THE
NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

No. 2101] NEW SERIES Vol. LII. No. 7. THURSDAY, DECEMBER 15, 1932. [Registered at the G.P.O. as a Newspaper.] SEVENPENCE

CONTENTS.

NOTES OF THE WEEK.

Railwaymen's Wages.

Giving evidence before the National Wages Board for the railways last Thursday, Mr. Marchbank, for the N.U.R., expressed the view that anything above 1 per cent. was a high rate of dividend. Mr. J. Hornsey (L.N.E.R., a member of the Board) asked: "For the shareholders?"—to which Mr. Marchbank replied: "As to the shareholders, I don't agree to their getting anything." Later, Mr. J. Bromley, appearing for the Locomotive Engineers, challenged the claim that capitalism must have its return irrespective of anything else.

In 1927 Mr. Herbert W. Jordan, in the eighteenth edition of his well-known handbook, *How to Form a Company*, wrote (p. 10):—

"The number of Companies registered in England down to the end of 1926 was 218,938, the aggregate Nominal Capital being £9,407,723,650. More than half the Companies no longer exist, the number of survivors on the Register being about 92,320, with a paid-up Capital considerably exceeding £4,250,000,000 (the Nominal Capital is larger, but the figure is not available)."

On page 18, on "The 'Passing' of Companies" the writer says:—

"Each year some 2,000 to 3,000 Companies are wound up, the liquidation being voluntary in all but about 150 cases in which the aid of the Court is invoked. In addition thereto, the names of about 1,000 abortive or defunct Companies are struck off the Register by the Registrar of Companies, thus bringing the mortality list up to between 3,000 and 4,000. However, the number of Companies that cease operations is small compared with the number of new registrations, and every year in consequence witnesses a considerable net annual increase in the number of Companies on the Register."

A year or two ago Messrs. Foster and Catchings published figures in their book, *Profits*, showing that over an area of business embracing most of the important Corporations (i.e. Companies) in the United States the aggregated profits of the successful were almost exactly counterbalanced by the aggregate losses of the unsuccessful.

Mr. Marchbank made a point that an investor at 4 per cent. who received interest for fifty years would have got his capital back twice over and would still retain it. He contrasted the position of such a man with that of the railway servant, who "earned that interest." He agreed that the railway companies, faced by a 20 per cent. decline in business, must reduce their costs, but not at the expense of the men. They could economise by refraining from filling vacancies. After that, "under the existing system," the next step would have to be that of discharging men. As to the possibility of sharing existing work among a larger number of men the unions would not agree unless the "full wage" were paid to "each man." Incidentally, he alluded to a fact worth recording for use in another frame of reference, namely that the trade unions were compelled by law to limit their investments to Government and municipal securities. (This seems to have been designed to prevent the fusion of Trade Union and Co-operative interests on a business basis; and if so the subject seems one which will repay exploration by Co-operators.)

The important feature of the attitude of Mr. Marchbank and Mr. Bromley is not in the wrangling about whether railwaymen or investors get more than they ought to out of the railway enterprises. It lies deeper, and concerns what one may call the philosophy of "work." These leaders are at cross-purposes with themselves. They employ two alternate forms of argument depending respectively on two mutually exclusive assumptions. They say in one breath that they object to the companies' dispensing with their services; and in the next breath that they are obliging the companies by contributing their services. Which is it? Work cannot at one and the same time be a privilege of the worker and a burden on him. If he holds that he does the companies a favour by working for them he cannot say that they do themselves a favour when they dispense with him.

This contradiction will of course sound academic to both parties to the controversy; but that is because the issues are distorted by underlying financial axioms which they both accept. So far as the railwaymen are concerned their outlook is conditioned by the operation of the axiomatic financial principle that the sole title of a person to receive an income rests on his working at something which can be sold by the organisation employing him. The condition is not merely that something shall be produced inside the organisation, but that there shall be buyers outside the organisation willing and able to put down the money necessary to pay wages and other costs. The railway companies are not the authors of this principle: it is imposed on them, as it is on all other enterprises. They are simply agencies operating the principle—and, what is more, doing so, or trying to, without controlling the essential factors of success. They cannot affect the quantity of money available as demand for transport service in general; nor can they, as railway companies, force the public to patronise railways, or control the conditions under which other transport services compete with them for earnings. Nor, again, can they compel investors to provide them with capital at 1 per cent. The responsible railway managements would only be too pleased to be able to do these things, and, as a matter of fact, they have been trying to get legislation passed in this direction, with the support, we suspect, of the railway unions themselves, notably in respect of restricting or prohibiting certain classes of road-transport. Lastly, in regard to interest on capital, the railway managements are by law placed under the necessity of maintaining such payments under the penalty of having certain classes of their stock struck off the list of Trustee securities, a penalty which would cut them off from the large investment trust funds whose trustees may not legally invest outside the List. It may be remarked, incidentally, that the investor, considered as the well-to-do private person who has a good time at the railwayman's expense, is pretty well extinct. And even if there were a large class of such persons, they could exercise no control over the policy of the managements, who are under the control of people who regulate the investment-market as a whole—namely, the banking monopoly. If, as a matter of fact (and it has not been proved), investors in railway stock were doing well, this would be so because the bankers, for reasons of their own, wanted this to happen; in which case the management would be unable to decide otherwise. So it is futile for the railwaymen's leaders to fulminate against the "greed" of investors or the "favouritism" of the management as the causes of their hardships. The prime cause is bank policy.

Since bank policy governs that of every industrial enterprise, it is futile for any aggrieved workers to relate their particular grievance to the policy of any particular enterprise. Their grievance is part of a general phenomenon ascribable to a prime cause, and there is no use in discussing it before a tribunal whose terms of reference exclude inquiry into that cause. Such a tribunal is the National Wages Board for the railways. *Wages* board—for the *railways.* That is to say, on the fortuitous ground that it is the turn of the railwaymen to react against the burden of a *general shortage of purchasing power*, the bankers, who are the authors of it, hasten to appoint a body to restrict the discussion of money to its relation with work and wages; and not only so, but to restrict the limited discussion to *railway* work and *railway* wages. Thus you see the spectacle of masters and men investigating, not the possible *cause* of the general shortage, but *whether the shortage is equitably spread.* The issue is even narrower than that: it is to decide merely whether the spread is equitable *as between the parties immediately concerned in railway enterprises.* The same policy of segregation has been operating for the last several years—coal-miners, cotton-weavers, cotton-spinners, and what not—in every instance the operative and the master have been brought together, tied by their tails, and hung in pairs over separate national-arbitration poles to scrag each other.

The object of the bankers is to maintain the twin illusions (a) that money comes into existence as the result of work; and (b) that monetary savings grow. The two can be combined in the formula: Work makes money which provides work which makes money. (On the basis of this formula Mr. Marchbank's "investor" could retort on him that since the invested money *grows* he was as entitled to go on drawing interest on it as was the railwayman to draw wages created by his work.) Within the area of a single enterprise no person associated with it either as master or man has ever noticed the process at work, nor would he take the proposition seriously if it were suggested in respect of that area. But as regards other areas with which he is not familiar he is most easy to impress with the notion that fairies work there and bring money out of nowhere to reward industrious boys and girls—that there is a magic land of Elsewhere, inhabited by Others, who have only to plant a bulb to pull up a sixpence, and plant a sixpence to pull up a bulb. The whole idea of working with invested capital and expecting to earn a profit rests on this kind of assumption. The truth is otherwise. The total quantity of money at the disposal of a population does not alter except by the act of the banker. At one time he makes some and lends it; at another he calls it in and destroys it. And far from assisting railway or any other enterprises to reward harder work with extra pay, he most frequently does the opposite. His reason is quite simple: it is that if the harder work were to be recompensed by increased wealth the need to continue at work would become less pressing. He does not want that to happen, so at the first sign of abundance he reduces rations of money so that no one can accumulate therefrom reserves of the means of living. The railwaymen justly complain that the wage-cuts they have accepted have only led to further wage-cuts. Quite so: the bankers are pursuing the trial-and-error method of ascertaining what is the lowest standard of life which the population will tolerate without revolting (strikes of workmen against their masters and flights of investors from the Stock Exchange) and, when they have done so, fixing that as the maximum standard.

