonald's course of action was clear. In 1914 Sir Edward Grey (afterwards Lord Grey) told the German negotiators that what England would do in certain contingencies could be decided only by the Cabinet and the House of Commons. Mr. MacDonald could have told the United States that consent to their interference in British domestic policy could be given only by the Cabinet and the House of Commons. He could have called the House of Commons together in forty-eight or less hours, meantime making emergency measures as regards the exchange, or shipping of sufficient gold to do what was necessary. When he had told the House of Commons what the position was, he would have been a Prime Minister. He would have had to face a crisis, but with England, Europe, and an Empire behind him. His consent to sacrifice his people for the sake of preserving the Financial Conclave—the Cabinet Conclave has been broken—has left him under the risk of being a lonely and pathetic figure, good for nothing but a bankers' award of a City directorship.

Mr. MacDonald wrote also that when Parliament reassembles the situation will have to be explained. Parliament should have been re-assembled. When it does at last come together it should demand full details of how the Budget proposals were submitted to the City and the United States, and not to Parliament. The Opposition should have the courage to rehabilitate Parliament by exposing its past impotence and futility. What other modifications of the Budget proposals were made to please America? Was the Macmillan Report's proposal (the Macmillan Report has been shelved) to increase the fiduciary note issue to £400 millions tabooed by America? The extra £125 millions would have covered the deficit, and if distributed to consumers would have encouraged demand and relieved debt. Is the proposal to economise at the expense of agriculture approved by the United States? Is the report true that the latest credit of £80 millions in France and America is a credit not to the Bank of England which requires it, but to the British Government? And is it true that the British Government, which is not spending the credit, will have to repay the interest and/or the principal? These questions do not arise from any party-political spirit. They are entirely outside party politics. They are asked on behalf of a people whose real credit is so immense that nearly three millions of man-power are regarded as surplus. In a country rich in ores, materials, and power, with three million workers placed to reserve, there is no need to take instructions from bankers, at home or abroad. The urgent need is to instruct bankers.

Sir Herbert Samuel repeated Mr. MacDonald's statement that the idea of a bankers' manoeuvre to overthrow the Labour Government was nonsense. Of course it was. There was no desire to overthrow a Government which had been a good servant until it became a bad servant. What happened would have happened to any Government which preferred resignation to disclosure. Mr. Baldwin went into details:—

"We are all familiar with the causes that have led up to these troubles. You have had a decreasing revenue and a worsening trade; and the fatal . . . disaster . . . borrowing on the Dole and loss of the old trade balance." (Our italics.)

Thus he also entangled the questions of pegging the exchange, trade balance, and unemployment relief. The Macmillan Commission used the favourable trade balance as the justification of an expansion of currency and credit. Borrowing short and lending long, that is, having to pay and not being able to collect, has nothing to do with trade balance. Within the limit of expansion set by the currency ratio and the bank-rate, borrowing short and lending long is how every banker lives, and none could withstand a run. That alone is justification for a policy which would leave London no longer a world-bank, while making Great Britain a more productive and self-reliant country. Mr. Baldwin stated that the unbalanced Budget must inevitably, if not checked, have led to the flight from the pound. Actually, unbalanced Budgets have not led to flight from a currency. The United States borrowed to balance its last Budget. As long as politicians and news editors continue to supply only this kind of explanation, it will be preferable to seek news of British affairs in the Continental Press.

The Opposition, and especially the Trade Union Congress, whose leaders created the Opposition, have undertaken a greater social responsibility than they are aware of. At the Labour Party meeting when Lord Sankey, courageous as when he sat in judg-

ment on the coal industry, faced the music and left his heart with the Opposition, he put his hand on Henderson's shoulder and said, "You have saved the soul of the party." Mr. Henderson's work is to come. He and the Trade Unions are no longer a class interest. They represent a world becoming conscious of finance. It is not a policy for maintaining the unemployment benefit alone which they require. They may be asked to take responsibility for government again, nobody knows how soon. Their coming out on this occasion has heightened their prestige. When the emergency government of broker's men goes out a policy will be required to restore prosperity by wise administration of finance, without waiting for that impersonal bogey, bad trade, to depart in its own time.

In all the welter of justification and explanation, which touches the subject of real credit only by accident and without illumination, it is good as well as surprising to see a long letter in *The Times* which, without pronouncing "real credit," is at the heart of the question. The sub-editor who provided the headline was possibly the fourth-leader writer. Probably his "Let Cabbages be Kings" was a frivolity. But the writer of the letter, Professor Armstrong, was in earnest.

"If we properly learned the value of the cabbage we might learn to market it. . . . Also we might learn to cook it. An early reversion from the typewriter to the kitchen on the part of our women is not the least of our national needs."

There is no objection to a man in the kitchen if he can cook. He and his guest would enjoy it more than competing with a machine as to which is to do a mechanical job.

"Our only chance of using our coal in producing ammonia is to use it on our own farm land. Probably we could produce at least 75 per cent. of the meat we need, and all the milk, butter, and eggs, besides most of the cabbage and much of the fruit. To this end we need to establish a fair trade in place of the murderous system we delude ourselves into calling free trade."

It is not Professor Armstrong's job to propose the particular methods of securing fair trade. His letter, however, the viewpoint of which is real credit, is refreshing and packed with realistic common sense; it is a welcome sign after all the muddy financial writing of the last week.

