

THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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NOTES OF THE WEEK.

Sir George Newman, the Medical Officer of the Ministry of Health, recently issued a report "On the State of the Public Health." *The Times* comments on it in a leading article in its issue of September 15. We quote a passage on the subject of tuberculosis:

"This disease is accepted everywhere as affording a valuable indication of the level of nutrition, especially of children, so much so, indeed, that it has been said that the effective buying power of wages in any country can be determined solely by reference to the incidence in that country of pulmonary and surgical tuberculosis."

Since Sir George's statistics purport to show that the incidence of tuberculosis in this country in 1932 was slighter than ever before, *The Times* concludes:

"that there can be little or no undernourishment today in these islands, but that, on the contrary, the population, as a whole, is now better nourished than ever before."

The writer modestly refrains from proceeding to the further conclusion that the "effective buying power of wages" in this country must be greater than ever before; but then, it was hardly necessary for him to do so after having given such a broad hint to his readers as we have quoted. Apart from this, there is no doubt about the purpose for which the article is written, for the report itself is the outcome of an inquiry which Sir George Newman "set himself" to conduct

"in order to determine if possible the effect which has been exerted on the public health by the prolonged economic depression and the widespread unemployment which has accompanied it."

For "economic depression" read *financial deflation*, and for "widespread unemployment" read *administrative economising*, and it will be seen that the conclusions arrived at constitute an opportune defence of British banking policy. There is no need to suspect that the statistical evidence supporting those conclusions is inaccurate; but there is plenty of ground for supposing that we should have heard nothing about the inquiry

if this evidence had necessitated opposite conclusions. We do not believe that Sir George "set himself" to make this inquiry: we suggest that he was set to tabulate certain returns which he is always collecting as a routine function, and to do so in such a form as would enable Treasury officials to ascertain if the evidence lent itself to the construction of a moral defence of credit-contraction. The decision to "inquire" having been taken without the knowledge of the public, the decision not to publish the results of the inquiry, if they had been inconvenient, could have been taken under the same cloak of secrecy. From this point of view it will be seen that the secrecy of the Newman Inquiry, so to call it, prevented numbers of public-spirited and competent people from assisting Sir George in his investigations. But that would not have suited the bankers' book. In fact students of Social Credit will have no difficulty in adopting the theory that what the bankers were after was a card to play against Douglas—something to trump his long suit of bankruptcies and suicides. Apparently Tuberculosis is to be trumps henceforth in the polemical game; and suicide- and bankruptcy-curves are to be ruled out as irrelevant to the question of purchasing-power.

* * *
The writer of the article says further in reference to tuberculosis:

"The result of the comparison made between areas having much and areas having little unemployment was not less significant. Indeed it was found that improvement in health, as measured by mortality and other rates, was greater in the 'bad' areas than in the 'good.'"

A little further on he quotes Sir George Newman to the effect that:

"the decline in the incidence of tuberculosis is already saving the country very large sums of money."

The point that Sir George is immediately making, and which *The Times* emphasises, is that expenditure on works of public health are not extravagant. The immediate commentary is that no service of which the taxpayer bears the cost while the insurance companies collar the profit is "extravagant" in the bankers' sense. A public service is "extravagant" or not according to whether it involves an expansion or a contraction of

credit. It may be observed, too, as a fundamental technical proposition there can be no such operation as "saving the country" any money in the sense here implied. Defining a "country" as a closed economic and financial area embracing a given population, that population cannot be said to have "been saved" money unless, between two points of time, its collective possessions in the form of money have increased. Considering Tom, Dick and Harry as a community, Tom being the doctor (representing medical men, pharmacists, chemists, etc.), then if Dick's and Harry's improved health enables them to save £10 on pulmonary linctus, it enables Tom to lose £10. So the saving to the community is nil. What happens in practice is that Tom's taxable capacity goes down and Dick's and Harry's goes up, and the Inland Revenue comes down on the latter and screws the "saving" out of them sooner or later. The saved money simply means so much less money is in circulation.

The Times refrains from drawing the logical conclusion from the fact that the health in "bad" employment-areas is better than in "good" employment areas. We are not surprised, because it would constitute an unblushing plea for deflation and mechanisation to be used purposely for the promotion of unemployment. Yet, unless the reader is expected to draw such a conclusion, why has the writer drawn attention to the phenomenon at all? To do him justice he does mention a circumstance other than unemployment which goes to explain it, namely, that in 1932 there were 62 million school-meals provided, and that nearly a million children received supplementary milk. Since it is "especially" in the case of "children" that the tuberculosis-rate is accepted as a "valuable indication of the level of nutrition," then clearly where the unemployment of the adult is prevented from affecting the nutrition of the child the unemployment will appear innocuous; and it can even be made to appear beneficial if the foster-feeding of the child by municipalities and charitable organisations is generous enough. This consideration impairs the force of the argument that tuberculosis indicates the "effective buying power of wages in any country," because the buying power in these cases is not wholly wages, but subsidies as well. The correct statement would be in the following form: That a low incidence of tuberculosis indicates the provision of purchasing-power to, or on behalf of, the masses sufficient to feed them at, or nearly at, the tuberculosis-immunity level. The child has consumed enough if it does not catch consumption. With this and other expensive diseases prevention is cheaper than cure. In some other or other manage to foot the doctor's bill. The important preventive principle is to ensure that the contraction of disease down below does not attain dimensions sufficient to involve an expansion of credit up above. The Budget must never feel indisposed!