Mr. Bromley's suggestions for alleviating the situation show that he has no grasp of the real problem. He speaks of "writing down capital," as if by writing down a nominal valuation you create fresh money. An alternative is "nationalisation," as if a change in nominal ownership creates money. A second alternative is a "subsidy." But from whence, and on what terms? If as a bank-loan on long terms, then there would be more money about (provided the banks did not retire equivalent loans from elsewhere) but the relief would only be temporary unless the banks kept on adding to the loan. Even so its value would be spoilt by the inflationary effect of the issues. "The way to assist the country is not to reduce the spending power of the railwaymen but to send it up that trade may revive," is one of Mr. Bromley's rhetorical flourishes. That would be appropriate to a general enquiry into the adequacy of personal incomes in general, since the same plea can be made on behalf of any class of workers—and even by investors! Technically, the argument is not necessarily sound. If, as would probably happen, the cut in the railwaymen's wages were avoided by making the public sacrifice its equivalent, the general money demand would remain what it is, and therefore there would be no revival of trade. Spending power, moreover, is not measurable in terms of money; it is a ratio between incomes and prices; and you do not modify the ratio favourably to the income-earner merely by handing him out more income.

The function of a railway system is not to "assist the country" in the financial sense: it is to serve the country in a physical sense. Nor is it its duty to employ workers in preference to more efficient means of performing its service, any more than it is the duty of railway workers to patronise train-services if the motor-coach services suit their purpose better. The provision of all money is a duty devolving on the banking system. The fact that business enterprises are the immediate dispensers of money must not be allowed to obscure the fact that they are only intermediate dispensers. The amount they can dispense, and the purchasing power of that amount, are dependent on, and controllable by, the banks, and by them alone. It is natural and right that railwaymen should feel resentful about this new burden, but it has been a neglect of duty on their leaders' part to leave them for all these years without any guidance as to whence the trouble comes. The men can voice their hardships for themselves—besides which there is no disposition on the other side to deny their existence. And really, in the end, all the guidance which these labour experts can offer to the tribunal, their members, and the public, boils down to the advertising of a grievance.

Problems of Action.

Last week we discussed "action" as something distinct from, or additional to, "talking." For any act to take place there must first be a stimulus which arouses a desire, which develops into a motive, which is expressed in the act. The stimulus may be external to the human agent of the act, or it may not; and it is often difficult to decide, in respect of an act, "what began it." A simple example of the external stimulus is that of a person writing in a closed room which is gradually becoming stuffy. The writer, absorbed in his work, does not notice any oppression at first, but at a certain juncture his lungs send out a S.O.S. for fresh air, his consciousness picks up the message, and eventually he breaks off his writing and opens the window. A slight elaboration of this example would be to suppose another person in the room who had previously heaped coals on the fire because he felt chilly. In that case the chain of causation begins further back and extends through a first motive, an act, a consequence, a second motive, and ends in the opening of the window—an act, be it noted, which the person who started the sequence of processes would not have contemplated. Call this person "A," and the writer "B." In this example "A" does something which makes "B" do something. We can slightly modify it and suppose that "B," before he began to write, had asked, or ordered, "A" to bank up the fire. In that case the chain of causation may be considered as joined up at the ends. We can now reverse the sequence and also alter our supposition, imagining that "A" had wanted the window open, and had asked "B" to open it (assuming that only "B" could do so). If "B" did not do this (either through absent-mindedness, or laziness, or obstinacy) it would be possible that "A" would mischievously over-heat the room to achieve his object. There are many variants and extensions of this example, but those now stated are sufficient to enable us to consider "action" in the Social-Credit context.

Let us draw a triangle to represent society; and divide it into sections by horizontal lines. The topmost section comprises persons who individually possess the greatest power to take action, and the bottom section those who individually possess the least. For convenience we can assume twenty-six sections, and letter them downwards from "A" to "Z." Also, we can distinguish their respective powers of action by numbering the sections. Of course, the ratio of power between a person in class "A" and one in class "Z" would be more like 260,000: 1 than 26:1; but our purpose here is only to distinguish the classes so as to place them in some order of power. The "A" class would comprise the handful of international super-financiers; the "B" class, the Bank of England directorate; the "C" class the directorates of the Big Five; and so on downwards to the "Z" class which can be considered as comprising the most destitute of the unemployed.

Having drawn the triangle and divided it as prescribed, bisect it by dropping a perpendicular line from the apex to the centre of the base. This line will divide every class into two equal parts. Then, on the right-hand side of it drop other perpendicular lines from the points where the horizontal lines meet the right-hand side of the triangle. You will now have formed a series of right-angled triangles, of which the largest is the half of the original triangle, comprising a half of each class from A to Z, and the smallest is the triangle in the extreme right-hand corner comprising a fraction of the "Z" class only. Each next larger triangle, from right to left, embraces a portion of the next higher class, until the largest is reached, which embraces all classes. We can conveniently designate this largest triangle "A," because it includes the "A" class plus all classes below; and the others, "B," "C," "D," etc., for the same reason.

Now the object of this diagram is to illustrate the nature of the problem with which Social-Credit supporters have to deal when the question of "action" (i.e., coercion as distinct from persuasion) comes up for consideration. The problem, broadly speaking, is this: Viewing all the above triangles as so many alternative spheres of potential action against the orthodox financiers, which one do you fancy? It is very much like inspecting a race-card in respect of an event of which, as the pundits say, the result is "very open"—where the "form" of the runners is not known, or, if known, is indefinite and inconclusive.

Take the two extremes: triangle "A" and triangle "Z." If we choose "A" we are calculating upon pro-Douglas action within class "A"—in which case all classes below would be ranged, in some proportion or other, on the side of the pro-Douglas financiers. If we choose "Z" we are calculating upon neglect of action in all the classes above "Z." It is obvious that any planning of action on the part of declared Douglas supporters would have to be vastly different on the first calculation from what it would be on the second. On the first they would, ex-hypothesi, have behind them at least some support from every agency of coercion now in the control of classes "A," "B" and "C." On the second they would have implacable opposition everywhere.

There is, however, one broad and definite frame of reference in which to make our calculations, and that is the fact that in every one of the twenty-six classes there are some persons who know what the Social Credit objective is, and who understand the method. In this sense of *knowing the technique*, the Social Credit Movement represents a cross-section of the whole of society. But in the sense of *willing the end* there is a margin of uncertainty in regard to some of the classes. But very few. As every reader of this journal knows, we can travel up the scale from the "Z" class for a long way before we come to one in which someone or other has not declared his support of our policy. For convenience, let us assume that evidence of support ceases when we come up to class "E." That will mean that in every class from "E" downwards there is a centre of fermentation. It may consist in some cases of only one Douglas supporter, but in most it consists of a group of such. And, in the exceptional cases, the Douglas supporters may not be openly identifying themselves with the Movement among other members of their particular class. In fact most readers know that even in the classes where there are groups of active public propagandists there are also supporters who, for reasons of discretion, do not declare it except confidentially to those whom they trust. However, it remains true that the *will to the Social-Credit policy* exists in every section of the triangle E comprising classes "E" to "Z."

There remain the "dark horses"—classes "D" to "A." Do any representatives of those classes support our policy? There is no direct evidence; nor, in the nature of the case, could we expect to have any. For, in these regions of responsibility and power, no-one is likely to commit himself prematurely to a policy of this nature and magnitude either by word or deed; and the more thoroughly he understood the nature of the practical obstacles to be overcome (and in those circles such knowledge is complete) the more circumspectly he would walk.

However, we possess some material for inferring the probability of support in classes "B," "C," and "D." We exclude "A" because, having assigned that designation to the international super-financial class, it would be a contradiction in terms to think of any member thereof as a voluntary supporter of our policy. We can draw our inference from the fact that for every copy of THE NEW AGE which goes to a known recipient, two copies go out into the unknown. Does this two-to-one majority of anonymous patronage represent hostility? Are the patrons our supporters or bankers' observers? A little reflection will decide the answer. The bankers' intelligence-service is so perfectly centralised and organised that probably the purchase of but a single copy of this journal would suffice for their purposes. And they are not going to spend more sevenpences than they need, especially when they would accrue to our benefit. Moreover, considering the nature of the matters dealt with in this journal, it would seem to be to their interest to confine its perusal and examinaton to the fewest officials possible. The bankers, whose command of the loyalty of their closest servants depends entirely on their paying them money, can never tell of any one of them how he may react to the ideas and arguments that we publish week by week. Something new is always happening, and something new is always being said, and only too frequently the pairing up of the new event and the new comment go to stress the truth of an old Social-Credit prophecy. An investigating official would have to be slow-witted indeed to be proof against this sort of thing—and no intelligence man in the bankers' employ is of that type, or he would not be where he is.

Summing up, it is a reasonable calculation that there is a centre of sympathy with our policy in every class but the "A" class. Every centre of sympathy is a centre of potential action, and a source from which leadership may spring. Other things equal, the higher up in the scale the hypothetical leader belongs the greater his power of co-ordinating activities, and the greater the number of activities, and persons engaging in them, that he can direct and co-ordinate.