A. N.

### The Douglas A + B Theorem.

By H. M. M.

[Reprinted, with acknowledgments, from *The Modern Scot*. This article was a reply to a criticism of the A + B Theorem previously published in that journal.]

In his article, "Is Social Credit Sound?", John Macleod essays to reveal the fallacies of Major Douglas. His criticism is the usual one—he questions the validity of the A + B Theorem, without understanding it. Every newcomer to the subject does the same until he acquires some knowledge of the financial system and does some hard thinking. It is no use blinking the fact that hard thinking and study are necessary. The Douglas case is essentially simple; but popular ideas regarding finance have so little resemblance to the reality that scarcely anybody is capable of viewing it simply, without guidance and the desire to understand.

It is curious to note that no banker or financier has ever attempted to disprove the theorem, although they are all quite willing that others should try their hand at the game. It helps to confuse the public. One big South African financier confessed that he never really understood finance until he read Douglas's books; and a Jewish millionaire banker

agreed that the Douglas proposals would save civilisation; but he added, cynically, that civilisation was not worth saving.

Before dealing with Mr. Macleod's criticism let me set down four postulates which should be kept in mind whenever questions of finance are under discussion:

- (1) Practically all purchasing power comes into existence in the form of a bank credit.
- (2) Bank credits are created by bankers out of nothing by means of book-entries and credit instruments.
- (3) They originate in production and are extinguished in consumption.
- (4) Money and credit are interchangeable terms.

I am not arguing these postulates. They are matters of fact; and their truth can be verified by consulting standard works on finance, such as H. D. Macleod's "Theory and Practice of Banking," or R. G. Hawtrey's "Currency and Credit."

Let me repeat for the convenience of readers the account of the A + B theorem given in "The Modern Scot" for January.

"The price of all goods produced by any firm can be analysed into two groups of payments, A, personal incomes (the wages, salaries, and dividends paid to the employees and shareholders), and B, payments to other firms (for plant, machinery, raw materials, etc.)."

"Total prices are A + B; but as A is less than A + B it is obvious that the joint income of the employees and shareholders could not buy all the goods they have produced."

"This is true of all firms individually and collectively; so it is true to say of the whole nation, and of every nation, that its total income cannot buy its total products."

Mr. Macleod criticises this as follows: "In the second main point the costs represented by B in the AB theory surely represent income to the suppliers of raw material, machinery and bank credit—if not, what do they live on? Somewhere, therefore, there is the purchasing power represented by both A and B."

Mr. Macleod goes astray here because he fails to view all firms simultaneously. They are all simultaneously creating A + B costs while only distributing A incomes. He confuses past and present, and fails to distinguish between money and costs which are, or represent, incomes, and money and costs which are not, and do not represent, incomes.

The factors involved are admittedly elusive, being part of a moving process, the A items changing into B items while we look at them; and the fact that any money can function either as A or B makes confusion all the easier. Yet the logic of the A + B analysis is perfectly watertight. If the people engaged in every single business cannot, with their incomes—note the word "incomes"—buy all they produce—as it is universally agreed they cannot—cannot, with their joint incomes, buy all they jointly produce. Everybody not mentally deficient sees that; but, having seen it, doubts begin to arise. "Yes," they say, "but, after all, the goods are in the long run, all bought; therefore there must be a fallacy in your reasoning somewhere, although we can't put our finger on it."

There is no fallacy; nor is there any mystery about the business. People's incomes, collectively, suffice only to buy a share of the national product, equal to the A items in its price. The remainder, equal to the B items, has to be bought—if it is bought—with money or credit which is not income. That is all.

All bank credit is loan credit. Credits which are not credit is personal incomes. Credits which are not incomes we will call A credits: credits which are not incomes we will call B credits.

All B items in costs were once A items—that is, they were once somebody's income—if we go back

far enough. But money earned in the past was spent in the past and no longer exists. (See Postulate 3.) Therefore, while current incomes avail to meet the current A items in prices, past incomes are not available to meet current B items.

In the cost of a loaf of bread which Mr. Macleod may buy to-day he will find B items representing a bakery built, perhaps, thirty years ago, and wheat grown, perhaps two years ago. These B items represent incomes distributed thirty, and two, years ago respectively, and spent then. They do not represent income to anybody at the present time; yet Mr. Macleod says: "The costs represented by B in the AB theory surely represent income to the suppliers of raw material, machinery and bank credit—if not, what do they live on?" Does he seriously maintain that the bakery-builders and wheat-growers waited thirty, and two, years until his loaf was baked before getting some part of their wages or profit? The question is manifestly absurd; yet that is precisely what his statement amounts to.

"What do they live on?" he asks. Some are dead, of course, although their costs live on. The rest live precariously on the A payments of current production. What none of them lives on are the current B credits, since these are handled by speculators, company-promoters, and big concerns, and are nobody's income. They help, however, to keep the system running, and, to that extent, assist in keeping up the distribution of A credits. When trade is dull and unemployment prevalent, as now, it is direct evidence that B credits are not being created in sufficient amount to keep the distribution of A credits at a satisfactory level.