There is, however, another aspect of the unemployment-disease theory which permits of a conclusion not so conducive to financial propaganda. As readers of this journal appreciate only too well, Unemployment is Leisure. So we are entitled to conclude from Sir George Newman's researches that the more leisured areas are healthier than the less leisured. It is true that the leisured get very little money, but they get a lot of a costless commodity called Fresh Air, and a lot of a costless exercise called Walking About. We are not speaking unsympathetically of them: we know what they feel about their condition; but this matter belongs outside our immediate frame of reference. The whole point here is that the unemployed man has access to a healthier environment than has the worker. The hygiene of the factory, however good, cannot compare with the hygiene of nature. The massing of men at work involves risks which do not attend the isolation of men leisure. And as for the children of the unemployed, is not improbable that, other things equal, those

whose parents are leisured get better attention than those whose parents are employed, especially when both parents go out to work. The humblest home-cooked meal is likely to do them more good than the canned and labour-saving dietaries bought from the shops by over-busy parents.

It is amusing, by the way, to recall that when an unemployed man has chosen to take his life rather than go on the dole, his heroic virtues of self-reliance and self-esteem have been extolled to the skies by the Coroner; and to reflect that if he had shown signs of contracting tuberculosis on the same grounds he would have been called a pig-headed danger to society and would have been compelled to take the dole "and damn his pride." The contradiction is entirely logical. Suicide accords perfectly with the principles of hygiene—and also with those of sound finance, provided the deceased is not insured.

However, reviewing Sir George's Report and The Times article comprehensively, we suppose it is something to the good to find in them a gleam of recognition that the nourishment-level of the masses has to be stabilised a bit higher than at the starvation level which has previously been in vogue. Perhaps now some high psychological adviser to the Home Office will follow suit and see whether the incidence of crime cannot be lightened by stabilising the nourishment-level a bit higher still—let us say at the point where the minds of the masses are as immune from anxieties as their bodies from disease. If so, we may hope for the establishment of a new theorem after the Newman model, namely: "That crime is accepted everywhere as affording a valuable indication of the level of personal security, and that 'the effective buying power' of personal incomes in any country 'can be determined solely by the incidence' of crime in that country."

We have not dissected any of Sir George's statistical material because that is a task which only those habituated to dealing with it can perform satisfactorily. Moreover, statistics can be made to prove anything. On this matter it will amuse our readers to be introduced to a sort of opposite number to Sir George Newman in the person of Professor Bongor, who published a book in 1924 called *Geloof en Misdaad (Belief and Crime)* dealing with Dutch criminal statistics. To borrow The Times's phrase, he "set himself to determine, if possible, the effect which had been exerted," not on health by economic depression, but on morals by religious instruction. He proceeded by surveying the community under four main categories, Protestants, Catholics, Jews and Freethinkers and the crimes for which they were sentenced under five categories. In his book he says that out of every 100,000 people of each religious community (as distinct from the basis:—per 100,000 of the whole population) the figures are as follows:

	Protest-ants.	Catho-lics.	Jews	Free thinkers
Petty Larceny	40.0	54.8	25.5	9.5
Robbery	19.9	24.4	12.7	4.2
Fraud	8.6	9.3	13.1	1.0
Assault	74.4	93.2	43.2	20.1
Murder and Manslaughter ...	0.4	0.6	0.5	0.1
Totals for all groups of criminals	308.6	416.5	212.7	83.1

On the face of these figures it could be argued with a show of plausibility that religious belief engenders anti-social conduct, whereas all they can be held to prove is that mere membership of a religious denomination, or the possession of religious feelings, is in itself no restraint on anti-social activities. In the will of the late Pierpont Morgan was an instruction that at his funeral the hymn should be sung: "For all Thy Saints who

from their Labours Rest"—a fact which tends to support the view of the President of Police in Vienna expressed at the First International Religious Psychological Congress in 1931 that religion is "drawn into the sphere of means and ends" and acts rather as a reinforcement of a code of anti-social conduct than as a restraint on it. Hitler's pogrom against the Jews on "Aryan" grounds is a parlour persecution in comparison with earlier pogroms against them on "Christian" grounds. There are no worse enemies of a sound society than these misguided idealists, whether religious or secular, for they allow their emotional approval of their intentions to swamp critical judgment of the consequences. As we have seen in the case of The Times, they will snatch at any colourable evidence to justify their policy—the only distinction here being that it is done consciously, whereas in most cases it is done instinctively. The elder Morgan undoubtedly believed that he was doing God's work, and was steeped in the delusion that no other canon of rectitude existed than his own. As concerns the political and financial ruling classes in the world to-day the outstanding need is for a prophet to arise who will call the righteous to repentance rather than sinners.

The American Experiment.