It follows that whoever starts out at the present time to plan and direct a scheme of action would have to make up his mind as best he could on the question of where was the highest point in the scale whence he could reasonably calculate on receiving support for his plan, and for himself as director of the activities involved in the plan. This calls for qualifications and facilities which are not possessed by or commanded by the majority of Social-Credit supporters. To enumerate only three items, he must command a reliable confidential intelligence service, he must know how to interpret the significance of the intelligence, and also how far he can act upon it, having regard both to the calibre of those who serve under him and the resources and choice of strategy possible to the enemy. It will be obvious that a thorough grasp of Major Douglas's technical analysis and conclusions, though an added strength in the presence of the other qualifications, is a minor consideration otherwise. The problem here is not to persuade people of the soundness of the technique, but to create an opportunity for the technique to be adopted. Leadership or no leadership, every Douglas advocate will go on expounding the technique to the best of his ability as in the past—it is in his blood, and he cannot stop himself doing it. That part of the problem can be left to take care of itself. The attitude of the financial monopoly being: "Whether Social Credit is right or wrong, we aren't going to have it," the attitude on our side must be the opposite: "Right or wrong, we're going to have it." It need not be popularly expressed in that form, but it is the attitude imposed on us by the tactics of the bankers. Incidentally it is sufficient simply to assemble the admissions of mistakes acknowledged by the enemy to make out a strong *prima facie* case for the soundness of Social Credit policy. Thus, to mention the latest: "We did wrong to settle the terms of repayment to America in so great a hurry and on the conditions we accepted"—and previously: "We deflated too soon (or too steeply)"—"We stuck to the gold-standard too long"—and so forth and so on. In Lloyd George's phrase: "The money barons have always been wrong." Very well; that in itself is presumptive evidence that their refusal to look at Social Credit is yet one more mistake. And, it may be emphasised, any policy of action must be based on presumption, in the sense that it requires the enrolment of support at many times the speed at which intellectual conviction can be secured. Especially is this so in regard to the part which the working (and non-working) classes are conceived of as playing in any plan of action.

What is the right plan of action it is not our business to suggest. Nor do we think it desirable to turn THE NEW AGE into an open forum for discussing suggestions. Ruling out those which call for excessive expenditure of money and time, and admitting only the small residuum which are possible, the question of their feasibility would probably turn on considerations which are the subject of confidential information; and these could not be put into print. In some cases the effectiveness of a plan would be seen to depend entirely on its being put into action before the bankers got wind of it. Public reference to such a plan would destroy its value.

As to leadership, well, leaders select themselves. Thinking out plans is nothing; getting a particular plan agreed to by others is something; but there is something else, which is getting those in agreement with the general object of a plan to carry out a leader's directions without wanting to hold a committee meeting to discuss them. It is precisely the proven ability to do this which marks out a leader. The aim of the plan may be quite modest, but within its compass the leader's ability to command the highest activity with the least talking is the essence of his functional competence. Needless to say, this sort of thing is anathema to the "democratic" ideal, which involves the principle that every Social-Credit recruit who takes the Douglas shilling (or contributes it) shall join the General Staff.

There may be at first several leaders with powers of directing various plans. Then one of them may be entrusted with the co-ordination and direction of them all. On the other hand, such plans may not be possible of co-ordination or extension on the resources available to any such leaders. They may have to wait for some more highly-placed influences to come in and enlarge their authority. Again, in

such case, that influence may express itself in the person of a new leader who would conceive and assume the direction of a larger plan into which the others would fit. In view of such a possibility the desirable quality in any present leadership and any plan would be that the leader should be ready to place himself and his followers at the orders of the new one—provided, of course, that the qualifications and bona fides of the latter were not in doubt. This implies also that the initial plan should be flexible—to correspond with the adaptability of the leader to new and unexpected circumstances.

Events of the Week.

(*Compiled by M. A. Phillips.*)

December 3.

Congress receives British note coldly.
Commodity prices (wheat and metals) falling still.
£ falls to $3.20.
von Schleicher to form German Cabinet, von Neurath to remain as Foreign Minister.
Disarmament Conference ending.
Dorman, Long pass dividend (loss on Sydney Bridge).
Franco-Russian "non-aggression" pact signed.

December 5.

War debts—Mellon visits Baldwin.
£ now $3.18.
Government attempting to avert threatened railway strike.
More trouble brewing at Dartmoor.

December 6.

U.S. Congress meets. Hunger marchers in Washington.
Unemployment (G.B.) 2,800,000 (up by 60,000 in a month).
Spanish Government to cancel International Telephone and Telegraph Company's concessions.
Heavy fighting in Manchuria.

December 7.

MacDonald visits Herriot in Paris (to discuss debt position?)
Government Bill to cut housing subsidy introduced.

December 8.

Great Britain demands apology from Russia for anti-British comments in *Isvestia*.
More banditry and bank hold-ups reported.
Chamberlain joins MacDonald in Paris to talk over debt situation with Herriot.
Lord Hunsden (banker) suggests bi-metallism in House of Lords.
Sir W. Layton recommends British default on war debts.
Riots in Reichstag (Nazis and Communists).
£ = $3.23.

December 9.

American note to G.B.—payment insisted on. G.B. to pay in gold.
Government to "take action" to protect Anglo-Persian Oil Company's interests in Persia.

LLOYD GEORGE AND THE BANK.

Hannen Swaffer, in the *Daily Herald* of December 3, mentions in his gossip column that Dr. Addison was one of the Cabinet Ministers who during the war heard Lloyd George tell the Bank of England that if they did not raise the money he wanted in three hours—they had said he could not have any more—there would be a new board the next day. He adds that the Bank gave in immediately, and concludes his account with the comment: "So the war went on." If authentic, this little story illustrates very pointedly a truth which has often been emphasised in THE NEW AGE, viz., that in war time the politician rides the banker, and in peace time the banker rides the politician. The story serves to explain the tone of the warning to Mr. Lloyd George, published by the *Financial Times*, to cease interfering with Credit policy on pain of being held up for finance by the stoppage of Ways and Means advances.

Professor Robbins on Social Credit.

[*Comment on Professor Robbins' Paper "Consumption and the Trade Cycle" in "Economica" (November,* 1932).]

By The Credit Study Group.

"(Major Douglas) asserts not merely that the capitalist machinery does not result in enough being spent on *consumption;* but that it inevitably results in not enough being spent on the *product of industry in the gross.*" (p. 414.)

1. Major Douglas does not so arraign the "capitalist machinery" at all. He arraigns the *financial* system, *carefully distinguished from the system of production whether public or private*—on the ground that whatever system of production be employed, its operation under the current Money Monopoly of the Banks (upon whom it is necessarily dependent since there is no other source of money) involves a lack of purchasing power, owing to the—quite correct and continuous—recall and cancellation of money, but it has served its purpose in distributing, as purchasing power, the goods into which it must enter as an item of price.

Major Douglas does not quarrel with the process as a book-keeping method. But he points out the continuous public disadvantage, and proposes measures to be taken by the State to make up, temporarily, the deficiency of money in the hands of the public, until the cycle of production and consumption is completed and the money cancelled *by that fact.*

The mercantilist approach is visible in the phrase "enough being spent on consumption." Man's aim is not busy-ness, but production for consumption of *a.* necessaries *b.* such amenities as may interest the individual. There is no point in spending anything beyond that—it is uneconomic, or more precisely, waste of energy.

2. Prof. Robbins puts a reference—"3"—to Major Douglas's book "Economic Democracy," p. 56, 8, at the foot of his page 414 as though the passage were a quotation, but it is not. The last two lines in particular: "a deficiency which if not made good by the continuous issue of paper money, must necessarily lead to chronic bankruptcy and confusion" are not Douglas's words, and convey a quite incorrect impression of his theory—the issue of enough credit or cash to consumers to balance the deficiency in purchasing power available at a given period.

"It is easy to see that if credit were issued on the lines suggested, the condition of the area in which the experiment was made would soon be as bad as that of Germany during the worst stages of the inflation. . . ." (p. 415.)

3. This statement is quite unsupported by any explanation of what "lines" are "suggested" by Major Douglas; and since there is no mention of the very clear and precise explanations by Douglas of the terms and conditions and exactly calculated amounts of consumer credit to be issued at any one time, the argument fails to meet the issue. The German inflation was a classic example of *a.* producer credit-inflation, *b.* the danger of having no control over prices; neither of which can be charged to Douglas, who is proposing *consumer* credit, and with full control over prices Douglas proposes that credit shall only be issued upon sale of an article for consumption, and then only on condition that the credit plus the amount collected from the customer, shall only make up the usual cost-accountancy price of the article. The title to participate in application of the issue of social credit to prices, is further restricted to commodities in the production of which an agreed ratio of profit on turnover has been previously arranged with the Producers—as is done now with all services under charter—such as Water and (some) Gas Companies.

