THE

NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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CONTENTS.

NOTES OF THE WEEK.

On November 25 the papers announced that Mr. Scullin had asked for a Dissolution of the Commonwealth Parliament consequent on a Government defeat; and that an election will be held on December 19. Thus the efficacy of the bankers' manoeuvres to get a "National" Government will be brought to the test. At this distance we cannot hope to foretell what the result will be, but we may conclude from the fact that the Labour Government has been defeated after having been deliberately maintained in Office by the Opposition (as in this country) that the bankers are confident of the outcome of the election. No doubt their success here has encouraged them to repeat the job there, and to work it by the same methods. In this connection our comments on the Statute of Westminster last week receive prompt emphasis. Under the Statute the British Parliament will not be able to interfere with the policy of the Australian Government, however widely the Australian people might come to wish to appeal to London against a financial edict from Canberra. It is true enough that the present British Parliament would not reverse the enactments of an Australian National Government even if it had the political right to do so. Nor if it would, could it. A banking policy in any one country is supported by central-bankers in every country, especially when the fundamentals of finance are involved. That is to say, in the case of Australia, that "national" financial legislation there would be based on Sir Robert Gibson's policy as central-banker, and supported by Mr. Montagu Norman as another. If Westminster interfered with Canberra, it would be interfering with the policy of the Bank of England, which, as a reprisal, is able to "destroy the fabric of Government finance" by refusing to lend credit for the purchase of Treasury Bills.

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If this be so, someone may ask, why should the bankers trouble to get the Statute of Westminster passed? The reason, we think, is this: that once Parliament has renounced its right to review Australian legislation, it has *renounced its right to debate it.* It is a gagging device. For instance, if Mr. J. H. Thomas had authorised Sir Philip Game to create the new members of the N.S.W. Legislative Council mentioned last week, it would have been open for any Member of the House to ask a question about it. And sometimes such questions precipitate successful motions for adjournments and become the subjects of full debates. But Sir Philip has since explained in the Australian Press that he had anticipated the passing of the Statute of Westminster. He did not express it that way: what he said was that he took action on his own initiative—i.e., he did not consult Mr. Thomas as representing the British Government—he acted in accordance with the bankers' intentions behind this, as yet, unpassed Statute. For reasons well appreciated by our readers, Australian politics—especially in New South Wales—are the last subject that bankers want to have discussed here. The Press, of course, is willing enough to keep people ignorant of what they should not learn; but Hansard (though we have quoted allegations that it is "edited") has been available to those who took the trouble to get it; and Hansard is by far the most widely consulted official publication in responsible quarters all over the world than any other. By the Statute of Westminster the bankers are indirectly censoring Hansard in respect of the most vital issues affecting the Empire, and are stopping up the last leak in the centralised control of news-communications.

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The *Sydney Morning Herald* of October 3 reported an attack by Mr. Lang, the N.S.W. Premier, on Sir Robert Gibson, the chairman of the Commonwealth Bank Board, in the Legislative Assembly the previous day. He charged him with prompting the Bank to retard the rehabilitation of the N.S.W. Government Savings Bank. He gave examples of nine different localities where the Commonwealth Bank had opened, or were preparing to open, branches—in most cases in close proximity to the existing State Bank branches. At the least this was an unnecessary and expensive ("palatial premises") duplication of banking services; but the significance of the policy was its obvious attempt to "filch business from the Government Savings Bank." Mr. Lang recalled that in connection with the proposal to amalgamate the State Bank with the Commonwealth Bank the latter had been given facilities to investigate the whole of the affairs of the State Bank, and it was fairly obvious that they had taken advantage of this confidential information to guide them as to the best centres in which to open branches. Moreover, Sir Robert Gibson, "whilst trying to injure the State Savings Bank," was "very careful not to open up trading bank facilities in competition with the trading banks." . . . The antecedent probability of this charge being true is so strong that its mere formulation amounts to proof. It is worth while noting that whereas the Government Savings Bank has in most cases to use the post offices as branches, the Commonwealth Bank is building branches as banks alone. The palatial character of the latter is designed to contrast with the frowsy character of the average post-office, and to suggest that whereas the custody of people's savings in the post office is an incidental, amateurish and perfunctory service, the custody by the Commonwealth Bank is the prime and only duty of consecrated experts whose lives are dedicated to their stewardship. This hypnotic method of advertising is universal among bankers; and that is why they favour ecclesiastical types of architecture and decoration. Readers may recall the exhibition at Selfridge's some years ago of the stained-glass windows intended for the Hong Kong and Shanghai Bank. The intention is to diffuse the impression that banking is not a secular function, but a religious rite which may only be performed by priests in the Apostolic succession. No hands should be laid on the people's savings but those of celebrants consecrated to the task by the laying-on of hands. What they are celebrating is the Black Mass—and there is profound significance in the fact that their philosophy and practices have been singled out for condemnation by the Pope in a recent Encyclical. They are guilty of economic witchcraft. By their blasphemous rites they invoke phenomena in no wise different in character from those once attributed to witches. Is there any distinction between a spell by which cattle were held to have been caused to die or children to sicken and a spell by which calves are shot by their breeders, wheat burnt by its growers, or textile machinery smashed by its owners, while millions of human beings sicken under a blight of scarcity? There is work yet for the Holy Inquisition.

The Macmillan Committee.

THE EVIDENCE.

The minutes of evidence given before the Macmillan Committee have now been published. They are in two large volumes, each priced at 32s. 6d. Major Douglas's evidence is in Volume I. (twenty-fourth day in the series of sessions) and so is that of Mr. Montagu Norman and other representative bankers (earlier in the volume) also that of Mr. Arthur Kitson and Mr. Bolton, of the Economic Freedom League (later). Major Douglas's statement of his theorem, and his examination on it, are reproduced in full, with the exception of his graph showing the curves of bankruptcies and suicides during Mr. Norman's tenure of office. The exclusion of the graph has no particular importance, because it has already been reproduced in THE NEW AGE, and appears again in the new book by Major Douglas which Messrs. Chapman and Hall have just brought out, as they announce elsewhere in this issue. Readers who are unable to gain access to the official publications of the evidence before the Macmillan Committee will be glad to know that in his new book, *The Monopoly of Credit*, he has reproduced the whole of his statement, which forms one of the appendices. As the book is priced at only 3s. 6d. practically everyone interested can acquaint himself with everything except the Committee's examination.

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Of course the examination makes highly entertaining reading, and it is a pity that access to it is so expensive; but, many of the questions asked and answered are already familiar in form to our readers; e.g., such things as: "Where's the money to come from?"—"How could the banks get it back?"—"How could sellers get a profit when selling below cost?"—"What about the gold-standard?"—and so on. The chief interest lies in the manner of Major Douglas's answers rather than in the matter—that is to say his choice of *particular methods* of exposition in reply to questions which (as Social-Credit debaters know only too well) in form permit of *several alternative* methods of reply. Major Douglas prescribed the meat in his statement, and the Committee indicated by the manner of the questions what sort of vegetables they thought it might not go with. One or two questions sound very much as if the questioners were obsessed with the notion that any meat, to be sound or wholesome, must taste nice with boiled thistles. And speaking generally, anyone who has a fair grasp of Social Credit, and who is able to read the minutes of evidence, will be agreeably surprised to realise how few were the questions to which he himself could not think of an answer in a technical sense. But it does not follow at all that Major Douglas's task was an easy one. This was a *viva voce* examination conducted on an important occasion, and every answer given had to be formulated and phrased without preparation, to be brief and concise, and to be the right answer tactically as well as technically. We have always held that this is the kind of task which reveals Major Douglas at his best. Mark Tapley, it will be remembered, enjoyed the feeling of coming out strong under adversity; and it is certain that Major Douglas comes out strongest in the midst of adversaries.

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Not that the Committee were emotionally hostile—in fact they were, if not sympathetic, attentive to the subject of Major Douglas's theorem, and on the whole ready to discuss his essential "heterodoxies" in a respectful and deliberate spirit. Nevertheless, it was antecedently certain that not all of their questions would be spontaneous—some at least would have been prepared very carefully long beforehand, and probably by people outside the Committee. So it was no simple matter for Major Douglas, with this in mind, to make sure of going through an examination and leaving on record a series of answers which would be mutually coherent and consistent, and collectively knave-proof as well as fool-proof. Not only had he to avoid saying the wrong thing, but to avoid saying the right thing in the wrong way. He had to divine undisclosed motivation inspiring certain questions as well as to deal with them in their immediate logical application. At one juncture he did not hesitate to reply to a certain question that he *did not want* to answer it.