The Times of September 22 devotes its first leading article to a review of President Roosevelt's programme. In the City notes of the same issue (page 17) there is a report of the proceedings of the General Court of the Governor and Company of the Bank of England. Last week we described a pronouncement made by the Japanese War Office as a "bankers' alibi," meaning thereby that whenever any fishy game is afoot the bankers are never on the scene, but, like Chevy Chyeme, are always round the corner. The above article and report both illustrate this propensity in the bankers. Mr. Montagu Norman, in closing the proceedings, referred to America in the following terms:

"So continuous and so great are the changes that no-one who is not on the spot is up to date. Nothing therefore that I have found out while I was in America would be of any use or interest to you. You have but to read the newspapers day by day to see the extent and the pace with which changes there are taking place."

The article in The Times, which one is bound to presume was inspired by the Governor, is pitched in the same key as his speech. It starts off on a note of rhetoric:

"The world continues to watch with sympathetic if somewhat anxious eyes the development of Mr. Roosevelt's National Recovery programme." It proceeds to enumerate features of the development which, taken together, are calculated to leave the ordinary reader of The Times in the mood to ejaculate: "My!" and "What next?!" with overtones of hope or undertones of fear according to how the changes seem to him likely to affect his interests or to square with his philosophy. It finishes with a passage curiously like Mr. Norman's remarks just quoted:

"The economic and financial conditions in the world are so unprecedented that it would be rash to venture any dogmatic assertion. . . . Mr. Roosevelt has undertaken a gigantic task with immense courage and freedom from pre-conceived notions. In an incredibly short time he has set in motion great and unpredictable forces. Will he be able to direct and control them? That is the question to which not only the United States but also the other nations of the world are anxiously awaiting the answer." (Our italics.)

All this is as if The Times said to its readers: "On behalf of yourselves as participators in economic and political activities, of ourselves as interpreters of those activities, and of the Governor and partners as the financial counsellors of us all, we have to confess that President

Roosevelt has got us all properly lost. None of us can do anything: we can only wait and see."

Now, in so far as the vast majority of readers—and writers—of The Times are concerned, whether in Britain, America or elsewhere, this declaration of ignorance and impotence is undoubtedly true. And the more instructed they are in the accepted principles and practices—the established precedents—of the money system governing economic activities, the more demonstrably true it will appear. Such people possess experimental knowledge that departures from these precedents have always been followed by deadlocks. They are pretty familiar with the deadlock following deflation; but, far from concluding that inflation will unfasten it, they see in inflation something that sets in motion forces which will destroy them unless controlled; and the only method of control that they are acquainted with is deflation. In other words inflation can only be made safe by undoing it—which means that inflation is inherently unsafe. There is nothing left for them but the invocation of a symbolic term now familiar as "Reflation"—something of which they cannot tell what it is, much less how it would work—something which they can only vaguely conceive of as a physical crystallisation out of a collective psychological mother-liquor that they are accustomed to call "Confidence."

So much for them. But there is a small residue of people who know that this dilemma is not, and has not been, inevitable. They know that there is a principle, and a choice of feasible methods based upon it, by which prosperity can be permanently recovered and progressively extended. A tiny numerical proportion of them do not want that knowledge to be made known; but the remaining majority do. The minority operate by two methods; one to prevent research into the question at all, and the other to misdirect it whenever they see it undertaken. The majority seek to encourage research and to direct it. For convenience the two policies respectively can be called the Norman Policy and the Douglas Policy, likewise the respective theorems behind them.

Now the Birmingham Debate, and the B.B.C. address, on the Douglas Theorem may be said to have marked the close of the period of official boycott. And now we are in the period of official misdirection. The article in The Times shows clear evidence of this. If anyone will read it carefully, keeping in mind what we have just said about "Reflation" and "Confidence," he will see that on every occasion where The Times speaks hopefully of President Roosevelt's experiment the reference is to vague and general psychological reactions; and on the occasions when it speaks dubiously the reference is to specific details of administration. The implicit admonition of the article is that while the function of the President is to inspire the American people with the spirit of adventure it is not, or should not be, his function to choose the adventures. Roosevelt is to create the required state of mind, and Norman (and partners) will prescribe the course of action. For example, the writer says (our italics):

"For the progress towards recovery already effected by Mr. Roosevelt . . . has been sufficiently astonishing. His immense courage, his readiness to assume unparalleled responsibilities, and his bold and fertile empiricism have certainly succeeded in infusing new life into the American people. Compared with the almost abject despondence . . . of the Hoover regime the change which has taken place in the temper of the public . . . is miraculous." Industrial production . . . has risen by leaps and bounds; prices have shown a substantial recovery, and unemployment has sensibly diminished . . ."

"But Mr. Roosevelt, however ignorant he may be of the academic teachings of the economists, does

thoroughly understand the psychology of his own people; and the devices . . . have engendered a spirit of war-time enthusiasm which should prove a valuable factor in the war against depression . . . wartime spirit . . . real revolution in the structure of American capitalism . . . induced the most individualistic of nations to assent to measures of far-reaching control."

"Whither is this gigantic experiment leading? Is it to prosperity, or to the abyss of currency inflation and economic collapse?"

It will be seen that President Roosevelt's triumphs as here set out are delineated in psychic or abstractionist terminology. They are triumphs of the spirit—his spirit of courage to give orders, and his people's spirit of martial obedience. We can add a further indication of the President's "courage," namely his refusal, so far, to make use of his inflationary powers.