"It it is perfectly true, as Major Douglas urges, that in such a system the sums distributed in any period as ultimate incomes—wages, salaries, etc.—are insufficient to purchase the product of industry of the same period, *if 'product' be understood to mean the output of all financially independent productive units at all stages of the productive process* —the gross product in the sense in which the term is used in the statistics of the Census of Production. But, *so far from this being a cause of disequilibrium, it is, in fact, an essential condition if any kind of equilibrium is to be preserved*." (p. 415.)

4. The term "financially independent units" is a little unfortunate here. No doubt Prof. Robbins refers to concerns having no financial entanglements with either suppliers of what is for them the raw material, or plant of their enterprise, on the one hand; or with enterprises into which their product enters as a constituent of further process, in the long chain from raw material to consumable article; but the words could be read to mean financially independent of bank advances or overdrafts, of which there are so few as to be negligible under modern industrial conditions. Practically all industrial production is undertaken on bank loans or overdrafts. But the main point of this passage is that it ignores the fact that at each successive stage of *intermediate production*, the product, though, as the Professor admits, emitting as purchasing-power only a part of its cost price, *must* recover the whole cost from the purchaser, of the machine or services, who then takes it into account as an item in his whole costs. In this way, and necessarily, the *whole cost* of all intermediate processes is carried down into the cost of *ultimate* products. Therefore, the wages, salaries and dividends distributed by the way have—also necessarily—appeared as cost and are part of the price demanded from the consumer of the final product—had they not also disappeared from current incomes for another reason: that they represent the consumption of *an earlier period*—that in which the intermediate product was made.

Furthermore, since a period of time, which may be a few months or even a few years, must have elapsed between the period at which that purchasing power was distributed and the appearance of the final product in the market, the greater part of that purchasing power must have disappeared on its way back to the bank, in payment for current consumption of that earlier period.

Major Douglas's carefully worded statement that "The rate of flow of purchasing power is always less than the rate of flow of prices," covers this point, and the Professor does less than justice to him in omitting to point out that Douglas never refers to a static but always to a flowing condition of affairs.

"If the various consumption goods brought to market are each produced in one short operation with the aid of no 'produced means of production,' then . . . it is true that the amounts paid to their makers and the owners of the natural resources from which they are made, will be equal to the value of the total product." (pp. 415-6.)

5. Prof. Robbins is then at pains to prove that such is not the case with modern industrial production, which is, of course, precisely what Major Douglas states, pointing out, as he has repeatedly, that the modern dilemma only arose with the division of production into a series of processes.

A long argument is here developed to prove that since a considerable part of cost-price must in the nature of the case go back to capital account, it is absurd to demand a system in which the "gross product of industry" can be purchased.

This argument is quite unnecessary, since Douglas nowhere claims the contrary. What he claims is that there is never enough money in personal incomes to buy the whole of the *consumable goods* of a period. He expressly provides that intermediate goods should be paid for *on the present cost-accountancy basis*, and the money-shortage rectified only at the final stage.

". . . allow ourselves to suppose that the tacit requirements of Major Douglas's critical diagnosis were actually to be fulfilled. Suppose that the incomes of the factors of production during any period were to be raised so as to equal the value of the gross product, offered for exchange during that period. What would this imply? Simply that the whole fund of free capital (amortisation quotas and working capital) had been turned into income: that the entrepreneurs had been compelled to pay out all that they received 'over the counter' as wages, salaries, dividends, etc. What would be the result of this? Clearly, unless the recipients of the extra income at once reinvested the increase, there would occur all the phenomena of the severest form of economic crisis. The prices of consumption goods would rise; but the prices of intermediate products, raw materials, machines, etc., would collapse for, by hypothesis, the free capital which constituted the demand for such products would have been transferred. Of course, such an extreme state of affairs is not likely to occur in practice. But, if wages are above the equilibrium point it is possible for something disquietingly like it to begin to make its appearance. In any case, the illustration should make clear the fundamental points overlooked by Major Douglas that equality of net and gross income is incompatible with the requirements of equilibrium under capitalist conditions and that the failure of the distributive machinery to secure this equality is not to be regarded as a disequilibrating factor." (p. 417.)

6. The whole of this argument is introduced to refute something which Major Douglas does not claim, since the Social Credit system would not interfere in any way with the successive transfers to reserve, to capital replacement, and to repayment of bank advances. The curious fact is that nowhere in the argument does Prof. Robbins refer to money as such, or recognise that its source is separate from that of goods; and nowhere does he break the calm of Olympus by recognition of the fact that on account—specifically—of Douglas's acceptance of the machinery of the existing system, he makes the sacrilegious proposal that the Credit he would advance should be issued from *another source* than the existing Money Monopoly.

Apparently, Prof. Robbins cannot bring himself to mention that Major Douglas proposes that *the State* should issue money. No doubt some of the mortar *would* fall from the bricks of the London School of Economics—were such a thing mentioned, and the heavens would be darkened. But *we* irreverently ask: "What of it?" Are not the heavens dark to the point of terror already?

This omission is unfortunate, as it is the centre of Major Douglas's proposals, and its recognition would have saved the Professor much needless argument.

Douglas shares the Professor's desire to retain the "capitalistic equilibrium" in production intact. He would revive genuine competition. He would only release the producers from subjection to a financial system independent of them, and superimposed upon them, which Prof. Robbins will not need to be reminded was vividly foreseen by many patriotic Britons at the time of the creation of the Bank of England, who fought against the founding of the Bank on the ground "that the bank would grow to be a monopoly. All the money in England would come into their hands; and they would in a few years become the masters of the stock and wealth of the nation."*

Precisely what those patriots feared has come to pass, and Douglas's proposals are designed to return to the State the power it had previous to that momentous foundation. The Professor makes no reference to Douglas's critical analysis of the financial system which has grown out of the establishment of the Bank of England as the sole ultimate source of money. On the contrary, the financial rules devised by the Bank, vastly strengthened as they have been in recent years as the result of the methods of War finance, are accepted in their lordship over industry as though they were natural laws, not as they really are, rules designed to concentrate all power in the hands of the banking system.

NOTE.—It is worthy of note that at various points in his article Professor Robbins refers by footnote to a number of economic theories which have been derided, accepted, and sometimes again derided. Some of them he himself revives or damns—e.g., on the subject of "capitalistic equilibrium," as set out in the quotation from p. 415 given above (p. 2 of this memorandum) a footnote is appended reading:—

The history of this conception is interesting. Introduced by Smith, it played an important part in the classical system until Mill's rejection of the Wage Fund Theory in the 'seventies. From that time it passed into undeserved neglect. Professor Cannan, writing early in the 'nineties, could find in it only "a ridiculous total" ("Theories of Production and Distribution," p. 77). Later, Professor Irving Fisher rehabilitated it as a concept of monetary theory: "So far from being ridiculous, this total is the work of exchange done by

*Bishop Burnet's "History of His Own Time," 1693 (quoted in "Ordeal by Banking," W. Allen Young), (Cecil Palmer).

money—the 'societary circulation' of Newcomb" ("What is Capital?" "Economic Journal," VI., p. 534). The significance and theoretical utility of the concept is fully recognised in Professor Taussig's "Wages and Capital," but unfortunately that work did not always receive the attention it deserved, and, in consequence, it is only quite recently that the importance of the classical conception has once again come to be recognised.

The discrediting of Douglas loses weight, in view of the conflict always going on between the professional economists themselves.

News Notes.

"THE TIMES" AND SIR HAROLD BOWDEN.

In *The Times* recently two letters appeared which should be recorded for reference. One was on October 25 (p. 10) from Mr. G. Merton, writing from The Athenaeum, Pall Mall, S.W.1, and the other, on October 27 (p. 13), from Sir Harold Bowden, Managing Director of the Raleigh Cycle Co., writing from Bestwood Lodge, Arnold, Notts. The first-named raised his eyebrows at the inability of the economists to give him a *criterion of wise spending*. Future historians, he commented, will regard this as very curious. The second-named explicitly recognised that machines displace labour, and declared that the old laws of political economy no longer obtain. His concluding paragraph ran:

"We who see at first hand the effects of under-demand in a world that has been tuned up to so high a level of productive power want to be assured that thought is being given to the fundamental as well as the superficial problems."

Among his earlier statements was this: "Millions are suffering from want: they are deprived of purchasing power, not through any fault of their own, but because our statesmen, financiers and economists have been able to devise no other pretext for giving it to them except in exchange for work. And their work is not needed."

The significance of this is not so much in what Sir Harold Bowden said, as that he said it in *The Times*. Just as significant is the fact that the letter has been reproduced in a paper called *The Seaman* (issue dated November 16). Its appearance there goes to confirm the theory that the sudden holding up the building of the giant Cunarder some months ago started up really active enmity against the banks among highly-placed industrialists. You can't knock beehives over without releasing bees. And no doubt it is the discovery of this truth which has imbued Mr. Montagu Norman with that charming humility of his.