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This question came from Professor Gregory, as did some others that needed guarded replies. "If," said he, "there were *no other way* to get production consumed than to *permit prices to rise*, which would you choose." (We quote from memory.) Major Douglas's immediate reply was: "That is a most important question: would you mind repeating it?" It was repeated, with a little elaboration. Whereupon Major Douglas expressed his preference for making no reply—or, as they would say in the East End—"Come orf it!" It is not surprising that Professor Gregory should figure in this passage of wits, for, as

everybody knows, he was Sir Otto Niemeyer's companion on the Mansion-House Mission to Australia; and, as not everyone knows, Sir Otto had Major Douglas's thesis and proposals brought to his attention years ago.

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If we may describe Professor Gregory's questions as among the most artful that the witness had to meet, we may describe Mr. Reginald McKenna's as the most artless. On one occasion he objected to a suggestion of Major Douglas's by saying: If I'm a banker and I lend you £1,000,000, I lose that money. (This quotation is from memory.) Another member of the Committee (we think Mr. Cecil Lubbock) saved Major Douglas the trouble of replying by interjecting the observation that the £1,000,000 still remained a bank-deposit. What Mr. McKenna was driving at was the fact that a bank operating in a banking-system *could be* called on *by the other banks* to settle its balances with them in currency, and *could be* caught short *if* it had lent too much, and *if* the proceeds of the loan had been deposited in the other banks. But these "ifs" and "coulds" depend upon the policy of the financiers running the system and the regulations they make for running it. The real point at issue was precisely whether the policy and regulations were desirable, and if not, whether they were modifiable. To illustrate the misunderstanding—take the case of a rubber combine restricting output by means of a quota system. Each member-company is allowed to put such and such a quantity on the market, and is penalised if it exceeds its quota. Now suppose somebody comes along, representing rubber-consumers, and suggests that the restriction-policy and quota-method are undesirable and should be modified; it is obviously no answer for any one of the member-companies to plead its risk of a penalty. That would be the same thing as saying that because certain penalties are incurred under the rules the rules cannot be altered. Nor can they, at the discretion of a member-company: but it is the discretion of the combine as a whole which is challenged; and the answer must come from the combine and be relevant to the powers assumed and exercised by it. As Mr. Keynes has declared, the banks can expand credit as much as they like provided they "keep in step"—in other words, provided that they agree to raise their quotas in the same proportion. What the effect of their doing so would be outside the banking-system is a permissible subject for argument as to whether expansion should take place; but this is quite irrelevant to the question of the internal technical feasibility of credit-expansion.

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Referring to the penalty for exceeding the credit-quota, this used to happen in the old days when banks were independent competing institutions, many of them with powers of note-issue. It was then a well recognised device, when any bank stole a march on the others by putting out more than its "fair share" of notes, for the others to go out of their way to get hold of them and accumulate them, and then, one morning, drop down suddenly on the offender and demand golden sovereigns. It was rough justice, but on the whole was justifiable in the circumstances of the time, which were these: (a) real competition between banks, and (b) the legal obligation on each bank to cash its notes in gold on demand—and therefore its implied assurance, in issuing notes, that it was able to cash them. Today these circumstances do not exist. There is no competition, there are no independent rights of note-issue, there is no obligation to cash the notes in gold or any other form concrete or otherwise. Today's Bank of England pound-note is a promise to pay one-pound in the form of a pound-note. And, so far as any evidence goes, it is not certain that, if the Bank had the fancy to do it, it could not refuse to change one note for another note, and could compel a holder tendering his note to accept it back again as full discharge of the "promise to pay"! It may reasonably be asked what has been the use of bank-amalgamations, and interlockings, and of dispensations from liabilities to depositors if the aim has not been to perfect banking co-ordination (the power to "keep in step" and to increase the frequency of the step when required) if it was not to serve more efficiently the interests of those who use banking-facilities—namely, the community of producers and consumers. But the reverse has happened. The more privileges banks have secured from the nation the fewer they extend to the nation. There is no mystery about the reason: the rendering of service has long since ceased to be their objective, and has become an instrument for the attainment of the monopoly of credit.

Social Credit for Conservatives.

Mr. W. Allen Young has made an important contribution* to the literature now circulating in support of Social Credit. The objective of the Social Credit Movement, when understood, is acclaimed readily enough by sincere people brought up in the Labour or Socialist tradition—a tradition which may comprehensively be called one of *change*. On the other hand, and for that very reason, it is the less likely to inspire confidence in those people brought up in the Conservative tradition of—as reformers have derided it—*no change*. Consequently it has happened that a large proportion of Social-Credit literature has been written in such a way as not to clash with the aspirations of "parties to the left" and without particular reference to those of parties to the right. It was only to the left where authors calculated they could look for the sympathetic reception of a new idea involving a profound change in economic life. Although these authors, generally speaking, have, each in his specific writing, faithfully shown the snag in traditional left-wing policies, the direction of efforts taken as a whole has been, or is now likely to be, to diffuse as a by-product an impression outside their range that Social Credit must be some sort of "Ramp from the Left."

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It is an impression which will be strengthened as the output of popular literature increases, and is designed—as much of it will be—to follow the line of least intellectual resistance. The recent crisis has created a keen demand for instruction on financial matters, and the demand is already being met on a commercial basis by enterprising bookselling undertakings. As one of them remarked the other day: "People insist on having books about money: and there's a slump in the sale of all our usual lines." Naturally, booksellers whose names are associated with the distribution of left-wing literature are the first to capture the trade, and can be trusted to foster it. For this and many other reasons the attack on the banks will be regarded as a "private fight" reserved for radical reformers.

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Now, Mr. Young, who is an old advocate of Social Credit, is also a Conservative, and has been trying for a long time to get Conservatives to study it. He says in his preface that in 1924 he prepared a Memorandum for circulation in Conservative circles, and that the present book, in its original form, constituted that Memorandum. Apparently his earlier effort did not succeed, but evidently he now thinks a second experiment worth while. He has chosen his time well: for the Conservatives are now in power, and are responsible for Government at a juncture when the Conservative doctrine of slow and cautious change looks like being trampled flat under the feet of imminent events.

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Mr. Young gives two reasons for publishing his book.

"The disciplined contentment of the nation has been dangerously undermined by a misguided financial policy which now threatens to break down the loyalties and destroy the ideals which form the cement of civilised society.

"While the so-called financial experts follow their destructive path, Conservatives seem disposed to acquiesce in silence, because they fear to be charged with Socialist principles which they rightly detest."

He goes on to insist that criticism of banking policy does not involve an acceptance of Socialist doctrine.

". . . in order to ensure that banking policy shall in future be directed in the national interests, it is no more necessary to socialise the Bank of England than it was found necessary to make England republican in order to obtain guarantees from the Monarch that he would serve the State."

The Preface opens with the statement that an "artificial deficiency of purchasing power is the root cause of stagnant industry and trade"; and proceeds immediately to name Major Douglas as the discoverer of the "defect in the accepted methods of loan and cost accountancy" which causes the deficiency. The author's plan is to raise two issues (a) Technical (b) Constitutional. What can be done?—How?—Who stand in the way?—With what Constitutional right? He leaves severely alone all argument about what sort of life people will, or ought to, live under the new system; and in only a few instances even alludes to moral considerations, one of them being where he remarks that to associate a monetary inducement exclusively with work is demoralising—suggesting that the best work is done outside the employment system.

Speakers on Social Credit will appreciate the orderly, logical, and concise arrangement of the matter. It is in four "Parts" each divided into "Sections," and these divided into subsections—all of them numbered and described in an initial "Summary." Every aspect of the subject is touched on in the compass of ninety-six pages. Part III. A (viii.) is a subsection consisting of "Fifteen questions to banking critics of the new policy." We quote one or two:

1. Do you dispute the fact that the nation desires a higher standard of living and more leisure?
2. Do you consider that the nation should be permitted to have this?
3. Do you dispute the fact that there is a great untapped reservoir of credit in the form of unused productive capacity—materials, factories, men—out of which an increase could immediately be provided?
4. Do you dispute the fact that this credit-power can only be released by providing an increased purchasing power to members of the public commensurate with it?
5. Do you deny that this credit-power is public, and that therefore the public has a right to receive drafts upon it?

and so on down to the last:

15. Should you accept the fact in 1 and agree to the suggestion in 2 and accept the fact in 3, can you suggest broadly any alternative policy which will achieve the result desired more quickly, efficiently, and with less subsidiary objections, such as you may have raised in replying to questions 8 and 11?