Very good. Now if at this point, just when enthusiasm is at its height, the bankers can nip in and exploit it in the interests of their monopoly of credit-power, everything will be well. And there is evidence in the article that they have judged it necessary to make the attempt at once.

"It is clear that the testing time of the huge and complicated machinery of State regulation which Mr. Roosevelt has improvised has now arrived."

Look at this passage. The disparaging connotation of the words "complicated" and "improvised" is not to be mistaken; and no doubt was not intended to be. Again the positiveness of the opening statement "It is clear that . . ." is strangely at variance with the professed inability of Mr. Montagu Norman to understand what is happening or to guess what will happen next. We take it as a cryptic sign to banking communities elsewhere that Mr. Norman, Mr. Harrison, Mr. Pierpont Morgan, and central bankers generally are going to take a hand in the game—that the success of President Roosevelt as a Hot-Gospeller makes it necessary to give him cold feet before he gets a swelled head.

These gentlemen—certainly some among them—know as much about the flaw in the credit-system as any advanced student of Major Douglas's analysis. So though they may not have known in detail everything that President Roosevelt was doing they knew enough at the beginning of the experiment last March to have foretold the very difficulties which they now announce as confronting him. They might not have been able (although we suspect they were) to forecast their times of emergence and respective dimensions, but these are trivialities; the point is that their appearance could be deduced with certainty from Social-Credit principles, and have in fact been so deduced and announced in Social-Credit journals.

One reference in *The Times* is as follows:

"Moreover, it is widely admitted even in Government circles that the increase in purchasing power, which the raising of wages and the diminution of the hours of labour was intended to effect, has so far failed to result in any proportionate revival in the demand for commodities."

Quite so; and every Social-Credit student knew it could not have that effect. Yet notice the adroit insinuation of the qualification "so far" into the announcement, as though to suggest that the failure has not arisen from any inherent defect in the financial system, but may be, for all that *The Times* or Mr. Norman knows, a mere temporary discrepancy which will disappear next week. The reason why President Roosevelt was not warned by either was that the bankers would have had to disclose too much in the process of proving their submission. They might conceivably have got their warning heeded without proof, but considering that banking in America had only just afforded the nation an ocular demonstration of their incapacity to conduct their own business

they were hardly in a position to expect the Roosevelt Administration to take their advice on trust, particularly not when the nature of that advice would have amounted to saying that whereas an expansion of currency had been a good thing when it was to get themselves out of a mess, it would be a bad thing for other people.

So, in concert with bankers abroad, they left Roosevelt to find out for himself that something had gone wrong. The signs are—in the language of *The Times*—

"that some sections of the community are beginning to look for concrete results"

and that if the general economic conditions in the country do not improve before Congress meets in January

"the demand for even more radical measures will assume formidable proportions."

The nature of the measures is probably foreshadowed by Senator Fletcher's demand for a huge issue of "greenbacks," a demand which *The Times* says will be strongly pressed by a large majority in both Houses, and to which must be attributed the recent fall in the exchange value of the dollar as evidencing "the uneasiness felt by American holders of capital at the danger of currency inflation." This phrase should be re-written: "the disapproval of holders of American credits," for the hampering of the dollar is the work of a ring of cosmopolitan bankers working in collaboration with "national" financial institutions—for only these can operate on a scale sufficient to disturb the exchanges. "American holders of capital" sounds like American capitalists, and tends to mislead the unthinking.

At the Bank of England Court already mentioned Mr. E. T. Hargraves, who seems to be the star chosen to play opposite to Mr. Norman on these gala occasions, addressed him as follows:

"I am perfectly satisfied that there will be nothing in the way of hasty legislation or anything hasty in the way of dealing with the currency, or with any question like that, so long as you are with us." Mr. Norman was careful in replying. He said in the course of his remarks:

"I like your compliment, too, but I do not wish to take upon myself more than I can reasonably hope to bear, and I hope therefore that I may dissociate myself from the association with the currency for the future with which you have connected me. I shall do my best, but I am not wholly responsible for some of these questions, which lie elsewhere."

There is more than one possible explanation of this guarded statement. It may have reference to the fact that Central Banks have to work together to certain rules of co-ordination, whether in one group or, as seems possible at present, in three, representing their respective currency bases—on gold, off gold, or on sterling. Or it may have reference to the fact that, at any rate according to design, the ultimate decision as to currency policy rests with the Bank for International Settlements at Basle. Or, again, it may have reference to the contingency of dollar inflation which would set up heavy political pressure in this country to get the Government to join in the competition of depreciated currencies unless the menace of American dumping were otherwise dealt with. Or, lastly, it may have been a polite hint to Mr. Hargraves that currency-policy is still, in formal matter for the Legislature to decide, and that it was indiscreet of him to imply so clearly that the Bank Government could veto legislation.

"Compensated Expansion."