The fact that all costs have, in the long run, to be paid by consumers does not nullify what I have said. It only means that their rate of consumption is less than their rate of production and can never hope to overtake it; and it should be clear that unless the two rates can be kept equal the productive system must choke itself with its surplus products. And as money is only distributed as income while production is in progress, any slowing down of production cannot redress the balance, since it cuts off the money supplies.

The nation produces two classes of goods—(1) consumers' goods, and (2) business, or capital, goods (including goods for export and, in wartime, munitions).

The incomes received by the producers of consumers' goods cannot buy all the consumers' goods produced; neither can the incomes received by the producers of capital goods buy all the capital goods produced. (Proved by our theorem.) If, however, the production of capital goods is on such a scale that the incomes distributed in connection therewith can cover the B items in the total price of consumers' goods then all the consumers' goods can be sold. If it is on a larger scale, total incomes will be greater than the total price of consumers' goods, and their price will rise. If it is on a smaller scale, either all consumers' goods will not be sold, or their price will fall; and if the fall is serious and maintained bankruptcy and unemployment will follow.

It will be seen, then, that, under present conditions, the state of trade and employment depends, not on whether we can produce sufficient goods to satisfy everybody's wants—an easy task—but on whether sufficient loan credit (B credit) is being created to carry that part of the nation's production which cannot be bought with consumers' incomes. This part consists of capital goods, export goods, or munitions.

The whole system would have stopped working long ago, as Mr. Macleod clearly perceives, if it had not been for the great development in loan credit (B credit) transactions—a matter of which

he seems to be unaware; but even with this assistance it grows increasingly difficult to work.

There is a close connection between exports and the business of foreign loans; and students of world-affairs know that one of Britain's chief activities since the industrial era set in has been the granting of loans to foreign countries. The reason for this is the fact established by Douglas that Britain cannot buy all she produces; and as the idea of creating consumer purchasing power to enable her to do so has not yet penetrated the heads of our rulers, some other—foreign—market has had to be sought for the surplus. Without an outlet for this surplus the industrial system could not go on; but as foreigners are no better supplied with money than ourselves it has had to be created for them. Hence the origin of these foreign loans.

By means of loan and export credits which were nobody's income, the otherwise unsaleable surplus was used, first of all to industrialise Britain, and then the world; and it is no exaggeration to say that all the industrial capital—plant, machinery, etc.—exported during the last hundred years or so, by means of British loans, was in essence, although not in form or intention, a gift to the world by the British people of their surplus production. Beyond the help it gave in keeping the industrial system running they derived no personal benefit from it. If a reasonable portion of this surplus had been allowed to take the form of goods to satisfy their own personal needs, and if the necessary money to buy them had been supplied to them, the history of this period would have read like an account of the Golden Age.

In industrialising the world Britain sowed the wind: she is now reaping the whirlwind. The countries she industrialised have so increased their productivity thereby that each would now require a whole undeveloped world as a market to absorb its surplus products. That they have to share among them a world no longer undeveloped makes permanent peace between them impossible—as things are.

Mr. Macleod's reference to the history of wages and prices shows confusion of thought. Whether prices are high or low has no bearing on the Douglas case. It is the relation of total incomes to total prices that matters; and the gap between these two is certainly widening, although the price of every single commodity may be falling.

Similarly with wages. Real wages may have risen for the individual lucky enough to keep himself in a job; but total wages in relation to total costs have certainly not risen; and if Mr. Macleod were to average present wages over those in jobs and those pushed out, he would see the fallacy of his reasoning.

He asserts: "It is a fallacy to argue as H. M. M. does that the credit which enables a machine to be brought into existence is cancelled soon after the machine begins to produce, and is therefore no longer available as purchasing power"; but as he adduces no evidence to confute me his assertion has no value.

He states that loans need not be in the form of bank credit—but as all money in circulation represents a loan of bank credit somewhere, money lent by a person owning it in his own right is merely bank credit lent at second-hand. Somebody is still in debt to the banks for it.

The interpretation he puts on the quotation from "Credit-Power and Democracy" has no justification. One credit is cancelled by another and larger one; but there is no compulsion on the banks to issue enough new credits to cancel all those outstanding. Has Mr. Macleod never heard of "deflation"? Well, deflation means that the banks are neither lending up to the limit of their resources, as he asserts

they do, nor up to the level required to keep existing businesses solvent.

He says next: "The depreciation charges which H. M. M. rightly says are included in price but wrongly says are not distributed as purchasing power, certainly are. The money withheld by a firm for depreciation does not disappear from circulation. It remains in circulation until it is required for the replacement of the old machine and thereafter goes back into circulation as the income of the suppliers of the new machine."

Mr. Macleod shows confusion here again. All he demonstrates is that in so far as the public buys goods it pays depreciation charges. It is beyond dispute; but he has not shown, and cannot show, that the public was ever supplied with the money to pay them, for the simple reason that the money which should have remained in existence to pay them was withdrawn and destroyed when investors sunk their money—sunk is the word—in capital goods. The income (A) received for producing the whole product (A + B) can always pay the price (a + b)—including depreciation—of the fraction it buys. (a + b = A.)

The remarks in which he reminds me that "the earth is spherical not flat" may be intended as a pleasantry. I cannot make head or tail of them.