We foresee this chain of interlocking interrogatories being put to effective use, and suggest that readers will do well to construct others on the same model. In conclusion we ought to correct a possible impression that Mr. Young's book would cause offence to non-Conservative readers. That is not so. He is referring Conservatives to their traditional solicitude for the integrity of the Constitution and inviting them to look upon Major Douglas's policy as one for undoing mischievous changes wrought upon it by organised finance.

*"Ordeal By Banking: The Test Of A Constructive Policy." By W. Allen Young. Cecil Palmer. 96 pp. Price 2s.

Current Sociology.

The price of the "Minutes of Evidence taken before the Committee on Finance and Industry" was not fixed in the interests of universal education. Thirty-two and sixpence, the price of the first volume, paper-backed edition, effectively prevents publication in the streets of Askelon. It is, however, good value for any who can afford it. Although very contradictory narrators relate the facts and functions of the financial system, their stories are still in the recognisable form given by their authors, before the Committee's report mangled them into a stodgy lump. The defenders of orthodoxy here state for themselves the case, such as it is, on which their claims rest. The reformers, of various kinds, express themselves at their clearest, and face cross-examination. In the future this evidence will be much more referred to than the report. Complete mastery of it would equip any person whose values were right for dealing with the whole issue of finance; and far less than mastery tempers the conviction that the upholders of the present financial system should be summoned before a quite different tribunal as defendants.

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It is amazing that persons so conscientious as bankers, and, within the framework of the scheme they have been brought up on, so competent, should be unable to see, or should be able to refuse to see, how irretrievably their case throws away their defence.

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Recalling Sir John Simon's conduct of the case of the Bank of Portugal versus Waterlow's, one perceives in the first pages that if Sir Ernest Musgrave Harvey, K.B.E., Deputy Governor of the Bank of England, had been called as witness instead of as advisory expert, the lawyers on his side would have thrown up the brief. As surely as any principle is accepted in politics, science, or in any application susceptible of "test," its reverse is asserted of banking. Sir Ernest, for example, asserts that the first duty of the Central Bank is the sole right of issuing notes. In what sphere other than banking could an expert describe the claim to a monopoly as a duty? The Army, Navy, and administration of the law are included in the activities of the State, because the State, imperfect as it is, gains consent as not quite so certain to be exploited for private interests, antagonistic to those of the community as private corporations. Sir Ernest, however, because, as he says, it is the duty of a Central Bank not to serve any sectional interests whatever, but the whole community, asserts that the Central Bank should be entirely free from political pressure.

"It should be free from being required to subordinate sound finance to the dictates of political expediency. For that reason we feel that it should be free from political control."

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Social Creditors do not specifically object to a high degree of aristocratic privilege, since they propose a society in which only character could preserve the individual person from the seventy-seven deadly sins now proscribed by lack of opportunity. But the Governor of the Bank does not support his claim for the recognition of aristocratic privilege, and it remains a justification of Bank-oligarchy. Not a charter from the community, but the bankers, is to define the functions of the Bank. The community is not, under expert advice, to decide what kind of financial system is sound, but is to accept whatever the bankers say. Finally, when the Bank defines its own function, and completely fails

to fulfil it, the fault is to be the community's. The first duty of the Bank of England, said Sir Ernest in November, 1929, is to preserve the value of money. When it failed to do so in August, 1931, it was not at fault for gross dereliction of duty; the Government, the workers, the importers, the exporters, everybody, was at fault except the Bank of England. There could be an assurance, if the bankers would give it, which would earn the aristocratic privilege of no political pressure from the representative institutions of the community: that the community should suffer no financial pressure from the bankers. Sir Ernest may become Governor of the Bank of England. Here is a challenge for him. Since the Bank is "the custodian of the nation's credit," will he help to distribute that credit? Thus he could put an end to the misery, from top to bottom of society, caused by the enormous frozen financial debits, which, by contact, have frozen a real credit more developed than ever before. Alas, Sir Ernest's evidence to the Royal Commission gave away, by its irrelevance to what the chairman invited from him, the purpose of his giving it. He was asked to give, without any fear that he might be instructing too simply, the most elementary account of what a Central Bank really was; and his reply consisted only of emphatic assertion of a Central Bank's right in perpetuity to enormous unquestioned and unquestionable power. The report of the Bank of England must never be referred back by the community.

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The Times's latest report of the Manchurian situation was "delayed by the Censor." Whether British, Japanese, Chinese, or League of Nations censorship is not specified, but the censorship no doubt exercised in *The Times* office probably caused no appreciable delay. The published result was pro-Japanese propaganda, differing from that of the rest of the Press only in its greater subtlety.

"*Probably* what Japan wants *most* at the present time is the *establishment* in Manchuria of a *reasonable* form of government, which would *guarantee financial stability*, and give *scope* for the *free development* of *trade, industry, and enterprise.*"

This is a censored report, sub-edited and edited into "editorial news." Every italicised word (not, of course, originally italicised) is propagandist. The unanimity of anti-Chinese opinion is disturbing. It may not forecast world war, as the West appears to regard an Asiatic war as divine intervention to restart its industry. French investment advisers have already suggested armaments.

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There is no answer to the claim that no people has longer a right to sit on vast potential wealth merely because the country "belongs to them." Nativity is not a valid claim to territory, which can be only right use. Further, there is no need to dispute the claims of the Japanese to the fruit of the development which they have already carried out in Manchuria. Nevertheless, it is not good that China should either have to succumb to complete Japanese control, or to take part in what would almost certainly be a slaughter of comparative innocents by mechanical and chemical equipment. There is no evidence of new poetic imagination in the Japanese conception of Empire. Amid the evident failures of human genius to fit itself for the right management, economic and financial, of its world, Japan appears to be an imitator, not a pioneer. The Japanese aim in Manchuria is not essentially different from the nineteenth-century conception of Imperialism which prevailed, and still largely prevails, in Europe and America.

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Potentially the Asiatic situation is heavy. Already an alignment of nations appears, England and Japan on one side, America and Russia on the other, with Manchuria as the bone to be thrown among the dogs of war. It may not come to that, in view of Russia's sufficient preoccupation at home, and China's submissiveness; or it may. In either event, the reward is too small for the sacrifice, the role certain to be thrust on Manchuria. The Japanese purpose is too nearly like that of France in the West: her own preservation within the financial scheme which results in over-productive competition for a world-market previously drained of purchasing-power. The prevailing conception of Imperialism was achieved before mankind had the opportunity of becoming conscious of the financial system. That opportunity has been here for over twelve years, and there is no excuse for the extension of Imperialism on an obsolete basis. The old conception resulted in prodigal waste of the world's real credit. English coal, many countries' oil and rubber, metals, forests, have been wasted senselessly as if the planet were not expected to last the century out, and the young countries, from which the forests and raw materials were taken, instead of receiving a civilisation in exchange, have found themselves head over heels in debt for their submissive philanthropy. Manchuria could have roast pig without losing her forests for firewood.

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In an age of congested production, there is clearly a step to be taken before one of the world's last storehouses of raw material is added to the mess. Somebody once congratulated the Almighty for having put the sun where the Union Jack could not be hoisted on it. China, including Manchuria, has hitherto been, by chance or divine reservation, largely out of the reach of the plunderers who follow the flags. Wood substitutes, ebonite, bakelite, and other compositions have preceded the denudation of China. In power production, among engineers, the idea of maximum output for minimum consumption of *real credit* has been realised, as among certain other classes who consciously, or more often unconsciously, are within the orbit of the idea of real credit. Until some country has set a triumphant example of costing on a real credit basis, and has inaugurated the distributive system this implies, it is too early to imperialise China; and any effort to that end deserves to fail.