So much for the political situation. As concerns the technical difficulties confronting President Roosevelt they can all be resolved ultimately into one. It is the problem of ensuring that expanded credit shall create a corresponding demand for commodities inside the country. As a physical proposition it is beyond question

that the resources of the United States in terms of men, machines and material are sufficient in quantity and diversity to provision every family with a generous measure of necessities and luxuries. As a political proposition all those resources can be dealt with according to the wisdom of a representative Government. As a financial proposition, all those resources are located within a single credit-area—an area, too, free from fiscal complications such as inter-State tariffs. As a psychological proposition every inhabitant in the United States will desire to see the above problem solved, and will co-operate in solving it if he sees how. As a consumer of commodities he will desire to be empowered to buy more of them. As a producer of commodities (which means a producer of anything at all, and in any capacity whether as proprietor, investor, manager, salary or wage-earner—for all production ends in consumable products if permitted to run its full course) he will desire that all those commodities shall be sold.

Thus in the United States all the essential *real* factors of self-contained national security and prosperity are present. All they need is a directing mind to co-ordinate them. The agency of co-ordination in a modern State is money. The feasibility of co-ordination resides in monetary policy. And the achievement of a sound system of co-ordination depends on the adoption by the Government of a monetary policy based on a technical principle appropriate to the end in view. That principle has been isolated, identified and explained by Major Douglas. It can be cited as the Principle of Compensated Monetary Expansion. It involves a definite break with all precedents; for these have been based without exception on what may be called the Principle of Uncompensated Monetary Expansion. What is new and vital in the Douglas Theorem is the compensatory element.

Major Douglas's diagnosis, being of an entirely new order, demands a new order of thinking for its verification. This means that the opinions of trained financial experts on it are antecedently irrelevant. Their habit of thinking has crystallised round fundamental financial axioms now proved to be false. Their methods of administration have been designed to deal piecemeal with difficulties arising out of this falsity. So their very training disqualifies them from adjudicating on the new issue. Take any banker you like, and if you can get him to give you a full account of how he is functionally occupied during a typical period of his professional life you will see (or it can be made clear to you) that what he is doing amounts to attending to breakdowns of the financial machine as a technical problem, and, as a poli- cian dissatisfied with its working to keep quiet and let him go on tinkering about with it. Clearly, then, if there can be shown to be another order of machine which will not break down, all his functional qualifications become superfluous, and all his professional experience becomes irrelevant. The familiar saying that scientific invention in the field of industry has shifted the labour field of finance; and bankers, as well as labourers, can be relegated to the "Bread-line" for all the use their old-style skill and ingenuity now are. Not only are they intellectually handicapped in investigating the new principle of Compensated Expansion, but, for the reason just stated, they are psychologically resistant to the idea that there is an alternative to the principle of Uncompensated Expansion. Being proud of their prestige and fond of their job they are naturally hostile to anything which threatens them with the loss of both.

It is impossible to over-emphasise the importance of these considerations at the present moment when the thoughts of the public are being turned to the subject of monetary policy. The layman who proposes to investigate the subject must reassure himself that in entering upon it he starts at least level with the expert, if not far

ahead of him. At the same time he must realise that this is only true on condition that he concentrates his attention on the point of fundamental divergence between the two principles—that is to say on the reasoning centred round the issue: "Is the element of Compensation necessary in theory and feasible in practice?" Here he will enter into an order of thinking in which every natural intelligence may participate on equal terms according to its degree.

A full grasp of the relevant technical reasoning is not easy of accomplishment. On the other hand, it is all that need be grasped. It holds the master-key of the economic deadlock. It fits all the doors of the prison. Should students find themselves unable to probe the issue to the final stage of positive conviction, let them remember that it remains the vital issue, and not turn aside to acquire proficiency in arguing about superficial theories. They will find that if they travel along the true path, if only for a short distance, they will find antecedent or collateral evidences confirming the necessity of the "Compensation" principle. The student has the choice between circumstantial and direct evidence (if not both), and, for the purpose of forming his judgment the first will serve him as well as the second.

The importance of this advice will be seen in the fact that right at the outset of what promises to be a major crisis in America the bankers are using the term "Inflation" as a stick to be used against "Currency Expansion." Unfortunately, American politicians are playing into their hands by calling for Expansion under the name "Inflation." But Major Douglas's central contention is that it is not Expansion, but uncompensated Expansion, which gives rise to the phenomenon called "Inflation." The compensatory corrective of expanded currency or credit is the regulation of commodity prices. Expanded credit necessarily entails expanded collective costs to producers. This can be compensated by a reciprocal contraction of unit prices to consumers. And when so compensated according to the "Price-Regulation" and "Price-Assistance" provisions explained in Major Douglas's writings, an increased quantitative output of commodities can be transferred from producers to consumers on terms remunerative to both parties. The bankers are scaring the public on the tacit assumption that this cannot be done. It is up to President Roosevelt to drag this assumption into the open and challenge it.

Meeting Notices.

SOUTHAMPTON D.S.C. ASSOCIATION.

- Thursday, September 28.—Public Meeting.
- Tuesday, October 3.—Public Meeting. Mr. R. Scutton on "National Prosperity Campaign." Chamber of Commerce Room, 8, Portland Terrace, at 7.45 p.m.
- Wednesday, October 4.—Public Meeting. Women's Section. Adyar Hall, Carlton Crescent, at 3.15 p.m.
- Thursday, October 5.—Public Debate. "Social Credit or Socialism (S.L.P.)." Atherley Hall, Howard Road, at 7.30 p.m. Admission by free ticket, obtainable from Association Office.
- Wednesday, October 11.—Public Meeting. Women's Section. Adyar Hall, Carlton Crescent, at 7.30 p.m.
- Tuesday, October 17.—Public Meeting to start Portsmouth Association. Kimbell's Café, Southsea, at 7.45 p.m. Details on application.