The difficulties Mr. Macleod raises in connection with the application of the price formula are fantastic. It is not necessary to know the relation between production and consumption until the end of any prescribed period. He has surely heard of "rebates" and "discounts"! Well, all Douglas proposes doing is to give final consumers a rebate or discount on their purchases. Every co-operative society does it every quarter. During the quarter they collect too much in prices from their members, and at the end each member gets back his due share of the surplus. In like manner, Douglas proves that the existing costing system compels consumers to pay too much in prices—the surplus money being destroyed by the banks—and he proposes that this money be resuscitated or maintained in existence, and each consumer get his due share of it.

Another of Mr. Macleod's imagined difficulties shows how little he knows of the subject he criticises. He says that "no provision appears to be made for the cancellation of credit issued to enable producers to sell at the indexed price"; and he contends that "the result will be rapid and increasing inflation."

Credit would be cancelled in respect of all consumption and depreciation, and be created in respect of all production and appreciation. In these circumstances inflation is impossible.

He may interpret Mr. McKenna's remarks in any way he pleases—I cannot hinder him; but he is only deceiving himself if he imagines that Mr. McKenna's statement that "the amount of money in existence varies only with the action of the banks in increasing or diminishing deposits (credits)" permits his supposition that some money in existence does not represent a bank credit.

The banks can and do destroy Mr. Macleod's money. They do it every time he spends it; and if they pushed deflation a little further, so that he should lose his job, his savings would go the same road.

He asks: "Would the Douglas scheme do anything to help our export trade?"

The export trade at present is mainly a struggle to get rid of an artificially-created surplus of goods abroad, in order to get money to square an unbalanced financial account at home. Its artificial character is revealed by the fact that all countries encourage exports, by bounties or otherwise, and discourage imports, by tariffs. Yet, if they only knew it, the more they export, and the less they import, the

poorer they become in real wealth. Under rational conditions the sole purpose of exports is to pay for necessary imports; and necessary imports are goods we desire but cannot produce for ourselves.

Under the Douglas system the home population would be able to buy everything they produced; consequently the export trade would be of the rational character described above. Whether it increased or decreased would depend entirely on the extent of our desire for foreign goods. It would not be under the spur of a supposed need for foreign markets; for there would be no such need.

If circumstances required it the country could sell its goods abroad at any price it pleased; but, normally, they would be sold at the full price, as now. The fractional price is reserved for home consumers.

Mr. Macleod's concern for the export trade, as something of importance in itself, considered apart from imports, is as irrational as it would be to encourage sellers and discourage buyers; but it shows that his subconscious mind recognises the truth of the A + B theorem which his conscious mind rejects!

It is clear that he has never given the Douglas case the thought and study it requires. He has no clear conception of what he is criticising, and contradicts himself in consequence. In one place he says that (if the Douglas theorem be true) "by now prices should be so high that we are unable to buy almost anything"; and only two sentences later he writes: "The analysis of Major Douglas implies a constantly falling price level." Both statements cannot be true. He should make up his mind which he believes.

To finish up with he endeavours to explain our economic plight by saying that "In so far as money is the trouble, it is because an infinitesimal section of the community take too large a share of the national dividend, while the bulk of the remainder get too little. The former get so much that they must go on investing it in capital goods, thus perpetually increasing the flow of consumption goods, which cannot be bought up quickly enough by the latter."

If he had reflected on what he has written he would have discovered that it is inconsistent with his own expressed view. Money invested is money spent; and if the investing classes spend their surplus money on capital goods it follows that non-investing classes must, with their money, be able to buy what is left—if Mr. Macleod's contention is right that there is always enough money in existence to buy everything produced. The fact, admitted by him, that they cannot buy up consumption goods quickly enough—although needing them badly—proves that they have not the money, that nobody has the money—which proves that he is wrong and Douglas right.

Investments destroy money without cancelling costs, merely transferring them; and this upsets the balance between incomes and prices which is essential if the economic system is to function properly, as I pointed out in my original article. Mr. Macleod rejects this view. His own is mere confusion.

## THE PAPAL ENCYCLICAL.

TITLES IN ACQUIRING OWNERSHIP.—"The original acquisition of property takes place by first occupation and by industry, as it is called, specification. This is the universal teaching of tradition and the doctrine of Our Predecessor. Despite unreasonable assertions to the contrary, no wrong is done to any man by the occupation of goods, unclaimed and which belong to nobody. The only form of labour, however, which gives the workingman a title to its fruits, is that which a man exercises as his own master, and by which some new form or new value is produced." (p. 24.)

## "Economy."

### The Way to the Workhouse.

[Reprinted from *Public Welfare*, March, 1922.]