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Once the scientific financial method of ensuring the distribution of the world's potential production to the full extent of desire had been triumphantly demonstrated, once, that is, it had become the dominant economy, as it is the Social Creditor's faith that it will, and his will that it shall, a new Imperialism is conceived: by which the country *exploited* under the old Imperialism would become a satisfied co-operator. For your wood, your ores, your beans, etc., the Imperialists must say, we offer you the means of realising your particular civilisation: superior at the beginning, by reason of design, to any civilisation developed by chance from log-hut to cinema, or Roman villa to Lombard Street. If Manchuria, and later China, is to be drawn into the world scheme of nations, the very undevelopedness of the country, its situation as regards Russia, its potentialities, should be contemplated from the standpoint of real-credit and the potential distribution of wealth. For reinforcing real-credit at a time of maximum utility, after practice had been gained in true economy, China should be invited to receive the full fruits of real-credit, to become the willing participant in the realisation of her potentialities. Social Credit necessarily implies an entirely new form for international co-operation; and until it is adopted all further "development Imperialism," British, United States, Russian, Japanese, or whatsoever, is a sign of unreadiness to know this time.

PAUL BANKS.

"The Monopoly of Credit."

Major Douglas's latest book,* under the above title, was published last week. We have not had time to do more than read it through, and must wait until we have read through it before we can write a considered judgment upon it. Major Douglas here concentrates on the mechanism of credit manipulation and the structure of the financial monopoly. The main emphasis is on the mechanism; and under this head he pays chief attention to the *Pons Asinorum* of the whole subject—the A + B Theorem. Rightly so, because unless the truth of the Theorem is accepted there is no practical reason why anybody should spend time on attacking the banking monopoly. If the Social-Credit policy is not mathematically sound its advocacy is morally unsound—raising hopes whereof the fulfilment cannot be foreseen. So Major Douglas re-states the Theorem, and, with the use of a new diagram, seeks to assist the reader to find his way about the money-time-cost maze of the accounting system. This is in Chapter IV., "The Gap Between Prices and Purchasing Power." Leading up to it are the following chapters:

I. Government By Finance.
II. The Meaning of Disarmament.
III. Where Does Money Come From?

and following it:

V. The Meaning of a Balanced Budget.
VI. The Gold Standard and Banking Policy.
VII. The Results of Banking Control.
VIII. Dividends For All.
IX. Conclusion.

Two appendices are added:

I. Major Douglas's Statement of Evidence before Lord Macmillan's Committee.
II. His Address before the World Engineering Congress in Tokyo, 1929, entitled "The Application of Engineering Methods to Finance."

In Chapter V. the implications of the taxation of incomes are closely reasoned, and from a new angle, leading to startling conclusions. In Chapter VI. there is an analysis of the gold-standard theory followed by a disclosure of the monopolistic structure of the Bank of International Settlements. As most readers will guess, each of these chapters alone affords material for a series of articles, and therefore we will defer further comment at this point. We strongly urge everyone who can possibly do so to make this book a Christmas present to himself.

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"Another aspect of the same mentality is exemplified by the arrogation to themselves, by labour movements in particular, of the freehold rights of all civic virtue."—Major C. H. Douglas, "The Monopoly of Credit."

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"Political democracy without economic democracy is dynamite. The need is to abolish poverty, not to represent it."—Major C. H. Douglas, "The Monopoly of Credit."

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"The alternative is in fact clear, and nothing effective can be done to protect civilisation from its major risks which is not an attack on the power of finance."—Major C. H. Douglas, "The Monopoly of Credit."

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"Finance can, and does control policy, and as has been well said by an American writer*, Charles Ferguson, 'control of credit and control of the news are concentric.' [Revolution Absolute]."—Major C. H. Douglas, "The Monopoly of Credit."

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"The control of publicity renders it easy to circumscribe the reputation of the unothodox."—Major C. H. Douglas, "The Monopoly of Credit."

*The Monopoly of Credit. By C. H. Douglas. (Chapman and Hall. 128 pp. Price 3s. 6d.)

The Films.

Congress Dances: Tivoli.

The Ufa Studios which, save for "The Blue Angel," have been suffering from a prolonged artistic depression ever since the talkies lowered the standard of German as well as English and American films, have in this picture made one of the most charming things ever seen on the screen. "Congress Dances" starts with the great advantage both of having Vienna as a background, and of having largely been made on the spot, but it is largely thanks to the production of Erich Pommer that the Biedermeier atmosphere of the early nineteenth century is reproduced with such fidelity. Erik Charell directed, but when one compares his work on that much-overpraised production, "White Horse Inn," with any film for which Pommer has been responsible, it is not difficult to know to whom the major credit should be ascribed.

Technically, "Congress Dances" is of quite unusual interest, both for what it is and because, I think, it will prove something of a landmark. It combines much of the best of screen technique with light opera and the rhythm of the ballet, and although some of the sequences are too long—the running time could well be reduced by ten or fifteen minutes—both the length and a tendency to repetitiveness can be justified on the score of rhythm. The cast, which is unusually cosmopolitan, is excellent. It includes the always-delightful Lilian Harvey (Britain's greatest gift to the German screen); that great actress, Lil Dagover, whose English is, incidentally, uncommonly pleasing; Conrad Veidt, as Metternich; Henry Garat; Helen Haye; Spencer Trevor; and Reginald Purdell. The music, arranged by L. R. Heymann, and largely based on old Austrian melodies, is singularly appropriate, and although there are some anachronisms in the shape of certain Russian music that had not been composed in 1815, the result is entirely in keeping.

"Congress Dances" came to London after a very favourable reception in Vienna, although as it is not an American picture it has had practically nothing in the way of advance publicity. For the same reason, the large and well-drilled crowds of supers have not been billed as "A Mighty Supporting Cast of Thousands," to borrow one of the less flamboyant superlatives of the Paramount Company. In the circumstances, it is the very special duty of the critic to notify his readers that here is one of those rare films that should on no account be missed. Artistically, the Ufa Studios have every right to be proud of the production, which is also uncommonly good entertainment. I recommend it unreservedly.

This Week's Films.

The Academy is again giving the best programme in London, comprising Pudovkin's "The End of St. Petersburg," and René Clair's delicious "Two Timid Souls" ("Les Deux Timides"). Neither should be missed. "The Millionaire," with George Arliss, is at Tussaud's, and the Stoll is showing "The Front Page," the excellent newspaper drama that gives Adolphe Menjou the only role worthy of his talents since "A Woman of Paris." This picture is among the best of the current general releases; readers living in the provinces and the suburbs will be well advised to ascertain when and where it is being shown in their neighbourhood. "Wicked," the new Elissa Landi film, is at the Regal, and "Sidewalks of New York," Buster Keaton's latest, at the Empire. "Congress Dances," which was privately shown last week, is at the Tivoli for an exclusive season. "Devotion," with Ann Harding, which I recently reviewed on its private presentation, is at the New Gallery.

DAVID OCKHAM.

News Notes.

INDIAN ROUND TABLE CONFERENCE.—Mr. Gandhi was on the mark last week when he asserted the principle of Indian control of finance and the army. For whatever financial policy he chose to adopt he would have to control armed force. If he merely carried on the Schuster policy, now prevailing, he would have to deal with the same internal disorders as are now prevailing. If he altered the policy to alleviate the impoverished condition of the people by remitting taxation, he would unbalance his Budget, upon which international finance would hammer the Indian exchange, and thus force Indians to pay more for their imports, and the Indian Government to find more money to pay interest on foreign debt. If he knew how to meet this attack by sound internal finance on the Social Credit principle and started to do it, the international bankers would write down the exchange some more—in fact, away to zero, thus ruining investors in Indian securities everywhere outside India. These would force their political Governments to send an expeditionary force to obtain redress. Mr. Gandhi was wise enough to explain that he did not demand this control; and in truth he would be embarrassed to know what to do with it if he got it as things are at present. He knows what is wrong in the economic sense, for he has remarked that "No constructive work in India is more important than banishing pauperism" (*Times*, October 3), and has stated that "There are now 700,000 villages in India where the people live under ill-nourished conditions" (*Times*, October 3). The root problem is thus a financial problem, and Mr. Gandhi is wise enough to recognise that you cannot solve such problems merely by "controlling"; you must know what to do. And Mr. Gandhi doesn't know.