THE TRIBULATIONS OF ECONOMISERS.

Last June a body of back-bench Conservatives, 450 strong, constituted itself a committee on Economy, calling itself the Private Members' Economy Committee. It split into eight sub-committees to explore different avenues of retrenchment, etc. According to the *Daily Express* of November 17 these busybodies are now in the deuce of a stink because somebody has lumped together all their various "sub-findings" and published them as final recommendations in a Report issued in the name of the whole lot of them. The somebody in question is Sir Gervais Rentoul. Strenuous efforts had been made to suppress the report on the ground that the various sub-committees had not had time to meet and agree on the proposals. But all in vain, Sir Gervais was in a hurry. The result is that the members have gone purple in the face to find themselves famous—or rather to have infamy thrust upon them—and are busy calling Rentoul another "Mussolini." You've got to laugh at the picture of these snug little sub-committees busily preparing mutually incompatible sub-schemes, each of them proceeding on much the same lines as if you had a committee of Smiths planning how much the Browns should contribute to National Retrenchment, while the Browns were likewise planning to tap the Smiths. We do not wonder at their consternation. Look at the mixture: No more housing subsidies; Abolition of the Ministry of Transport; Ditto the Department of Overseas Trade; Ditto the Road Fund; New reductions in teachers' salaries, and in staffs, and curtailment of buildings; No more sugar-beet subsidies; Estate duties to be set aside for National Debt redemption; Economies at the expense of soldiers, sailors, airmen, and police; Transfer of telephones and telegraphs to an independent statutory authority. It is easy to realise how intense must be that cold-feet feeling on the part of every member whose name has become associated with this programme through Sir Gervais Rentoul's action. Imagine your having to meet your constituents with a programme like this to defend. We recommend them to cut their losses and disband the Economy Committee before worse things happen to them.

The Meaning of the Budget.

A national budget is in principle simply one of the many accounts kept by the banking system. The budget is, as it were, the Government's pass-book. A balanced budget simply means that the Government has not overdrawn its account. Conversely, an unbalanced budget means that it has overdrawn its account.

Now the banking system at any given time has a total of something like £1,500,000,000 out on loan to its customers.

The bankers say that the money they lend is the property of that section of their customers who have credit balances. Accept this for the sake of argument. It may now be asked why it was that last autumn they prophesied ruin because it appeared that the budget deficit might reach £130,000,000 in the course of a few months. Seeing that it is a normal situation for private enterprises and persons to be entrusted with £1,500,000,000 for their various purposes, why should it be regarded as a critical danger for a Government to default by considerably less than one-tenth of that amount.

They will probably say that the money is only lent to people who deposit securities, and otherwise give assurances of ability to repay. In a large measure this is not true, for at the present time it is probable that the amount of money out on loan to insolvent enterprises (e.g., shipping, cotton, etc.) is more than the £130,000,000 which the Government were not allowed to owe.

By their own rules the banks ought to have compelled these debtor concerns to declare bankruptcy, and should have proceeded to sell their assets in order to recover all they could of their outstanding loans. Their omission to do that results in a situation in which certain sections of the community are allowed to carry on with an unbalanced budget, whereas the Government, who represent the whole of the wealth and enterprise of the nation, are forbidden to do so.

It would be at least superficially reasonable if the banks openly declared: "We are very sorry, but we have such an enormous sum out nursing insolvent private enterprises that we cannot afford to nurse the Government as well." But they do not say this, for the good reason that it would show them as penalising the Government in order to favour a group of insolvent enterprises for their own purposes.

On reflection it will be seen that the wage cuts and other economies which the Government are imposing upon the community are the direct consequence of the banks' policy. It would appear that the reward of bankers' customers who still have favourable bank balances is to subsidise enterprises which ought to be wound up, but which are kept on their feet in the interests of the bankers. These interests are two-fold: (a) the banks hope to help these enterprises to turn the corner and in many cases are increasing their loans to them for that purpose; (b) they also wish to conceal evidence of the fact that with all their boasted caution in the matter of lending money they have been caught napping just like any business enterprise.

As above stated, this is on the assumption that the money they lend is the property of private depositors. But that assumption is invalid even on the testimony of the bankers' own technical exponents—people like McLeod, McKenna, and others, who, between them, both before and after the war, have shown that loans do not come out of deposits but create deposits. Directly a loan is granted it becomes a deposit—even before the borrower spends it.

Therefore banks are unable to show that the fact of their having loans tied up in insolvent industries is any reason why they should limit, or decrease, their loans to other enterprises, and particularly to the Government.

According to political theory (as distinct from financial facts) the Government, with its powers of taxation, and its control of the forces of law and order, is obviously in a far better position to recover revenue out of the community than any section of the capitalist system, including even the banks themselves, who are, of course, a private enterprise within the capitalist system. This is what everybody assumes to be the fact under our present democratic form of government. Therefore it is pertinent to point out that if the banks feel they must discriminate as between borrower and borrower on grounds of safety, the requirements of the Government for loan accommodation should have priority over those of anybody else. instead of which we see that the Government is the most rigidly disciplined customer of all.

It may puzzle the public to see why the country should have been thrown into convulsions over a threatened Government overdraft (budget deficit) while the banks were allowing deficits of the same order of magnitude to remain uncovered over a long period before the crisis, a period which has extended up to the present time

We have pointed out on former occasions that the effects of the bankers' policy are aggravated by their enabling the enterprises which are mortgaged to them to compete at cut prices with industries still remaining solvent.

It is pertinent to add another kind of observation, which is to point out the enormous extravagance of the banks in the unnecessary duplication of bank premises. In the most humble suburban centres one can see three or four of these buildings within shouting distance of each other; and it is an amusing reflection that the banking institutions who are cutting the pay of the policeman are, on the other hand, unnecessarily duplicating the properties which it is his duty to guard.

What is wanted, apart from reforms in the policy of loaning credit, is the same application of rationalisation to bank premises and "plant" as has been applied to really useful enterprises all over the country. Three-fifths of them, and probably more, could be dispensed with, together with their personnel.

In this article we are purposely refraining from raising the deeper issues embodied in the Social-Credit proposals. It will be seen that, without going into these, there are several useful questions which can be taken up by interests, whether capital or labour, who are threatened with depletion of their already exiguous resources. J. G.

Theatre Notes.

There has been a considerable number of withdrawals in the West End lately after comparatively short runs, and there are more withdrawals to come. However, the only one for which I am sorry is "Miracle at Verdun," which is giving way to a musical comedy called "Ballyhoo"; in spite of its air of melodrama this play is quite beautiful, and if the stage may be legitimately used as an organ of instruction, it has a valuable lesson to teach—it certainly deserved more publicity than it received at the Comedy Theatre. Maugham's "For Services Rendered" and Lonsdale's "Never Come Back" are in their last weeks. Of fresh productions the fare is varied, growing more appetising with the approach of Christmas. This week "Jonah and the Whale," a new comedy by James Bridie, the author of "The Anatomist," will be seen for the first time at the Westminster Theatre. "The Sorcerer" is being revived at the Savoy, and "The Merchant of Venice" at the Old Vic. During the holidays a number of old favourites return for their seasonal visit; I can recommend particularly "Where the Rainbow Ends" and the evergreen "Peter Pan."

Business With America: Haymarket.

The new farce at the Haymarket provided the audience with many enjoyable moments, and not least were those in which Miss Madge Titheradge was on the stage. I must confess that till I looked at my programme I thought that Miss Titheradge had retired from the profession four years ago; but, no, there she was again quite charming, and if the play in which she has decided to make her public reappearance is not quite worthy of her talents, the actress is not to blame. The story is an old one and has not worn too well at that, but its adaptation by Mr. Jeffrey Dell from the Austrian of Frank Hirschfeld has at least made its presentation attractive. The manager of a motor company in Vienna has arranged to give a dinner to the head of the firm, a breezy American of the "Say, I don't quite get this!" type. A few minutes before the guest's arrival the manager's wife runs out of the house in a huff leaving her husband to entertain the visitor alone—and why? Well, simply because he refuses to allow her darling little white Pekingese to share their dinner! The manager's ubiquitous secretary now comes to the rescue, borrows a decollete evening dress, and proceeds to take the part of the hostess. The American big business man is charmed with the supposed wife of his manager and promises to make him a director if he can get him a wife of similar accomplishments within three days. As you can probably guess, the real wife returns in the middle of dinner and, realising the position, takes the part of the secretary. The American thereupon sees a chance of doing some good business for himself and falls for the real wife, whom he supposes is the secretary. Everyone is alternatively embarrassed and amused till the supposed secretary determines to blow the gaff on the party by revealing her identity. This she does just at the right moment in the last act, when the show was beginning to drag, and everything is put right.