- (1) The banks decree "deflation," and call in loans and advances from the capitalists.
- (2) The capitalists have to raise the money to repay, and therefore force sales.
- (3) To force sales they have to cut prices.
- (4) Once prices are cut, all buyers who can wait refrain from buying, hoping to see further cuts take place.
- (5) Dilatory buying means bad trade and low profits.
- (6) Low profits force the capitalists to economise.
- (7) They economise. They buy as little as they can from each other.
- (8) They economise. They cut wages.
- (9) They economise. They put workers on short time.
- (10) They economise. They sack people.
- (11) These economies give breathing space for one week.
- (12) Next week there's a perceptible drop in the takings of the retail shops.
- (13) These shops cancel orders, or delay taking in goods.
- (14) This further decreases production (see verse 7).
- (15) Then the cycle of price-cuts, wage-cuts, short time and "the sack" begins again.
- (16) Sacked Trade Unionists turn to their unions for assistance.
- (17) Or they claim benefit under the Insurance Acts.
- (18) Other unemployed go to the Guardians.
- (19) But the Trade Unions, Insurance Funds, and the Guardians haven't inexhaustible stocks of ready money.
- (20) As and when they need it, they have to go to the banks for advances.
- (21) But the banks have decreed "deflation," not "inflation"—a decrease of circulating money, not an increase (see verse 1).
- (22) So if the banks (or the Treasury—another name for them) do issue fresh money, it is on certain conditions.
- (23) In the case of Trade Unions, securities have to be pledged at a greater discount below their nominal value. The Insurance Act administration has to lower the scale of benefits, and raise the weekly premium. The Guardians have to lower their scale of allowances.
- (24) Then at last the Government feels the draught.
- (25) It cannot get in its taxes on the old scale. The capitalist is already squeezing himself to repay loans, and can only pay taxes by adopting emergency methods, as before described, and losing heavily in the process. The wage and salary-earners are already bled to the little toenail.
- (26) So the banks, putting on the "Treasury" mask, say to the Government spending Department, "If you cannot get more money out of the public purse, you must put less money in—you must spend less."
- (27) (This is called "sound finance.")
- (28) In such manner arises the last phenomenon of the Geddes Axe.
- (29) If the axe descends, the economic effect will be precisely the same as took place in verse 5, and all the above consequences will follow from it.
- (30) The conclusion is that "deflation" won't work.
- (31) All the misery has been for nothing.
- (32) The Socialisation of Credit would restore comfort and liberty to the people.

## The Church and the Crisis.

[Reprinted from *St. Peter's, Coventry, Parish Magazine*, Sept., 1931.]

### COINCIDENCE.

On Sunday, the 23rd August, there were hurried meetings going on at Downing Street, in connection with the financial crisis. They led to the resignation of the Government the next day and the formation of what is mis-called "A National Government," consisting of Labour, Liberal and Conservative elements in the Cabinet, under Mr. MacDonald. To those who weigh rightly the actual forces which count in these days it is as clear as day that this change has come about in consequence of the chaos resulting from our financial system, and the determined efforts of the real controllers to keep it in power. The greatest struggle of

modern times is approaching, as Major Douglas and his followers pointed out years ago.

Those who control the destinies of the world, the manipulators of finance, are trying hard to keep their power by giving orders to the nations of the world to "balance their budgets," that is, to leave mankind in debt to the private monopoly of the banks.

No doubt many ways will be found of presenting Satan as an angel of light, and no doubt multitudes of people, either through ignorance or otherwise, will accept them. The battle will be tremendous, and may end in an Armageddon, but the Devil will be defeated, though it may be "through much tribulation that we enter the Kingdom of God."

Is the world to be ruled by a few people using a usurious system, based on a mathematical fallacy in cost-accountancy, manipulated by the gold basis, which robs the whole community, all classes and all industries alike, by making communal credit appear a perpetual debt to invisible and semi-personal Mammon?

That is the issue that must be decided within a few years at the most. If Satan wins we go back hundreds of years in civilisation. But if science, good-will (the real sort) and the veritable Christian ethic win, we shall live to see wonderful things. In any case, in the end these latter will be victorious. But naturally people who think and see things right would rather have the values of the Kingdom of God "in our time" than the "inevitability of gradualness" in dragging civilisation out of the devil's mess which has grown up since the break-up of medieval Christendom.

By a strange coincidence, on the day named some of the leaders of the Legion of Unemployed came to Mass to St. Peter's to have their new standard blessed, and to pray for the cause of the world's peace based upon justice. It may seem a very little thing, but little things unknown to, or despised by the world, may have meaning in God's sight. For, no matter how hard and long the struggle may be, the spirit of the Legion is Christian, and its objects and methods in claiming credit as the property of the whole people, to be used scientifically without hatred or envy, or miserable hostility between classes and nations, are the only way out of the chaos which exists, and the greater troubles which must happen unless we follow in the way.—PAUL STACY.

[The Rev. Paul Stacy offers to supply copies of this article to anyone interested at 12 for 6d., post free. His address is St. Peter's Vicarage, Coventry.]

## More Propaganda "Down Under."

[Extract from a Letter dated July 12, 1931.]

The political situation is fairly well known to you. Scullin and Theodore and Lang have accepted the Committee of Economists' Report to reduce wages, pensions, etc., and add ever so much more taxation, which I need not tell you will only make confusion worse confounded. Still, I am quite convinced that nothing but this extreme "depression," accompanied as it is by much individual tragic suffering, loss of trade, great reduction of profits, in many cases none at all, factories idle, unemployment increasing, and must do even more, etc., etc.—was about the only thing that has made most people really begin to think, and make them ready to listen to the gospel of Social Credit. You may recall the fact of my saying, in a former letter, that I hoped the banks would not give them (the Government) a bean. In theory they have not, but in practice they have "given" them nearly £50,000,000—and about the same sum has been recalled and cancelled from industry by the trading banks! Moreover, the bankers have been harping—together with the economists—on the necessity of keeping to the "gold standard," when, as a matter of fact, we've been off it for nearly twelve months. We haven't £10,000,000 in reserve at present!