PAUL H. DOUGLAS ON FINANCE.—This gentleman is Professor of Economics in the University of Chicago. He read a paper on "World Unemployment" to the Geneva Institute of International Relations on August 18 last, which is now printed, under that title, by the League of Nations Union, 16, Grosvenor-crescent, S.W.1. (Pamphlet 307. Price 4d.) A foreword says that the League "takes no responsibility for Professor Douglas's views, which are not necessarily *those of the Union*" (*sic*). This can be true enough, for the "views of the Union" never took a definite shape, and never will. It has nothing more to say of Professor Douglas's address than that it is "an interesting contribution to an important subject." The address generally consists of the usual sequence of unrelated *obiter dicta* which we are accustomed to hear from economic professors. He does occasionally allude to facts which are in the armoury of Social Credit and other critics of the financial system, but there is no particular merit in this, seeing that they are becoming too widely known to be ignored. He notes, for instance, that "the increase of savings in the banks has been accompanied by an actual decrease in investments by banks," but puts this down to the fact that "businesses are uncertain of the future," and passes on without troubling to investigate what causes the uncertainty. He remarks (p. 10) that "these deposits . . . are but the result of loans made by the banks to business," but it is printed as a footnote to a trivial passage in the text about "businesses" having "fewer uses for their money." It is an adroit device to divert emphasis from mechanical monetary causes to psychological, commercial effects. And so with other commentators—it is never the banker who starts any trouble: it is always the "business man," or the "worker," or the "investor," who is the prime mover. Professor Douglas later (p. 19) does refer in his text to the "ability of the banks as a whole to create credit," but says that this ability is conditioned by the quantity of "gold or legal tender in their vaults." "Why do not businesses tap these abundant streams of potential credit?" he asks, especially at times when interest has been so low: he answers that they are afraid of a "shrinkage of monetary values." In other words (which he ought to have used), they are afraid of a fall in prices before they can market their products, and the reason why they have to consider that risk is (although they do not know it) because the loan-credit they are disbursing is picked up by other sellers, who use it to pay back their own loans, and the credit is destroyed—thus preparing a gap between new costs and money-demand, which has to be filled at the expense of the later borrower. If A borrows £100 this week to buy materials made by B last week with a loan of £90, B repays his loan, and at that moment only £10 exists as buying-power to place against A's newly-incurred cost of £100. And, in practice, even the £10 is not available to A, for B will usually require to spend it before A's products are ready for the market. The only assurance A could have that he could sell his products at a profit would be if he could be certain that the bank would lend, say, £110 to C, and thus put that amount of new credit into circulation and repay A his total costs (with profit). Needless to say, the bankers would not give such an undertaking. They would point out that loans would have to be increased at every step, and continuously—and how could they do that when they were pinned down to the "gold and legal tender" in their vaults?! Besides which, even if they could, prices would keep rising, wages would have to go up, and goodness knows what else ("Look at Germany"!). All most true, indeed, *provided* that there is an immutable law that every pennyworth of new credit issued must necessarily go into production-cost. There is no such law. The supposed necessity is assumed by the public merely on the word of the banker, without proof. The truth is that new credit can be used to defray past production costs, just as well as to create future production costs. And the only problem is to use credit for the two purposes simultaneously and in the right proportions. That problem Major Douglas has solved. Professor Douglas appears not to know it. He is informative enough to mention the names of what he calls "the foremost thinkers on the subject of money," and these are: "Keynes and Henderson in England, Foster and Catchings in the United States, and here in Geneva itself Messrs. Abbatti and P. W. Martin." He pats himself on the back for his heterodox criticisms of the gold standard, and his advocacy of the principle of "managed currency," and cites the above names as witnesses on his behalf.

INCOME-TAX ARRANGEMENTS.—Some firms are announcing their intention to advance the tax to their employees (*Evening Standard*, November 27). Apparently insurance companies, building societies, and other financial institutions are willing to do the same with policy-and house-holders; for, according to an income-tax collector who was interviewed by a reporter (*Evening Standard*, November 26) about the discretion allowed him by Somerset House in meeting cases of hardship, there cannot be hardship if the taxpayer is able to raise money on his policy, nor if he can mortgage his house. If his house is already mortgaged, he added, "he can raise a second mortgage." Good. The collector ought to know. Now money borrowed to be paid to the Government might just as well be lent direct to the Government. It is curious that the banks who announced that their lending-capacity was exhausted when the Government needed money, should now be ready to cover advances (for they will finance this business) made by insurance companies and other institutions including commercial firms. And again, can a Budget be balanced in any real sense unless its revenue is drawn from pre-existing stores of money in the taxpayers' possession? Further, seeing that the extra taxation is to wipe out an existing debt to the banks (i.e. reflects money to be taken out of circulation and destroyed), where is the sense in creating new credit at the same time? The explanation is that the banks prefer to spread their risks—transferring them from the Government, which has no realisable assets, to distrainable property with a market value. No banker would dare put the brokers into the Royal Arsenal for a £1,000,000 debt; but it is quite a safe proposition to distrain on 200,000 little homes for £5 each if necessary. And even more profitable; for the forced borrowers cannot make terms at all with the lenders; and even if they could discuss terms they would certainly have to pay a higher rate of interest than the Government has been paying. The difference in interest is, of course, still another tax on the community's resources.

THE AUSTRALIAN NATIONAL CREDIT ASSOCIATION.—In the *Age of Plenty* (Coventry) marked "No. 8 (New Series)" a report is published of an Association of this name, whose secretary is Mr. C. Tapley Timms, of 31, Hill Street, Hawthorn, E.2, Melbourne, Vic., Australia. The secretary reports that the Association was formed in November, 1930, by "a group of students of economics who had paid a great deal of attention to the works of Major Douglas, but who have *not confined their attention* to his writings. R. G. Hawtrey, Professor Soddy, and Professor Irving Fisher are *some of* *the other economists* whose writings receive *particular attention* by foundation members of the Association." The policy of the Association is not stated, but the *Age of Plenty* announces the formation of a National Credit Association for this country (in place of the National Credit and Dividend Society which could not be proceeded with because the "response has not been wide enough"), and we presume its proposals are the same as those of the Australian society. These are set forth in the journal as follows:—

"1. The collection and distribution of the National Dividend based upon the depreciation of plant and machinery.

"2. The provision of a sound currency, fully up to standard, which will prevent inflation.

"3. The issue by the banks of abundant National Productive Credit, not available for speculative enterprise, and freed therefore from the restrictions and interest which are quite properly to be applied to speculative credit."

Clause 1, as drafted, suggests the opposite to what its framer presumably intends to say. Surely the *basis* of credit-expansion should be the appreciation, not depreciation, of real wealth. Elsewhere in the *Age of Plenty* "Junius Junior," whom we suspect to be the author of the clauses, talks about the "wages of the machine" being paid to consumers. Possibly this is the idea behind the clause. If so the expression is radically wrong. Clause 2 would not be passed by any reputable credit-reform advocate that we know of. So far as it is intelligible it seems to assume that there is something in the basis or nature of money that affects its ratio to costs when passed through the industrial accountancy system. Even if every piece of money in use was a golden sovereign, this would not prevent extra supplies of it causing inflation. Clause 3 is an adaptation of Mr. J. F. Darling's idea to have two classes of credit. We have always regarded this idea as constituting an open invitation to the bankers to undertake the regulation and discrimination required under such a loan-policy. It will be noticed that there is no allusion at all to price-regulation, nor to any issue of purchasing-power to the consumer other than what he earns out of circulating loan-credits. The authors, whoever they are, suggest that they have read others than Major Douglas's writings in order to improve on his scheme. We fancy it would be nearer the truth to say that they have emasculated his scheme in order to facilitate easy advocacy among the general public. They have the right, of course, to propound any scheme they like, but it would be more frank of them if they omitted all reference to his name in future, unless it were to say straight out that they rejected one of the two integral and vital parts of his analysis and proposals.

"THE MANCHESTER GUARDIAN" AND SOCIAL CREDIT.—Several correspondents have called our attention to a report extending to nearly a column in the *Manchester Guardian* of November 25 of a public meeting at which it was decided to form a Manchester branch of "The Douglas Credit Association." The speakers were Mr. Joseph O'Neill and Mr. T. C. Wrycroft. The features of the report are (a) its reproduction of Mr. Wrycroft's description of the principle on which Major Douglas's price-regulation proposal is based, and (b) its mention of Major Douglas's name several times in connection with the proposal. Both for technical and tactical reasons we have always pressed for the accounting rather than the accrediting aspect of Social Credit to be given the emphasis. In the first place, further supplies of credit are of no avail unless used (at least in part) directly to lower the retail price-level in relation to the collective incomes of the population. In the second place, whereas every individual is potentially able to assess the benefit to himself of a price-cut in the shops, only a section of the population is potentially interested in loan-accommodation. And as time goes on teaching the industrialists where they are getting, they themselves will recognise that all loan-accommodation, whatever its dimensions, is at present nothing but a fund to gamble with. No rate of borrowing ensures a profit. It is the issue and use of consumer-credit for discounting prices which will ensure the profit. So we are glad that the *Manchester Guardian's* report includes reference to this essential factor which differentiates the Social Credit Proposals so completely from all other proposals for financial reform.