Miss Madge Titheradge is the far from perfect but very amusing wife whose caprices and tantrums drive her husband (Mr. Clifford Mollison) all but mad on his feet, though her attempt to impersonate his secretary, which deceived the American, would not in real life have deceived an office boy, least of all the President of a large corporation. Mr. Clifford Mollison is a most versatile comedian, and as the harassed husband he more than justified his reputation as a real fun-maker. The material he has to work on is thin enough, and if ever fooling saved a play from developing into unrelieved tedium Mr. Mollison's has done it in "Business With America"; the continuous peals of laughter which his inimitable facial contortions provoked from the audience should give him a consummate sense of self-satisfaction. From the other players he received loyal support. As the secretary alias wife Miss Leonora Corbett flirted most attractively, and her nonsense was a treat to hear. Mr. Ian Hunter's confident naivete was perhaps a trifle too obvious to be true, even for a hard-boiled big business man from the U.S.—but very delightful for all that! Miss Joan Winfindale made a pretty and audacious maid whose familiarity would have got her the sack anywhere but in an Austrian farce. The production and acting were both excellent, as, indeed, they usually are at the Haymarket, and I must add a word in praise of the scenery, which has been designed by Mr. Oliver Messel.

Another Language: Lyric.

This play, by Miss Rose Franken, has had an astonishing success in America, and, judging by the fact that the author has secured the acting rights in most foreign countries, including Japan, its success is likely to be universal. It is a tale of first love, simple and direct, and its clever transposition from an American to an English background sustains throughout its presentation an interest in the audience which otherwise might have flagged before the end. At first I thought that the uniformity of the characters' surnames would have made the piece as monotonous as looked the suburban living room which is the scene of Act I. There are eleven characters, all Hallams. Some of them, indeed, are related by marriage, but all except two speak the same language—the language of Babbits and breezy bourgeois assininity—as they gather round the board of the head of the family for high tea on Sunday evenings. The two black sheep are Peter and Stella. Stella, who is married to an unsympathetic egoist, takes classes in art, and Peter, who feels that he is a round peg in the square hole of his father's city office, wants to go to Paris and study art also. There are two complications, and two discoveries are required to unravel them. The complications are that Peter falls in love with Stella, who is his aunt by marriage, and Peter's parents and relations are opposed to his going to Paris for fear that he will get "involved with a woman or something of that sort." The discoveries are that Peter realises the futility of his love, and at least one member of his Philistine family, his uncle, Victor, who is Stella's husband, realises that the boy should be given a chance to carve out his career after his own design. The combined effect of these discoveries is that Peter finds his feet emotionally and, it is hoped, artistically, and Stella is reconciled with her husband. Were I Peter and my aunt Miss Edna Best, I doubt if I could resist the temptation into which Peter fell in the case of Stella. Miss Best's acting showed with refreshing clearness the sympathy which she felt for her boyish admirer and his troubles, and at the same time the causes of her estrangement from her husband. Mr. Louis Hayward brought a fine degree of sentimentality into the part of Peter, and Mr. Herbert Marshall as Stella's self-centred husband Victor showed very vividly the effects of a temperamental mesalliance. The other members of the Hallam family showed that, whatever happens outside, time makes love pass quickly in the world of middle-class mediocrity. A play which all Puritans and Philistines should see.

Agnes de Mille: Arts.

Miss Agnes de Mille has succeeded in delighting several critical audiences by her dancing at the Arts Theatre; and I hope before long the general public will have an opportunity of seeing her. Her movements are easy to follow and her power of self-expression is such that one feels she is speaking as well as dancing. But she must be seen to be appreciated, and no description either written or oral is capable of conveying the appreciation which she deserves. Her rendering of the Gigue from Bach's fifth French Suite was exquisite, and her understanding of Gershwin in his "Blues" and "Tryout" as fine as I have seen anywhere. As an Irish colleen dancing a "Harvest Reel," Miss de Mille was striking, but she danced it as I have never seen it danced in Ireland—otherwise her performance generally left nothing to be desired. She was well supported in a number of dances by Mr. Warren Leonard, while Mr. Norman Franklin, who accompanied on the piano, did his work excellently and better than most accompanists I have heard.

RICHARD CARROLL.

The Films.

The Director and the Picture.

Ernest Shoedsack, who directed "Chang" and "Grass," is about to make a picture in Mesopotamia, which is, I presume, as good a country as any other in which to use a camera, and has at least the merit of not being so hackneyed a locality as the South Seas, or the district vaguely known as East of Singapore. I had a talk last week with Mr. Shoedsack, who told me that he is taking no professional players with him to Mesopotamia, and that such dialogue and other sound effects with which the film will be accompanied are none of his affair, but will be tacked on at Hollywood. On the face of it, the decision to use no professional players seems good, but I reserve judgment until I have seen the picture; since the coming of the talkie Hollywood has managed to inject artificiality into travel and nature pictures even if entirely acted by men and women who had never previously faced a camera, and some of the worst and most blatant instances of obvious posing for unseen audiences have characterised recent films made thousands of miles from a studio. In fact, this particular debauching of the screen is among the worst crimes for which the talkie is responsible.

Everyone who knows anything about the way in which films are now made has, of course, known for a long time that even when "jungle" films are not largely faked in the studios of Hollywood, as is usually the case, the sound and dialogue are added after the picture has been finished. Even English producers have obliged with one dreadful specimen of the kind—"Windjammer"—which was ruined by synthetic dialogue of the utmost banality. This subsequent addition of speech calls for more comment than it has as yet received. That it does away with spontaneity is obvious, but the practice has an even greater defect; it widens the gulf between director and studio, between the film as originally made and as shown to the public. And since the director matters above everyone and everything else, the existence of that gulf represents one of the greatest handicaps in the way of the development of the film on the lines along which it should develope.

I have discussed this matter with a number of directors and producers, all of whom have adopted the typical attitude of the commercial studio, namely, that the director's job has finished when the last foot of the film has been "shot." He may then go and bury himself, or play golf, until he is wanted to make another picture. But the ultimate character of a film (unless it is made by an altogether exceptional director who knows from the beginning exactly what he wants, and is given exceptional freedom to realise his conception) is largely shaped by its treatment after the actual photography is finished. A mediocre film can be transformed by good editing, just as an outstanding picture can be ruined by bad editing. The Russians were the first, or among the first, to realise the paramount importance of post-photographic treatment; their conception of *montage* has no kinship with the mere cutting or sub-editing of the commercial studio, but means constructive editing. In order to make that process achieve the maximum of effect, it is necessary that the director should not only visualise the whole film before the camera handle has started to turn, but that he should also visualise each "shot" not as an isolated sequence of pictures, but in relation to those that come before and after and to the whole. It is obvious that such constructive editing is impossible unless the cutting and assembling are undertaken either by the director himself, or by someone with whom he can work in the most intimate collaboration and the closest sympathy.

This question had already assumed the greatest importance before the film began to talk. But in those days it was merely an affair of dealing with a pictorial record that had to be shortened before it was considered suitable for public showing. (Stroheim's original version of "Greed," for example, ran to twenty reels, which is both an uncommercial length and too long to hold the attention of the spectator). But nowadays studio practice tends more and more to rely on technics, to give more and more importance to the recording engineer and the manipulator of such highly ingenious faking processes as the Dunning system (with which a couple of players can be photographed in Hollywood and shown on the screen in the act of riding past the Law Courts on a London 'bus). The larger the part played by such technicians the more the director is thrust into the background. Instead of being the inspirer and the creator of the film, he recedes to a subordinate role; he becomes merely one of many craftsmen employed in the manufacture of a picture. Here is one of the many reasons for the flood of synthetic and totally uninspired productions that Hollywood, in particular, has unloaded on the world during the past two years or so.

I must admit that I am greatly obliged to Mr. Shoedsack for unwittingly emphasising the unimportance of the director in the modern commercial motion-picture factory. He is the first director of distinction who has so candidly admitted, at least to the present writer, that once a picture has been "shot," it is no affair of the director what happens to it before it's dressed up for public consumption. At least, that is the impression made on me by Mr. Shoedsack; if I have done him an injustice, my apologies are herewith tendered in advance. But, somehow, I do not feel that I have done him an injustice. DAVID OCKHAM.

"The Douglas Plan."

[Criticism reprinted from the leader page of the "Sydney Morning Herald" of August 9.]