BELFAST D.S.C. GROUP.

- Wednesday, September 27, Captain W. Adams, B.Sc. (Econ.), F.L.A.A., on "Financial Breakdown and the Coming War," in the Y.M.C.A. Minor Hall, at 7.45 p.m.

Notice.

THE NATIONAL CREDIT ASSOCIATION OF GREAT BRITAIN.

The new address of the National Credit Association of Great Britain is 38, Museum Street, W.C.1. Telephone: Holborn 6688.

The Waites Report.

[Reprinted from *The New Economics*, Australia.]

III.

Short of expressing himself in words of one syllable, Douglas, in the passage we have quoted, has shown as clearly as possible that by "series production" we are to understand "production in sequence" such as appears in the illustration of the workman saving in one cycle and investing his savings in another cycle. Since the proposition is stated to be a generalisation, it obviously hinges upon what went before, and it is an astonishing thing that Mr. Waites refers briefly to the fact that it was a generalisation from a previous argument, and defers discussion of the previous argument until after he has discussed the A + B Theorem. It would be interesting to know what reason he had for thus distorting the order in which Major Douglas presented his arguments, and also why he refrained from any comment whatever upon the continuation of Douglas' arguments on pages 33-36 of "The Monopoly of Credit."

Developing his argument in a logical manner, Douglas, in that book, followed up the general proposition by a statement of the A + B Theorem, and a diagram. Incidentally the diagram shows with the utmost clarity that Douglas does not imagine that in series production of the type set out in Mr. Waites' table (where the reinvestment of savings has no part at all) the price of the wool will appear more than once in the price of the finished articles. A similar argument to this of Mr. Waites was put forward by Mr. Hawtrey in his debate with Douglas of Birmingham on March 22 last. In his reply Douglas said:—

"I do not say that the price of the hides appears two or three times in a pair of boots. What I do say is that you can make three or four pairs of boots by the existing process without distributing more purchasing power than is necessary to buy one pair of boots."

Previously he had said:—

"The fact of one unit of purchasing power recurring a number of times through the costing system produces an additional price value each time it passes through, so that you have an additional price value."

These statements, combined with the diagram in the "Monopoly of Credit" should surely be sufficient to show that the prodigious flaw in the Douglas case discovered by Mr. Waites is nothing but the sorriest of mare's nests. And, since almost the whole of the subsequent matter in the report depends for its validity upon Mr. Waites' conclusion upon this matter of the repetition of money payments in relation to prices and purchasing power, it would seem that further comment upon the report is hardly necessary. We have not, however, finished with Mr. Waites, for he has committed other blunders which cannot be allowed to pass unchallenged.

(6) Returning to the "Monopoly of Credit," it is significant to note that Douglas continues his argument concerning the reinvestment of savings and its effect upon prices in relation to incomes, with the following passage upon pages 33-36. He writes:—

"As the economic system may be said to depend upon this matter, it is essential that a clear understanding of it should be obtained."

"Let us imagine a capitalist to own a certain piece of land, on which is a house and a building containing the necessary machinery for preparing, spinning and weaving linen, and that the land is capable of growing in addition to flax, all the food necessary to maintain a man. Let us further imagine that the capitalist in the first place allows a man to live free of all payment in the house, and to have the use of all the food-stuffs that he grows on condition that he also grows, spins and weaves a certain amount of linen for the capitalist. Let us further imagine that after a time this arrangement is altered by the payment to the man of £1 per week for the work on the linen business, but that this £1 is taken back each week as rent for the house and payment for the foodstuffs."

"Let us now imagine that from the time the flax is picked to the time that the linen is delivered to the capitalist, a period of six weeks elapses. Obviously the cost

of the linen must be £6, and this will be the price, plus profit, which the capitalist would place upon it. Quite obviously only one-sixth of the purchasing power necessary to buy the linen has been distributed, although "at some time or other" all the £6 has been distributed. It should also be noted that the arrangement is a perfectly equitable arrangement. The employee obtains definite return for his services in the form of bed, board and clothes, which quite probably he might not have been able to obtain had not the knowledge and organisation of the capitalist brought together housing, flax, food and machinery. In other words, the problem disclosed is not a moral problem; it is an arithmetical problem.

"Let us now imagine that half of the employee's time is devoted to making a machine which will do all the work of preparing and manufacturing linen, and that the manufacture of this machine takes twelve weeks. We may therefore say that the machine costs £6, the total value of the production of machine and flax being still £1 per week. At the end of this period the machine is substituted for the man, the machine being driven, we suppose, by the burning of the food which was previously consumed by the man, and the machine being housed in the house previously occupied by the man, and being automatic. The capitalist will be justified in saying that the cost of operation of the machine is £1 per week as before, and if there is any wear, he will also be justified in allocating the cost of this wear to the cost of the linen. It should be noticed, however, that he will now not distribute any money at all, since it is obviously no use offering a £1 note a week to the machine. He will merely allocate this cost, and once again the allocation will be perfectly fair and proper, but no one will be able to pay the price, because no one has received any money."