Bankers' Blight

By "OLD AND CRUSTED."

"Public calamity is a mighty leveller; and there are occasions when any, even the slightest, chance of doing good must be laid hold on, even by the most inconsiderable person.

"To restore order and repose to an Empire so great and so distracted as ours is, merely in the attempt, an undertaking that would ennoble the flights of the highest genius, and obtain pardon for the efforts of the meanest understanding."—(Edmund Burke. Speech on Conciliation with America. March 22, 1775.)

"The business of maintaining life is the only proper use of money."—Henry Ford.

In the early days of May there was every prospect of a record crop of Bramley apples, our local standby, but 8 deg. of frost, following a wet night, round about the 15th day of the month settled that. The same fate befell the Victoria plums, and of damsons there was but a scant survival in sheltered corners of the orchards; consequently, there was much moaning at the bar of the "Plough," and many wry faces in the tap-room where market gardeners and farm labourers foregather to discuss crops, and lower consolatory pints. Even the few Cox's Orange and Worcester Permains that had escaped were attacked by a loathsome, leprous blight, and fell one by one into the rank grass which alone seemed to revel in the late "dem'd, damp, moist, unpleasant" summer.

Now is the time for the fifty-three (*sic*) branches of the Big Five to put forth a few belated blossoms of good will and help Clem Parr—barely saved from complete financial collapse by a brisk demand for his renowned "hatching eggs" at 3s. 6d. per doz.—and scores of other hard-working good fellows over the lean time they will have to worry through this winter. But a demand to repay certain little overdrafts is more likely to add an additional burden to sorely-laden backs, and an epidemic of "Banker's blight" may safely be predicted to set in with the passing of St. Luke's little summer. Fortunately for us small folk who live both on and by the land, there are side-lines which promise a few solid meals to cheer the winter of our discontent, if not much in the way of cash income. With a ton or so of early 'taters well got and dryly stored, a couple of good-looking pigs to kill about Martinmas, a nice lot of young poultry coming on to lay about Christmas—when "eggs is eggs"—and a gaggle of geese picking up a living on the common, actual starvation is not an immediate prospect. We maybe shabby as to clothes and patchy about the boots, but it will not be necessary to punch a new hole in the belt that does duty for braces.

But if we leave this parish of small cultivators and go down the Floss to the town of St. Ogg's on a market-day and mix with the farmers from the corn lands, we shall run into the very heart of disaster. Come with me into the snuggery at the back of the bar of the Clinton Arms, that cosy oak-panelled little room where some half-dozen substantial farmers, known as the "Birth-day Society," have met year in and year out every market-day since those jovial care-free times when, as youngsters, they were "up with the Yeomanry." Faded photographs of these bucolic warriors, resplendent in side-whiskers and pill-box caps, adorn the walls between coloured prints of celebrated horses and prize oxen. After prices and store beasts have been fully discussed, and the second round of steaming grog is going the way of all good liquor, many a famous jest is recalled and good story retold of by-gone camps, sports, and inspecting officers—but not to-day—for the chair in the chimney corner, sacred to the year's "President," is empty.

. . . .

"Yes, the jury brought in a verdict of 'accidental death'—as we knowed they would," said Martin Heath, of the Hagg Farm, putting down his glass untasted. "Evidence wor' submitted that the trigger caught in a twig as Bill pushed his way through the hedge into Thistley Coppice, but nobody as knowed Bill's keerful way wi' a gun would credit that. Fact is he wor' fair moidered out o' his life, and the thought of a forced sale at Hunter's Hill druv him to do what he did."

"Perhaps he was behindhand with his rent," chimed in a stranger who had found his way unnoticed into the sanctum.

"Nowt o' the soort," roared Martin, rounding savagely on the intruder. "Bill Spafford might ha' stayed at Hunter's Hill to his life's end if so be he could 'na ha' paid his rent. Sir Charles would niver ha' turned him out. There's bin a Spafford at Hunter's Hill a'most as long as there's bin Mowbrays at the Manor—an' that's gooin' back to owd Queen Bess's day—an' mebbe beyond."

"No, it worn't over-due rent, but out-stannin' debt wot druv Bill scranny. He'd been at the bank that same mornin' to meet yon felly fra' Lunnon—an' I saw him as he coom out—there was death in his face. If Mr. Eustace—that's Sir Charles's brother—had still bin at the head of the old bank, Bill would ha' bin here to-day. To hell wi' these 'malgamations, an' interferin' swine fra' Lunnon—but there's a day o' reck'nin coomin', mark my words, mister—an' God help them as rated dirty money higher than good land." Then, turning from the stranger to his old friends, he said, "I think we'll drink one glass—stannin'—to Bill, an' goo 'ome."

. . . .

Over the brow of the hill, casting long shadows before them, came the Squire and the Rector. When they reached the scene of the tragedy both men stood silent for a few moments with bowed, bared heads—for the memory of long years of friendship and loyal service was very present to them. The Rector's lips moved in silent prayer, but the Squire's face was set stern and grim. The two old friends turned away and resumed their walk without uttering a word.

When they came to the crest of the knoll by the gate of the home farm paddock, from where the whole panorama of park and manor, rectory and red-roofed village lies spread out like a map, the Squire stopped dead. "Look at it, Phil," he cried, "look at it all—was there ever a more peaceful, more beautiful scene—and yet it seems to me as if there were a blight over it. There's not a farm on the estate paying its way; the labourers are sullen and discontented—and no wonder. How can a man support wife and children to-day on thirty-eight shillings a week, even with a free cottage and a rood of land thrown in. It is absurd to expect farmers to pay more, and if I were to raise my own men it would only cause trouble and be unfair to my tenants; besides, I could not if I would. I am about at my wit's end for money. If it were not for the rents from the Scotch moors and the handsome price Goldstone pays for the home shooting I should have to throw my hand in. As it is, Mary tells me we shall have to close all the manor except a few rooms and discharge the servants. The gardens will have to go to rack and ruin—there is no help for it. Either that or try to let the place and go into cheap lodgings at Bournemouth."

"We are in similar straits," replied the Rector. "How can I press for tithes in a year like this, and the outlook so black. I hate taking them in the best of times, even from the Commissioners, and if they were not a trust I would gladly forego them altogether. Yet I want the money badly enough. In fact, I am so hard pressed that I am thinking of selling that bin of '87 Cockburn we were to open at Christmas," and his Reverence heaved a deep sigh as the two old cronies resumed their weary tramp homewards.

Before they had gone many yards a cheerful young voice hailed them, and the daughter of the Rectory, followed by the heir to all the debts and difficulties of the Mowbrays, joined the two depressed representatives of Church and State.

"And what mischief are you two old conspirators hatching," said Joan, linking an arm with each and turning a smiling, roguish face up to these care-worn, weather-beaten visages. "Oh, yes, I know all about it. Mummy and I were lunching with Aunt Mary yesterday, and she told us everything. Fancy dreaming of selling the Jubilee port and contemplating cheap lodgings at Bournemouth! Was there ever such nonsense! The fact is, Daddy, you and Uncle Charles ought to be put in a bag together and well shaken up! So there! As if there were no other way out of the mess! Now, listen to me and be good. Jack and I have decided that if Dame Ursula Mowbray could stand a siege of six months whilst her husband, Eustace, was lying a prisoner in the Tower, and keep Ireton's ruffians at bay until Prince Rupert chased them into the Floss, we can hold the old Manor against rate and tax collectors for ever and a day. If there is no money—well, we'll do without it. We propose living on the estate and helping the tenants and labourers to do the same. Instead of selling wheat—or giving it away—we mean to get Carby's mill and the old brick ovens going again, and turn it into wholemeal bread. We will kill our own mutton and make the home farm a real slap up-to-date dairy—see if we don't—and, besides, Jack has no end of schemes up his sleeve—haven't you, Jack? He means to open the tan-pits, derelict these twenty years, get the brickyards going again, and revive the cloth industry with wool from our own fleeces. The great idea is to 'barter our products'—'do a bit of swoppin,' he calls it—and, as for help, he says he knows a dozen men of his year kicking their heels about town who would joyfully lend a hand at doing something real for once. And there's lots more besides, but I can't tell you now. I'm simply starving, and Jack looks positively wolfish. I know Aunt Mary, dear, patient old darling, is keeping tea waiting in the long gallery—so hurry up! I'll race you home, Uncle Charles!"