The lure of the Douglas plan is that it professes to provide dividends for all people and professes to take away the necessity of continuous labour on the part of the bulk of the people. The promise is that if the plan is put into operation, in addition to salary, wages, and dividends which the members of the community at present receive, each member of the community is to be presented with a dividend which is derived from the investment of the common cultural inheritance handed down to us through the ages. As to work, well, with the machinery of and motive power available in this age, all production that can possibly be consumed by the people will need so little human labour or attention when equitably divided up that all will have abundance of leisure. Indeed, one interpreter of the plan goes so far as to hint that employment will be confined to individuals who are willing without pressure of any kind to employ a reasonable proportion of their time in meeting the requirements of production. On any occasion a promise of conditions of life herein set forth would appeal to many. With many men and women out of work, with many others receiving greatly reduced incomes, and with the anxiety of still others lest their lot become worse, the appeal is intensified.

The plan is a promise of something for nothing.

BIRTH OF THE PLAN.

Major C. H. Douglas is an engineer. During the war he was "in charge of the department dealing with costing and construction of aircraft." It is stated that he evolved his scheme as a result of his experiences in war work. Besides the writings of Major Douglas relating to his theory and proposals, there are writings by a number of followers, and it is only natural that the interpretations do not coincide. It is a common experience in economics and should not be held of itself to invalidate the proposals.

The Douglas credit scheme is based on the theory contained in his assertion that the purchasing power distributed in the process of production is not equal to the cost of production, and that, therefore, there is not liberated sufficient purchasing power wherewith the people may obtain for themselves the totality of production. So the people, as a whole, do not obtain all they need, and as consumption does not overtake production there is continual loss in the process of production.

The Douglas theory asserts that the only purchasing power distributed in the process of production is wages, salaries, and dividends. That assertion contains one of the fallacies of the scheme. There is other purchasing power distributed in the process of production. The money received by the seller of the raw material furnishes him with purchasing power with which he lives his own life and produces more raw material. The money paid for transport furnishes to the administrators of the transport system money with which they pay wages—purchasing power; provide material for repairs—more purchasing power; pay interest—still more purchasing power. The money paid for insurance provides purchasing power for insurance administrators. The money paid in interest on borrowed funds provides purchasing power for the lender. Money which is put aside to provide for depreciation of plant, and which has to be recovered in the price charged for each article, it is very emphatically stated by the upholders of the theory, does not provide purchasing power. They are wrong. Money set aside to provide depreciation is not locked up in a safe and kept idle. If not immediately wanted to replace worn-out plant it is used to make purchases for some other part of the business, or it goes in reduction of the overdraft, if any, and thus releases purchasing power to someone else to whom the lender advances money or, pending the money being required to make purchases of plant for replacement, it is used to purchase Government stock or some other investment, thus providing the seller with purchasing power.

Every cost which enters into production furnishes purchasing power to someone. Whether everyone who has purchasing power exercises the whole of that purchasing power is another matter.

THE "JUST PRICE."

Major Douglas and his followers are quite satisfied that purchasing power equal to the cost of production and the profit charged thereon is not distributed by the processes of production, plus the distribution of the profit. They propose to make good the deficiency by supplying to the people money equal to the difference between the cost plus profit and the purchase power, which they calculate is distributed in wages, salaries, and dividends. First of all the "just price" has to be calculated—that is, a price which will enable consumers with the purchasing power available to them through wages, salaries, and dividends, to obtain the whole of the production required. On the theory advanced by the plan, it is necessarily less than the production cost, which is the cost price plus profits. The "just price" is not to be calculated for each commodity, but for production as a whole. It is defined as being that fraction of the production cost obtained by dividing the consumption cost by the production cost. The consumption cost is made up of wages, salaries, and dividends paid throughout all production. The fraction so obtained, multiplied by the production cost of an article, would give the "just price" of that article. If the "just price" is charged, and charging not exceeding the "just price" is to be compulsory, a loss follows to the producer. It is made up by the issue of money on behalf of the Government through the central bank. Two methods are suggested, either of which may be adopted. One method is that the producer should charge the "just price," and be directly reimbursed for the deficiency between the production price and the "just price" from the Government through the central bank. The other method is that the full production price should be charged to the consumer, that he should receive a certificate from the seller stating the production price and the "just price," that he should lodge that certificate with his bank, that at set dates the differences between the production price and the "just price" on the certificates should be added together, and his account should be credited with the total. In effect the credit which would be new money would be a rebate allowed him on the production price. The second scheme finds the more favour. It would certainly be the more popular, as each individual would have patent evidence of his share in "dividends for all."

NEW MONEY.

Either scheme entails a continual issue of new money. The money in the banks and in the hands of the people would be continually increasing, and increasing at a rapid rate. That there would be inflation is vehemently denied by the upholders of the system. The assertion is that with the increased demand that would spring up through the increase of purchasing power there would arise so great a production of commodities that the supply of commodities would equal the purchasing power. It is assertion against experience. Experience shows that a rapid expansion in available money leads to rapidly rising prices.

One proof of the fallacy of the argument that wages, salaries, and dividends paid in the processes of production furnish the only purchasing power for obtaining commodities of production is that, if it were so, production under the present system would long ago have ceased, because purchasing power would have got further behind each year. Major Douglas recognises the strength of this objection, and seeks to meet it by saying that loans have supplied the deficiency. Great as indebtedness is, it is of itself originated from loans of saved or withheld purchasing power, which is a creation of production. The purchasing power has not been exercised by the original recipient, but by another body, to whom or to which the original recipient has granted a loan.

The argument of this article is that the Douglas system is based on false premises, and that even if the system had valid argument to support it, the method of rectification would not achieve its object. In fact, it would have just the opposite effect. Instead of the so-called "just price" being charged, there would be continual inflation with continually rising prices. In these circumstances, the impracticality of obtaining correctly the data, which are all wages, salaries, and dividends paid in a given period, and the cost of all production in that period, to give the fraction which will enable the "just price" of that production to be calculated in time to permit of the "just price" to be charged for the succeeding period, need not be argued.

LETTERS TO THE EDITOR.

CREDIT-REFORM SCHEMES.

Sir,—I am instructed by my committee to say that we desire to associate ourselves with the Kibbo Kift in their letter published in your issue of November 24.

We also feel the time is past for discussion as to the best scheme of monetary reform. The only thing to be concerned about now is the means of getting the Douglas Social Credit Scheme adopted in this country.

Yours faithfully,
J. W. COWARD.

Secretary, Douglas Social Credit Movement, Newcastle-on-Tyne.

ON SWAPPING GOODS.

Sir,—In your issue of THE NEW AGE, dated November 17, you were good enough to review my book, "The Tyranny of Gold," and although, clearly, your reviewer was not in agreement with my main contentions, his manner of disagreement was such that one might almost enjoy being reproved by so courteous an opponent.

May I say, however, that although I have carefully studied the latter part of his review, I have been unable to see where it traverses my own position. Perhaps it will make my meaning clear if I say that the problem of distribution seems to me to fall into two parts. There is on the one hand the question of distribution within the national unit, and I think we should agree here on the necessity for a fundamental change in the economic system, though we might disagree as to the form of the change. But there is also the question of *external* distribution, and it is this latter with which my book is mainly concerned.

Whatever method a country adopts for distributing the national product amongst its own nationals, there would always remain, especially if it were a country as dependent upon the rest of the world as our own, the necessity to exchange certain of its unwanted, or less wanted, products for others of which it was in need.

Of course, if your reviewer is visualising one world economic unit, united in a universal acceptance of the Social Credit theory, then his criticism is logical and understandable. But I do not think he is looking so far ahead. I imagine he is sufficiently practical to recognise that if the economic system in which he believes is ever accepted and worked it will be first adopted by an individual State, and its acceptance by other units will follow, if at all, at a later period. Even from his own standpoint, then, the breakdown of international trade cannot be a matter of indifference.

I am an Internationalist, and I want to see, all over the world, a system of production for use and consumption, and not primarily for profit. But until that ideal is finally realised it is surely of tremendous importance that the channels of international communication and exchange should be kept open and free. So long as nations remain separate economic units, administering economic systems differing from that which your reviewer has in mind, I can see no practical method of achieving a *world* distribution of goods other than by "swapping."

W. R. HISKETT.

[Our reviewer, J. H., replies :—

As regards the "external" or "world" distribution of goods: The importing and exporting of goods (whether by means of a "swapping" system or by a system of mutual "dumping" where and when required) depends upon effective demand for finished goods offered for sale in each Home Market.

The transfer of goods (whether raw material, partly-finished, or finished goods) is only an intermediate stage in the distribution of such goods. The final stage in the distributive system, both internal and external, is always a *Home Market*.

If the ultimate consumer in each Home Market is unable to purchase goods offered for sale the speeding-up of the transfer of goods from one country to another—international "swapping"—is of no avail. It makes no provision for taking the glut of goods from the shops to the ultimate consumer.

If the ultimate consumer could have "commodity bills" with which to buy goods (whether imported, re-imported, or home produced) the present deadlock in international trade would adjust itself.