The particular significance of this passage from the point of view of the Waites Report, is the fact that Mr. Waites made no comment whatever upon it, despite the fact that Douglas attributes to it the utmost importance. This is clearly evidenced by the opening words which we have printed in italics.

Now it is only reasonable to expect that, in an inquiry into Social Credit, special attention should be given to those matters which Douglas declares to be vital; and yet it is just such a matter which Mr. Waites has chosen to omit from his report. The argument contained in that passage is quite unanswerable, and the point at issue is so vital that it may be said that the pertinence of the Douglas Proposals and the Draft Scheme for Scotland depends upon its acceptance. If it be not admitted that the present monetary system automatically tends to create an ever-widening gap between prices and incomes, then the proposals become one of many suggestions for the remoulding of an economic system which is patently unsatisfactory, and are thus entitled to receive no more and no less consideration than all the other suggestions.

This omission by Mr. Waites is, in our opinion, so serious that it completely vitiates the whole of his report. From it there are two possible deductions:—

(1) That he did not read the whole of the "Monopoly of Credit."

(2) That he did read the whole of it, then nothing more if he did not read the whole of it, then nothing more need be said, for he has then criticised selected passages only, without having regard to the whole of the argument. If he did read the whole of it, he has singled out for his report only those passages which he felt could be adversely criticised. This presupposes that when he arrived at the stage of compiling his report, he had decided against Social Credit, and framed the report accordingly, attacking such parts of the subject matter as seemed vulnerable, and omitting any parts with which he could not deal adversely. Indeed, that is the conclusion to which we have come, if possible. That Mr. Waites felt obliged to return, if possible, either an affirmative or a negative report; that he was expected or urged to make that report in a reasonably short time; that he studied Social Credit to the best of his ability and as expeditiously as possible (nearly four months); that he was unable to grasp it, and that, following the recognised principle of *praesumitur pro negante*, he decided that he could not honestly recommend it, and should therefore condemn it.

(To be continued.)

Seaworthy?

"A man's destiny is strange always; and never wants for miracles, or will want, though it sometimes may for eyes to discern them."

(T.C., *Frederick the Great.*)

* * *

"Take the happiest man, the one most envied by the world, and in nine cases out of ten his inmost consciousness is one of failure. Either his ideals in the line of his achievements are pitched far higher than the achievements themselves, or else he has secret ideals of which the world knows nothing, and in regard to which he inwardly knows himself to be found wanting."

(W. James, *The Varieties of Religious Experience.*)

When a man has served with credit in the executive branch of the Senior Service, occupied with distinction, if not always with the unqualified approbation of the Lord High Barnacles, certain important staff appointments, and when on the outbreak of the second phase of the war commonly called the "Peace" he has gone a-voyaging on the uneasy seas of politics as a kind of Liberal privateer duly provided with official letters of marque, and when, finding his Liberal adventure unprofitable, he has hoisted the Jolly Roger and set out a-buccaneering on his own, finally landing with both privateers and pirates in Execution Dock in 1931, it is not surprising that he accumulated material for the interesting story he has given to the world under the title of *Sailors, Statesmen—and Others*.

But why label the book "An Autobiography"? That is the kind of romance generally written by way of valediction, and is usually compiled in the evening of the author's days ere he chants his *Nunc dimittis*, but not at forty-seven years of age, in the very prime of life with untold possibilities of good service unachieved and rewards commensurate ungarnered. There must be some hidden reason. Can it be that Commander Kenworthy is not quite satisfied with the public's appreciation of his deeds of derring-do and fearing to be classed with us who also ran, decided, wise in his generation, to try what a spot of publicity would do? That would account for the appearance of this stout volume, priced 18s., and profusely illustrated. Amongst the more intimate "posters" are, "Author in Moscow, 1932," "Author entering Machan for Tiger Shooting," "Author on a Shooting Elephant," and "His Highness the Maharaja of Patiala and the Author." Evidently the gallant Commander knows that the people in "Society" who pull the strings are the folk to be impressed, and not the humble electors of Hull who had the bad taste to reject him after twelve years' loyal service.

Now amongst all the varied happenings in which Commander Kenworthy played an important part none will arouse greater interest than his vivid description of the "mental revolt" of a group of get-things-done naval officers known as the "Young Turks" against the policy of the Board of Admiralty. This is piquantly related in the account of the interviews with Mr. Lloyd George, which undoubtedly resulted in the adoption of more energetic methods in dealing with the submarine menace, and seeing how near the German attacks came to complete success the nation certainly owes a debt of gratitude to the protesting officers, and not least among them to Commander Kenworthy. But that was the measure of their success. The plans for bringing the German Naval Forces to action by the creation of a Baltic Force to act in co-operation with the Russians was defeated by the politicians—"the end came suddenly."

I was working late one night in the last week in October . . . when the head of my division, Admiral Roger Keyes, came into my room, from a meeting at Downing Street. "You can knock off work on those plans, Kenworthy," he said, "the Baltic

* *Sailors, Statesmen—and Others: An Autobiography.* By Lt.-Commander the Hon. J. M. Kenworthy, R.N. (Rich and Cowan, London. 18s. net.)

operations are abandoned. Sorry." He turned and went.