"Umph," grunted the Squire, and, turning to his son and heir, said: "And what do you say to all this, Jack?"

"What Joan says goes, Sir," replied Jack.

"I thought so," retorted the Squire.

On Standing On One's Head.

"The ancient poets associated all sensible objects with gods or geniuses, calling them by the names and adorning them with the properties of woods, rivers, mountains, lakes, cities, nations, and whatever their enlarged and numerous senses could perceive.

"And particularly they studied the genius of each city and country, placing it under its mental Deity.

"Till a system was formed, which some took advantage of, and enslav'd the vulgar by attempting to realise or abstract the mental deities from their objects—thus began priesthood.

"Choosing forms of worship from poetic tales.

"And at length they pronounc'd that the gods had order'd such things.

"Thus men forgot that all deities reside in the human breast."—Blake.

The heart of the esotericist is forever young. It is always dancing to the tune of "Over the hills and far away." The people and things he sees round him fill the esotericist with disgust and boredom, which he counteracts by a radiant vision. These people and these things are worthless, but somewhere in the mountains of Thibet—or on the astral plane, or in the romantic mists of the past, there dwell—ah! if you only knew—certain Radiant Ones, of wondrous powers and complete omniscience.

Gradually, by dint of seeking for them, the esotericist finds them. And straightaway he waxes proud of his find, and even more contemptuous of the humdrum people who do not know these Wondrous Ones. It is the romanticism of childhood, the glory of being "in the know." But there is a snag about being in a secret which is too well kept. It is that outsiders do not even know there is a secret, and therefore do not pay the initiate the homage of envy. And so the esotericist must write many large books full of mysterious hints and whispers.

"As 'Well, we know—or We could an if we would,' or 'if we list to speak,' or 'there be an if there might.'" Hence such books as this of M. Ouspensky's.*

Not only is it a model of the universe, but it bids fair to be a life-size model. Only it doesn't seem to work quite so well as the real thing.

As is natural to an esotericist, M. Ouspensky turns to the various Scriptures and mythologies for hints how to build his model. Now the ordinary person, in tackling such material, is always brought up against an ugly-looking problem. It is typical of Scriptures that they are very uneven in quality. The profoundest intuitions are mixed up with the crudest superstitions, the most barbarous practices, and statements which often flatly contradict each other.

To the esotericist, of course, these present no difficulty at all. They are merely a further proof of his thesis. He knows that the Scriptures have been written by members of the semi-divine "Inner Circle" of mankind, and that they were only meant to be understood by their initiates and disciples. All the contradictions and mistakes were deliberately introduced to deceive the prying eyes and ears of the vulgar. Like the dog's bark in the old conundrum, they were put in simply to "make it harder."

Thus M. Ouspensky finds the mark of the "schools" of the Inner Circle in all kinds of things, from playing-cards to the Great Pyramid, and from dancing dervishes to Gothic architecture. But there is no trace of

*("A New Model of the Universe." By P. D. Ouspensky. Kegan Paul. 25s.)

the Inner Circle in common life either past or present. History belongs to us common folk, and it is the "history of crime."

Such a view must have the most far-reaching results, and certainly M. Ouspensky follows them to their logical conclusions with more courage than any other esotericist I have read.

Modern science, of course, to which a person with a "secret doctrine" would be an incomprehensible lunatic, must be at fault, and accordingly M. Ouspensky quarrels with nearly every scientific theory. But especially does he dislike the theory of evolution. The very idea of a possible evolution for the common masses is repugnant to his aristocratic taste, and, moreover, he tells us, evolutionary theories "lead nowhere." He means, I think, that they do not lead where he wants to go—into the past—into the East—into the Inner Circle. Besides, like all decadent aristocrats, who have lost the aristocratic thirst for new adventures, he tends to make all the more of the deeds of his ancestors, and is offended at the very suggestion that they might have had a plebeian—or even, oh horror! a subhuman origin.

That Inner Circles, with their Schools and Secret Doctrines, have existed and do exist I have no doubt. But how far they have understood what they were really up to is a very different matter. Maeterlinck surmised that the most intimate secret they had to impart to their initiates was a confession of complete agnosticism. Personally, I have always thought it unlikely that such necromancers could be so honest, even with themselves. Besides, it is probable that such circles were originally founded on a real revelation, and a man of genius has a profound intuition of truth; but in the attempt to express it, even to himself, he bungles and distorts it to some extent. How, then, must it be manhandled by his disciples?

It is a remarkable fact that wherever we can observe the working out of such an idea, as an organised system, as in the Order of St. Francis, or in the caste system of India, we see it degenerating and falling into self-contradiction and absurdity. The esotericist will have it that this is due to the defilement of the idea by the stupid brutality of the vulgar. And this is true. Only it must be understood that the "vulgar" comprise the whole of mankind without exception. The very foundation of the Inner Circle is itself partly an error. The genius himself does not fully understand his idea. Hence the absurdity of handing oneself over to the genius, body and soul, without question, as the esotericist would have us do.

M. Ouspensky is certainly at fault in suggesting that we know nothing of the Inner Circle in the modern West. On the contrary we groan under the ministrations of a very powerful one, known as the "Inner Circle of Finance." True, it does not, as some Eastern Schools do, invite us to break our ankles in order to attain the wisdom seat, but it forces us to break our hearts and our lives in a vain attempt to achieve the "Bankers' Yoga." And it bears all the stigmatta of an esoteric circle. Its members live in an atmosphere of remoteness and secrecy. It rules our affairs without consulting our wishes, and it claims that its activities are beyond the understanding of all except those few whom it trains specially and rigorously. Even the esoteric command that nothing must be concealed from the masters of the schools is also part of the banker's dialogue. Almost are they ready to make the same claims as the Brahmans in the Law of Manu:—

". . . the Brahman occupies the highest place on earth, as the lord of all created beings for the protection of the treasuries of the law."

"All that exists on earth is the property of the Brahman ——"

". . . Other mortals exist only through the benevolence of the Brahman."

Tabulate the abuses of the modern financial system and you will find that they agree exactly with the very things which mark it off as an esoteric system.

For the whole conception of the Inner Circle has been perverted by the esotericists. The Inner Circle exists, but it does not consist of men, but of Ideas. All M. Ouspensky's claims are true as applied to the Ideas, and false when applied to men.

Perhaps the most interesting chapter of the book is that one concerned with Eternal Recurrence especially as applied to reincarnation. There M. Ouspensky submits many interesting ideas about the nature of Time, which, of course, he does not condescend to prove, since your esotericist is always disdainful of such meddling restrictions which are only worthy of the "Vaisya" mentality of a scientist.

M. Ouspensky holds that reincarnation occurs not into the future, but into the past. The moment a man dies he is reborn exactly as he was before.

"This means that if a man was born in 1877, and died in 1912, then, having died, he finds himself in 1877 again, and must live the same life all over again. . . . He is born again, in the same town, in the same street, of the same parents, in the same year, and on the same day. He will have the same brothers and sisters, the same uncles and aunts, the same toys, the same kittens, the same friends, the same women. He will make the same mistakes. . . . rejoice and suffer in the same way. And when the time comes he will die in exactly the same way as he did before, and again, at the moment of his death, it will be as if all the clocks were put back to 7.35 a.m. on the 2nd September, 1877."

I have often thought that the theory of reincarnation must logically end in this absurdity, but it is at first surprising to find M. Ouspensky defending it, since a little previously he has very ably disposed of Nietzsche's idea of Eternal Recurrence in a footnote exposing the mathematical fallacy underlying it. Gradually, however, it dawns on one that M. Ouspensky does not really object to Nietzsche's conception, but only to his reasons for holding it.

But no sooner has the author drawn his picture of reincarnation than he begins to be afraid of it, for he adds:—"The only thing which can and even must be admitted is the fact of the strengthening, with every life, of these tendencies which grew and increased during life, both bad and good tendencies."

Now we can see what is coming. M. Ouspensky and his spiritual aristocrats are to be saved through this loophole from the appalling "ring of Eternity," while for the rest of us, the bottom will eventually fall out of it, owing to our increasing inanition letting us drop into annihilation.