Of course, a large number of folk have seen and do see through all this bluff, and not only has it opened their eyes, but their minds have been opened, and they have become receptive to our message. Let us give thanks for that . . .

One of my converts—a manufacturer in Brisbane—gave a copy of my book to the president of rather a select debating society here, recommending it to him as a good subject to debate. The man read it, and straightway bought a couple of dozen to give to certain members to read as a subject for a future debate, and that being done, I hear I am to be called in to clean the mess up, shall I say? I could tell similar stories of sales by working men, Govern-

ment officials, professional men. Only yesterday I had a letter from a working man saying he had sold his last half dozen, and would I send him more. "I've made two converts," he says, "and interested three others," and then he asks me to explain in a simple way just what happens when Australia borrows a loan from England. Three times he went through the book studying it, and now he writes: "I've just finished *The Veil of Finance*, and it has helped a lot; I got quite a lot out of that book." Even a despised "Cocky" has sold a couple of dozen, and I've had a couple of unemployed on the job at 50 per cent. discount. Oh! I've lost no opportunities, and for some three or four months I've been backed up here by as loyal and helpful a body of fellows as one would wish to meet, and they're increasing.

I think I told you of the "Capitalist" in Melbourne who bought twelve dozen, and also of another one in Perth, who said it ought to be in every shop, and he financed the group so that they could get 500 more on the market.

Now I'll resume my story.

The same night as the lunch lecture, of which I wrote you previously, I had to lecture to the "Authors and Artists Society," but this was on literature. A friend and good Douglasite, who had helped me a great deal, had fixed this up without even asking me, but as I had some months to prepare my lecture I went at it, and it was a most pleasing respite. I spoke for about an hour and a quarter, treating of the work done by the chief poets from Burns to Browning. It was quite a swell affair! I felt like a guest without the wedding garment, but they soon had their minds fixed on my subject, not my dress. I quite enjoyed speaking of a subject that I love so much. It was a surprise to them, and I actually worked in Social Credit at the close, and one man thanked me for doing so. . . . They were very kind and complimentary, and wished me to give them another lecture, suggesting Whitman.

Now you must see, as I do, that this sort of thing reacts for the good on my Social Credit advocacy. I gain influence and prestige, and an added force is mine when I expound Social Credit, because all this gets in the papers. So when "the Douglas Man" (so I am called) is known to be able to give a lecture to authors and artists, and asked to go again, his stock rises!

I've digressed somewhat and will now get back.

Four long interviews I had with the Chairman of Manufacturers after that, and the questions he asked and explanations he "must have," put me through a sort of "third degree." I told him we'd better have some diagrams showing the working of it, etc. That pleased him, and he must have one demonstrating one industry under Social Credit; another showing a nation's industry; and another showing exactly how the Just Price was arrived at.

Well, our Secretary and I got them out; I had eight in all, and they were submitted to him and explained. He was very pleased, and gave me a lot of questions that would be asked and must be answered; then he wanted a sort of sample account of the transactions from the wheat grower to the consumer, together with the Cash Account. "Get that out on a small sheet, and I'll get a hundred roneod for you, and you must give them to those present; and when you explain the diagram, tell them to tick the items off and see that it is all O.K. (I enclose one of these). . . . It all went off most successfully. Questions asked were answered, diagrams explained, and account checked. I noticed only one of those distributed left on a chair; all the others taken away! I think that was the best lecture I've yet given.

I may say I made an appeal to the emotions of about two minutes in finishing, and put a little fire into it. But, as the Chairman of Manufacturers said in moving a vote of thanks: "Mr. Rhys has given us an insight into things which is new to us and which we cannot brush away with a wave of the hand. We shall have to think about it."

Now I'm going to close. I hope this won't weary you, but it seems a long time since I wrote you a long report of my activities, and this meeting was too important altogether to pass by. We've gained a missionary in the very class we want 'em.

\* "Real Wealth and Financial Poverty." By W. H. Rhys. (Now in its 7th edition—in less than a year.)

## Reviews.

**Life of a Seaman.** By E. G. Twitchett. (Wishart. 12s. 6d.) Thomas Cochrane, tenth Earl of Dundonald, is one of the most attractive figures that have graced the British Navy: not being closely connected with the major operations of the Napoleonic Wars, his name has faded out of history, but the guerilla warfare in which his special genius shone so brightly made him famous in his own day, and earned him Napoleon's nickname of "*Le Loup de Mer*." The most