Even so, the "swapping" of goods between one country and another will become more and more difficult, owing to the fact that every country tends to become industrialised, and each highly industrialised country tends to produce much the same range of goods as the other highly industrialised countries. Since they all want to *give* and none wants to *take*, and since none will *give* without *taking*, the system of give-and-take ("swapping") has broken down.

The first step in the solution to this deadlock is to make each Home Market an effective consumer demand for goods and services produced within each Home Productive System.

The final stage in the solution of the difficulty will be a form of mutual "dumping"; that is, the sending of raw material, partly-finished, and finished goods from one place to another throughout the world where and when required. And however "Utopian" this may seem to those who have not thought about the problem, it will prove to be the only *practicable* method in the end.

The application of Social Credit within the boundaries of any one highly-industrialised country in the world would have the effect of driving all other industrialised countries in the direction indicated.]

Social Credit Directory.

Australia.—"The New Economics"; published at Yorkshire House, 20, Queen Street, Melbourne, C.1, Victoria, Australia.

Australia.—"The New Era." "Advocating the Douglas Social Credit Proposals Throughout Australasia." Hon. Editor, Mr. C. Barclay Smith; published at 29, Bligh Street, Sydney, New South Wales, Australia. (1d. weekly.)

Beaconsfield.—M. Jowitt, The Grey House, Gregories Road, Beaconsfield.

Birmingham.—Walter F. Pratt (Secretary, Social Credit Association of Producers, Distributors, and Consumers), 202, Malmesbury Road, Small Heath, Birmingham.

Birmingham.—G. Kay, Group Secretary, Birmingham Social Credit Group, "Marchmont," Old Croft Lane, Castle Bromwich.

Bournemouth.—W. V. Cornish, Hon. Sec., Douglas Credit Study Group, 5, Lansdowne Road, Bournemouth.

Cleckheaton.—J. J. Taylor, West Riding Social Credit Association, Claremont House, Cleckheaton.

Clydebank.—Miss Hilda M. Monaghan (Secretary of the Clydebank Social Credit Study Circle), 384, Kilbowie Road, Clydebank.

Coventry.—G. Hickling (C.O., Legion of Unemployed), 54, Poole-road, Coventry.

Coventry.—Robert J. Scrutton (General Organising Secretary, Social Credit Association of Producers, Distributors, and Consumers), St. Peter's Vicarage, Coventry.

Coventry.—"The British Crusader"; published by G. Hickling, 54, Poole Road, Coventry. (1d. monthly.)

Coventry.—"This Prosperity"; edited by Robert J. Scrutton; published at St. Peter's Vicarage, Coventry. (2d. monthly.)

Dukinfield.—Arthur Clarke, 149, Cheetham Hill Road, Dukinfield.

Eastham, Cheshire. R. Oakley, 172, Raeburn-avenue, Eastham, Cheshire.

Edinburgh.—"The Free Man"; published by the Scots Free Press, 1, India Buildings, Victoria Street, Edinburgh. (2d. weekly.)

Falkirk.—Mr. A. F. Stewart (Secretary of the Falkirk Douglas Association), 13, Carronside Street, Falkirk, Stirlingshire.

Glasgow.—W. J. B. Jones (Secretary, Glasgow Douglas Credit Association), 47, St. Peter's Street, Glasgow, C.4.

Greenford.—M. Phillips, Oldfield Cottage, Oldfield Lane, Greenford.

Hove.—D. G. Phipps, 24, St. Aubyns, Hove, Sussex.

Keighley, Yorks.—Arthur Emmott (Secretary of the Keighley Social Credit Association), 13, Riverside, Keighley, Yorks.

Leicester.—A. H. Rawnsley, Leicestershire Douglas Social Credit Association, 19, Albion Hill, Leicester.

Lewisham, S.E.—"Crisis"; published by the Legion of Unemployed, 38, Cliff View Road, Lewisham, London, S.E.13. (1d. weekly.)

Liverpool.—E. J. Pankhurst, 22, Beckenham Avenue, Wavertree, Liverpool.

London.—"Front Line." (Kibbo Kift.) First number issued in May, 1932; 8 pp., 3d., annual subscription, 3s. 6d. post free. Editorial address, BM/Kift, London.

London.—Kibbo Kift. General Secretary, BM/Kift, London, W.C.1. *Associates' Branch* (K.K.), Organising Secretary, 49, Denman Drive North, Golders Green, N.W.11. *Women's Section* (K.K.), Organising Secretary, 11, Carmalt Gardens, Putney, S.W.15.

***London.*—Cyril H. Rock (Secretary of the Leisure Society, of 1, St. George's Square, Westminster). Private address: 2, Ribblesdale Road, Hornsey, N.8.**

London.—"The New English Weekly"; published at 38, Cursitor Street, London, E.C.4. (6d.)

Manchester.—T. C. Wrycroft, Hon. Secretary, Manchester Douglas Social Credit Association, 4, Piccadilly, Manchester.

Newcastle-on-Tyne.—J. W. Coward, Assistant Secretary, Newcastle Douglas Social Credit Group, "Deepdale," Holly Avenue, Fawdon, Newcastle.

Newport, Mon.—C. R. Bence, Hon. Sec., Newport and District Social Credit Association, Caer-bryn, Bettws, Newport, Mon.

New Zealand.—"Farming First"; Official Organ of the New Zealand Farmers' Union (Auckland Province), P.O., Box 1056, Auckland, New Zealand. (6d. monthly.)

New Zealand.—"Plain Talk"; published by Frank N. Robson, 41, Federal Street, Auckland, New Zealand. (6d. monthly.)

Oxfordshire.—E. C. Knight, Chinnor Hill, Oxon.

Stourbridge.—F. H. Fitzcross, Oxford Cottages, 39, Heath Street, Stourbridge.

Watford.—W. Coles, 18, The Crescent, Watford.

MEETING FIXTURES.

Under the auspices of the Manchester Douglas Social Credit Association the Marquis of Tavistock will address a public meeting at the Milton Hall, Deansgate, Manchester, at 7.30 p.m. on Monday, December 19. Tickets from the Hon. Sec., T. C. Wrycroft, Burrfields, Chapel-en-le-Frith. Reserved seats, 2s. Unreserved, 1s.

WEST RIDING DOUGLAS SOCIAL CREDIT ASSOCIATION.

The following resolution has been passed by the above Association :—

"That the West Riding Douglas Social Credit Association believes the time is opportune for convening a National Conference, representative of all organisations propagating the Douglas Social Credit Analysis and Proposals, to consider

"A. The co-ordination of all propaganda efforts.

"B. The collation of all local Social Credit periodicals into one national organ."

J. J. TAYLOR (Secretary).

Claremont House, Cleckheaton, Yorkshire.

NOTICE TO READERS IN AMSTERDAM.

An English correspondent wants to get into touch with some Dutch Social-Credit students in Amsterdam. Will anyone wishing to respond communicate his name and address to the Editor, THE NEW AGE, 70, High Holborn, London, W.C.1?

MR. CITRINE'S NEW POST.

Mr. Walter M. Citrine, Secretary of the Trades Union Congress, has been elected a member of the Court of Governors of the London School of Economics. (Reported in the "Seaman" of November 30.)

A BISHOP ON WAR DEBTS.

The Bishop of Exeter has lately been in America, and in an interview on his return, reported in the *Sunday Times* of November 27, he said that the British attitude on the question of the American Debt was quite unreasonable, and that Britain ought to pay up. More recently the B.B.C., who are simply a branch of what may be called the International Broadcast Combine, the policy of the latter being dominated by Mr. Pierpont Morgan as part of his function in the international financial combine of controlling all the avenues of popular education (his private tutorship of the Archbishop of Canterbury, whom he took for a trip in the "Corsair" for the purpose, will be remembered) have "produced" the Bishop of Exeter in a "talkie" which is now being shown to London cinema audiences. It was seen by a correspondent recently at the Academy Cinema.

As was to be expected, the Bishop goes all astray on both the technique and the politics of the problem. His two main points are (a) that the non-payment of the British debt would automatically further impoverish American citizens; and (b) that those citizens, being so impoverished, or contemplating the prospect of such impoverishment, would overthrow any U.S. Government who let Britain off paying.

The Social Credit Movement.

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

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

SUBSCRIPTION RATES.

The Subscription Rates for "The New Age," to any address in Great Britain or abroad, are 30s. for 12 months; 15s. for 6 months; 7s. 6d. for 3 months.

Published by the Proprietor (ARTHUR BRENTON), 70, High Holborn, London, W.C. (Telephone: Chancery 8470), and printed for him by THE ARGUS PRESS, LIMITED, Temple-avenue and Tudor-street, London, E.C.4. (Telephone: Central 1571.)