But this is childish. If we take anything at all back with us, even a hairsbreadth difference in the strength of the smallest tendency, the life history will be thereby deflected from the beginning, and it will not be a *reincarnation into the past at all.* Everything will occur differently, and M. Ouspensky's picture is quite erroneous. In spite of his naive mathematics, there was more honesty and intellectual cleanliness in Nietzsche's realisation that Eternal Recurrence, if it occur on this plane, must involve everything from the highest Superman to the meanest insect, and from the minutest detail up to the whole Universe. It is to his honour that having seen so much he had the decency to go mad.

The book ends with a chapter on Sex and Evolution, in which there is much talk of Supra-sex and infra-sex. But Freud, whom M. Ouspensky naturally despises, has really done it much better. In any case one needs hardly bother about the sexual theories of a man who can say that "in the figure of Othello there is nothing but pathology."

All the same the book is one to browse over. It is a book for the leisure state in which a man may have the time—and 25s.—to spare.

Neil Montgomery.

NOTICES OF MEETINGS.

The Belfast Group are holding their third public meeting of the season in the Grand Central Hotel, Belfast, on December 8. We have no other particulars.

* * *

Professor Paul Douglas, Economics Professor of Chicago University, will lecture at the Friends' Meeting House, Euston Road, on Thursday, December 3, at 7.30. [We refer to this gentleman's activities and ideas in the News Notes this week.—Ed.]

THE KING'S SPEECH.

A Mrs. McLeod, addressing a local Women's Conservative Association, resented the criticism by the Opposition of the King's Speech, namely, that it was an "empty" one. A report of her speech continues: "She sympathised with the King, *having to prepare his speech in the hurried way he did*, and personally she thought it a perfectly good speech." (Our italics.) Now, isn't that just too perfectly sweet?!

LETTERS TO THE EDITOR.

BERNARD SHAW.

Sir,—Apropos of your statement that Mr. G. Bernard Shaw is "definitely hostile" to Social Credit, it may be stated that among his innumerable utterances upon an immense number of various subjects, that of the money question seems to be the least frequent. However, it may be interesting to quote the following: "In disposing with his usual cleverness of the economists' apologies for interest, G. Bernard Shaw takes a position upon the money question not at all in harmony with the State-Socialism toward which he usually inclines. . . . Speaking of the tax which the banker who has a monopoly levies upon all commerce, he says: 'Only by the freedom of other financiers to adopt his system and tempt his customers by offering to share the advantage with them, can that advantage eventually be distributed.' *Only*, observe. No other method will do it. Government monopoly will not do it. Nothing but free competition, free money, in short, as far as it goes, pure Anarchism, can abolish interest on money."—*Liberty*, Boston, U.S.A., September 24, 1887.

The above quotation establishes Mr. Shaw as an advocate of free-banking at that period. However, Social Credit has superseded free-banking by taking into account industrial and financial developments dating mostly from the post-war period, which have rendered the free-banking theory no longer tenable. Indeed, Mr. Benj. R. Tucker, editor of the above-quoted *Liberty*, himself publicly announced in 1911 that the free-money remedy for economic evils, which he had strenuously advocated for more than thirty years, was no longer adequate, in view of the overwhelming power of financial combinations. During all this time Mr. Shaw has given no public evidence of having advanced from his position above outlined; therefore his hostility to the Douglas Theorem needs explaining, and surely he is the man to do it.

W. J. Robins.

126, Whidborne Buildings, King's Cross, W.C.1.

TO READERS IN THE CHESHAM DISTRICT.

Sir,—I hope to call a meeting for Wednesday, December 9 with the view of forming a Social Credit Study Group in Chesham. Will any interested readers communicate with me?

Victor G. Moon.

"Audmarie," Lowndes-avenue,
Chesham, Bucks.

WHY "NEW ECONOMICS"?

Sir,—I see frequent allusions by Credit Reformers to the Douglas Theory as the New Economics. It is a poor, feeble phrase. The adjective has no lasting meaning. "New" to-day means "Old" the day after to-morrow. And it is *not* new anyway; it always was, however overlaid by falsity. In default of any better suggestion why not boldly say REAL ECONOMICS?

Philip T. Kenway.

A PROPOSED GROUP FOR LEEDS.

Dear Sir,—If any readers in Leeds and district are sufficiently interested in the Douglas Social Credit Proposals to form an association I should be glad to hear from them.

W. J. Tull.

Hillside, East Keswick, Nr. Leeds.

LABOUR DISPLACEMENT.

Sir,—I am in need of further *definite data* in the matter of the displacement of labour by machinery. Any such information coming under the undermentioned or other heads, with or without photos, would be gratefully received:

Labour saved on the Tubes by automatic booking, escalators, and train doors. Harvesting machinery in America. Electric bulb making. Navvying. Saving by Accounting Machinery in Midland and other Banks. Cigarette making. Brick making. Mining, etc.

Philip T. Kenway.

Enton End, near Godalming.

ANSWERS TO CORRESPONDENTS.

A. H. R.—(1) Your comment amounts to saying that Customs figures *are* cooked. And you are right. An f.o.b. cost does not record the cost of freight and insurance: it is an understatement of the total charges attaching to the given export. "Differential values" do not affect the equation. If an article costs £10 in England and is moved to Australia at a further cost of, say, £1 for freight and insurance, the c.i.f. cost at the port of entry is £11—which figure is also the true cost of the English export. The price which the article may fetch inside Australia is another matter altogether. (2) Your reasoning is based on assumptions which are not granted on my side; so it will serve no purpose for me to argue about the conclusions at which you arrive. Your fundamental error is in your statement that the Bank can only lend its depositors' money. The truth is the reverse. Bank loans increase the total of deposits. (*Vide* Rt. Hon. Reg. McKenna's Post-War Banking Policy: also Macleod's writings before the war.) British deposits in banks amounted to £900,000,000 in 1914; and were £2,000,000,000 in 1918. And a similar increase took place in every other country's deposits during the same period. Banks create new credit in the process of making loans, and they destroy credit in the process of retiring loans. The borrower of credit from a bank does not draw on pre-existing deposits in the bank; he causes a new deposit to appear in the books of the bank. And there is so much the more credit in circulation until he repays the bank. *The ownership* of this credit is public—it does not *belong* to the borrower, the bank, or other depositors. It is true that borrowers must repay loans, but the reason has nothing to do with the property rights of other depositors; theoretically his repayment is, so to speak, a proof that he has performed some service or other with the loan which the community have thought worth buying from him. This leads on to the most elusive factor in the argument against present bank policy. It is that banks retire loans when they like, without any regard for the progress of the work put in hand by their means. Say a ship is to be built and it takes a year. The bank could—as a technical matter—lend and retire a succession of credits of, say, £1,000 each. These would be recorded cumulatively as costs by the shipbuilder, but when the ship was finished there would only be the last £1,000 in circulation as money. Extend this rough example to cover all economic activities in a given closed credit-area, and it will be evident that collective costs can rise out of proportion to collective circulating credit. And they do. And that is why costs have had to be written down (bankruptcies, re-constructions, etc., etc.) so drastically in recent years. All production must sooner or later be debited to consumers, and a correct system of financing would provide that the consumers *collectively* would have sufficient money to meet all costs as and when the production was available for selling to them. This is a necessarily incomplete (and probably unconvincing) account of the Credit and Cost Theorem propounded by Major C. H. Douglas in his books, and recently before the Macmillan Committee. If you are interested to check it up, you could get "An Outline of Social Credit" (7d. post free) from the Credit Research Library, 70, High Holborn, W.C.1.

F. G. R.—Our above reply to A. H. R. may help you to understand that an expansion of credit need not necessarily be accompanied by a rise in prices. As a matter of fact, Major Douglas shows how new issues of credit can be used to procure a general reduction of prices. The notion that industry's policy of pricing its products at "all they will fetch" is an ineradicable psychological attribute of people engaged in industry, has no substance in it. The policy prevails to-day because of the over-riding policy of the banks of calling in credits "as fast as they can be fetched." Bank loans create costs, and the retirement of these loans should proceed at the same rate as that at which the community repays the costs in the process of buying the things made by the loans. To-day, when loans come out into circulation to set new production going those producers who have goods ready to sell take part in a disorderly scramble to pick it up in order to get out of the banks' debt. Profiteering is a form of running for shelter during air-raids. Stop the bank-raids and all selling can be done on a scientific basis. Industry can be given the opportunity to earn profit commensurately with quantity-output, instead of with quantity-restriction and scarcity-pricing.

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