delightful feature of his character is the boyish delight he took in all the minor stratagems of naval warfare. Whether he was to destroy a semaphore station, cut out a frigate from under the enemy's guns, or harass an anchored fleet with fireships, he would plan the operation with the happiest forethought and execute it with the most desperate courage. Having attacked the French fleet with fireships in the Basque Roads and driven most of them ashore, he signalled to Gambier, his commander-in-chief: "The enemy's ships can be destroyed," and, later: "Half the fleet can destroy the enemy," and, finally: "The frigates alone can destroy the enemy." But the admiral would not move, so Cochrane weighed anchor and drifted down upon the enemy stern first, thus forcing Gambier to come to his assistance and engage the enemy. It is a question whether he could have handled a large battle fleet as successfully as he handled his frigates. At any rate, he never had the chance; he was a master of ruse, but lacked diplomacy, and the brilliance of his conceptions did not always endear him to the authorities. His greatest opportunities came not in the service of his own country, but in the wars of independence of Chili, Peru, and Greece. His inventive genius was not confined to naval tactics. He was perhaps the first man to use the air as a medium for propaganda, dropping pamphlets over France from kites fitted with time-fuses. He invented barbed-wire entanglements, smoke-screens, poison-gas attacks, and the system of tunnelling with compressed air. He improved the street lamps of Westminster, discovered the lighting possibilities of gas, and foreshadowed the present use of water-tube boilers. Besides all this, he stood for Parliament and exposed all kinds of abuses in naval administration. He was Cobbett's honoured friend, and seems to have had great personal charm. Mr. Twitchett has been content to subordinate himself to his subject, and his biography is an unusually interesting book.

## LETTERS TO THE EDITOR.

### "BONUSES (NOT SACRIFICES) ALL ROUND."

Sir,—It would seem to be ten thousand pities if the dissentients from the policy of the Government of the day misprize the opportunity now presented to them to challenge publicly the basis of credit. A *Daily Herald* headline, "Exhausted Credit," on Tuesday, August 25, came near to raising the fundamental issue. It is a little disconcerting to find that so much of published criticism of the Government fritters out in comparative small talk about the orthodox tribulation of the "sacrifices" demanded by the single day's politicians and their backers. Almost every focus from issue of *The Times*, for instance, brings into focus some quarter or other the programme of limitation of output, both of fields and factories. The tag used by the Prime Minister and underlined by nearly every London newspaper, "We must cut our garment according to our cloth," admits of the query, "Where is there this shortage of cloth?" It is only a little while ago since *The Times* diagnosed the trouble of Yorkshire as "Over-Production."

Would some one devise a slogan meeting the case? A realist interpretation of the situation would surely call for "Bonuses All Round." If Mr. Will Dyson, who is coming to be caricaturist for the *Herald*, could envisage for us the miles and miles of cloth waiting to be used, and at the same time depict the forlorn gazer into the shop window, whose enforced economy presents him a bedraggled spectacle—would it possibly get home to the imagination of England that it is a larger distribution, not a sparser, that the material fact of the situation calls for.

Propagandists will doubtless find it hard to get anything over in the Press as a whole. In these tremendous times the only correspondence to-day (August 28) in the one-time famous *Daily News* is a digression on some incident in the cricket world! And nine-tenths, almost 99 per cent., of average well-meaning people outside the trade unions seem not to have the ghost of an idea there is any alternative to a programme of sacrifices, the only point of debate being "where" are these sacrifices to be imposed?

"The world is suffering once again from an economic abundance." "The manufacturing capacity of the world has enormously expanded in the last few years. . . . It follows that the increased productivity of living of its inhabitants." (A worthy political aim obviously is to transmute the "potential" into the "actual.") The citations are not from some wild rhetorician, but the leading article of *The Times Annual Financial and Commercial Review*, under date February 10, 1931.

The same publication contains also this truism, endorsed

by the great Gustav Cassel: "The programme of a rational monetary policy must obviously be that means of payment should be supplied precisely in the same degree as the supply of commodities increases."

Since we are on an epoch when the radiation of darkness (Meredith's phrase) will be the only permissible thing in orthodox circles, is it possible that any advantage may accrue by the issue of a special *NEW AGE* supplement to be broadcast to all the members of the Opposition, dealing with patience, sympathy, and understanding with those who justly feel that something is deeply wrong, but are not quite sure what?

W. W. Paine's outburst from Switzerland in last Saturday's *Times* that "What the country now needs is protection against the tyranny of democracy" ought not to escape due emphasis and protest. Years ago the nation would have been roused by such arrogance.

PERCY JACKSON.

### THE CREDIT OF THE "BANK."

Sir,—This authentic story ought not to be wasted. The Bank of England has an arrangement at its new premises for the flooding of its strong rooms in times of emergency. A representative of a certain firm secured the order for a certain part of the equipment of this system. The part was worth only a few pounds; but his firm insisted on following its usual practice and sent to a trade protection bureau for a private report on the wisdom of supplying the article on credit to the Bank of England.

H. S. G.

### A TAX ON ADVERTISEMENTS?

I suggest that somebody might call the "economists' bluff" by proposing "in the interests of economy and revenue," a 20 per cent. *ad valorem* duty on all advertisement contracts.

H. C.

### THE "CRISIS."

Sir,—Depreciation of the £ is not part of the Social Credit programme: on the contrary, under Social Credit, the £ will automatically reflect an increased real prosperity and so carry its head higher than ever.

When, therefore, depreciation was threatened—and whether such an event would have automatically come about by one of those "inexorable laws" of the present system or by deliberate engineering is irrelevant—it seemed to many of us, including Mr. Ramsay MacDonald, that the thing that mattered most at the moment was to prevent the £'s depreciation; for the advocates of Social Credit yield to none in the matter of real as apart from flag-wagging patriotism. Well, the New Government will presumably prevent the depreciation, and for that we must all be thankful—for the moment.

The thing of real interest, the only thing, will be the nature of Mr. Henderson's Opposition. When your clothes catch fire or you are convinced that they would have caught fire, it is not a pretty attitude for someone to take who wishes to be thought your best friend if he stands by with his hands in his pockets. Nor will his attitude be any the prettier because he explains, while you are beginning to sizzle, that somebody deliberately set you on fire. Only one thing will wholly justify his attitude and save him from cries of self-preservation at your expense, and that thing is his ability to prove that you would not have burnt yourself seriously anyhow, because, lo! he had up his sleeve all the time a fire extinguisher, one, moreover, more effective than the hose produced by the bevy of ignorant, panicking, well-intentioned yokels who rushed to your aid.

Has Mr. Henderson got the Social Credit proposals up his sleeve? If he has, and produces them, his Opposition would mark an epoch whatever happened to it. But, of course, he has no such things up his paternal sleeve unless he has executed a right-about-face since helping to turn down the Draft Scheme for the mining industry.

Nevertheless, the Opposition can partly justify itself. In so far as it will not be able to prevent or even seriously impede the passing of the contemplated legislation, it will have no more responsibilities when it speaks in Parliament than Christ had when He spoke on the Mount. In other words, when the Opposition talks, it or individual members of it can afford to tell the truth. And that, if we can't get action, is what we want now; talk in public, talk in Parliament. As much dirty linen as can be smuggled across Palace Yard should be washed in the forthcoming session, and not easily repeated, and almost puts one in mind of a super-Cochran show. There are plenty of Awkward Questions to be asked and Pertinent Facts to be stated. For example:—

Q. Who were the financial authorities whom Mr. MacDonald says he consulted?

A. It is not in the public interest to divulge names.

Q. Why not?

A. (No answer was given.)

Q. (Amid roars of Sit Down.) Are the men who hide their identities from the nation responsible to the electorate of that nation? (No answer was given.)

Or, again:—

Q. Is it a fact that the Governor of the Bank of England received his training in the offices of an American firm? (This question was erased from the Question Paper.)

If Mr. Henderson will not ask the Awkward Questions and state the Pertinent Facts, there must be some among the 250 souls in Opposition who will. There must be a successor to Mr. Wheatley somewhere. If there be any such, as one prays there be, they will surely find sufficient warrant to fire Social Credit shots (or any shots which will help to rend the Veil and reveal Finance behind it) in the following typical Press report (*Daily Mail*, August 26):—"Mr. Henderson and the Ministers who have resigned blame the banks for the present situation and have decided that when an election does come they will put forward a programme for the reform of the banking system which will probably include the abolition of private banks. . . ."

Let the 200 backbenchers see to it that the session is at least lively; let us have our moneysworth; let Truth fire her guns in that palace of somnolent verbiage and obstructionist procedure at Westminster, until the temporary clerks to Power who sit there as in a club be awakened at least to recognise reality even if they are debarred by "the exigencies of sound finance" from acting on it. As for ammunition, *THE NEW AGE* alone furnishes an almost inexhaustible amount.

Inevitably the Awkward Questions will be shelved, the Pertinent Facts denied, and whatever of the true diagnosis comes to light will be strenuously and systematically twisted or squashed. No matter: the questions will have been asked, the facts stated, and the disease diagnosed. Contradictions and suppressions are to be expected; they do not matter; rearguard actions and retreats can be part of an eventually victorious campaign. At worst, consider the publicity achieved by the temporarily ambushed Mr. Lang, of N.S.W., and the resulting tide of interest in Social Credit in Australia.

A word of gratuitous advice to this Opposition with the chance of a lifetime. If it is content merely to propose additional taxation as an alternative to the Government's method of balancing the budget; if it is content merely to propose a tariff or any other fiscal expedient that falls within the framework of the present system, it may as well save its breath for all the good it will do or the light it will throw on the causal trouble. Balancing the budget is a horrible thing to have to do, but it must be done, so let the Government do it; and let the Opposition devote its energies to flooding the situation with a searchlight of plain-speaking. If, on the other hand, the Opposition is merely obstructive, or merely factious and fractious, or merely class-conscious, or merely pro-dole, or merely pro-trade union, or merely stubborn, and satisfied with surly party claptrap—in a word if it is futile instead of fearless—while it will no doubt retain the vote of the trades unions and the unemployed, it will fail to catch a single vote of the intelligentsia and of many a non-party patriotic man in the street who likes to think that he thinks for himself. It will alienate for some years the sporting sympathy of every man, woman, and child outside the trades unions and unemployed, and not a few inside them.

If the points raised in this letter are in accord with the views of any of your readers, perhaps they would further consider the advisability of writing a letter to their M.P. and enclosing a list, as long as the writer can make it, of Awkward Questions and Pertinent Statements (with, of course, the source or authority of each duly appended), with the request, nay, the demand, that the Member raise such matters in the House throughout the session. If each reader of *THE NEW AGE* did this whose Member was in Opposition, the 200 or more who compose the latter could at worst no longer plead total ignorance of the financial system; at best they would get up and fire off the splendid ammunition thus afforded them. Concurrently, is it too much to ask that every reader should send a copy of *THE NEW AGE* to his or her member of Parliament from now until the end of the special session? I think it is not too much; every supporter of Social Credit worth his or her salt is always asking, "What can I do?" The present, it seems to me, is a chance for each of us to do something.

M. C.

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