I went over to the door before Keyes could reach it, placed my back against it, and demanded an explanation. I smelt treachery, and said so. Keyes saw I was determined, he was much shaken himself, and he answered me like a brother. "The damned politicians have let us down. I have pleaded with them for a week. They won't allow a finger to be raised to help the poor Russians," he said.

"But," I answered, "it is not only for the Russians. We have the greatest chance of the war to smash the German Navy."

"I know," he said, "but the Russians are to be left to stew in their own juice. We have just heard that the Supreme War Council have turned us down."

And that, adds Commander Kenworthy, "was the worst blunder, the greatest betrayal of the whole war."

So much for a glimpse of the naval officer's war record. It does him credit, and if his reputation had to stand or fall by it alone he would have nothing to fear; but it is another story when we come to his parliamentary career after he had joined the ranks of the politicians who betrayed him! There are traces of an uneasy conscience on page 1 of his book:

"The indictment of my generation," says the accusing inner voice, "by the historians of the future will probably be that we allowed the 'old men' to continue muddling along in the old ways in finance, industry, and politics, and acquiesced in their hopeless and useless methods."

Notice, in passing, that finance is placed first. "The youth of England, America, France, and Germany," he adds, "have to bear a heavy responsibility for supineness, timidity, and lack of courage in the post-war years." A sweeping and possibly justifiable charge, but when he goes on to assert that,

"a few of us had, or made, the opportunity," that "I was one of these, and the reader can judge for himself from these pages whether I made full use of the opportunity,"

the verdict is, bluntly, that he did not. Considering his exceptional opportunities in public and private life, his travels in America, Russia, and India, conducted under conditions most favourable for gleaming first-hand economic and political facts, it is significant that he fails to give due prominence to the main cause of the world's most distressful state. And there is no excuse—for he knows. On the last page but one of his book he says:

"If democracy is to survive or, having suffered eclipse, to regain its place as a system of government, it must learn how to deal with the modern problems of economics, and particularly with the financial problem."

That is enough. It would almost justify the plea that the only parts of this most readable volume that really matter are the first and last two pages. The rest belongs to those steadily growing dumps of reminiscences, recriminations, and vindications accumulating in the libraries of Europe, which, in years to come, will drive to distraction some poor devil of a student who is striving to arrive at a true significance of August 1914 and November 1918.

The last words of *Sailors, Statesmen—and Others* are significant:—

"I fail to see our future leader, as yet. But leaders are never elected. They lead."

"Let us hope, for the sake of the British people, that the hour will produce the man—and that he will be a MAN."

Well, there are none so blind as they who will not see, and it is difficult to avoid the conclusion that Commander Kenworthy has deliberately turned from the light. It takes a big man to admit he has been mistaken, but the admission that he has committed a grave

error of judgment by ignoring the vital principles for which this journal stands will have to be made if Commander Kenworthy is to leave a name in the annals of the Empire worthy of his great abilities, and, until the rotten timbers of a decayed Socialism and the dry rot of an incipient Fascism have been replaced by sound Social Credit planking the political barque of this gallant officer will remain—unseaworthy.

In the history of English politics there is no more pathetic utterance than the words of Randolph Churchill, "I forgot Goschen." Kenworthy has "forgotten" Douglas.

J. S. KIRKBRIDE.

A "Leisure-State" in Being

Once when discussing Social Credit I was countered with the remark: "The money part perhaps I can grant you, but what will be the effect of all that leisure on the people? Look at our dole, there is a generation growing up who won't work and couldn't if they tried, many of them just wasters whom leisure has ruined."

Without going into the accuracy or otherwise of that statement, I roared with silent laughter, for I had seen the effects of leisure on a race which only had to work on the average two days a week, and who were the most charming, healthiest living, and, in a broad sense, the most beautiful people in the whole world.

True they were only brown-skinned and almost naked, but they left me wondering. But is that "only" justified?—for never have I met a race so cultured, so happy. I lived with them for ten days, which are among the happiest of my life. Never have I left any country, even my own, with such a sense of loss.

Imagine a land bursting with laughter and dance, where the glitter of water cascading from rice terraces to rice terraces seems picked up and borne into the air by the tinkling music of the village "gamelans,"* where the children charm, but never get in the way, and where nearly every human being you meet merits the term of living statuary. These people are neither curious nor reserved, neither ill-mannered nor servile, and happy with a ready smile and a quick understanding to take you into their life and show you their art, their music, their dancing, or just their cooking pots.

Never had I heard of anything of the sort until a few years later I read "Social Credit" by Major Douglas. Then I realised I had seen the cultural aspects of his writings in full effect in this land of Bali,† the land of dreams come true. It matters not whether they be the dreams for human happiness, of poet, artist, moralist, or the more practical ones of an engineer-economist whom orthodox financiers call a visionary: in Bali they all come true. Dreams come true! Then the dreams are not just dreams, they are verity; and the dreamer, justified of his visions, becomes a prophet. That is the message Bali has to bring to us.

Actually in existence to-day and open to inspection is a land where people only need to work on the average two days a week. There, as Social Credit writers have foretold, work is not an aim—it is merely something that has to be done, and the more efficiently it is done the less of it there will be. The population is not lazy, it is efficient. Its yields of rice per acre are extraordinarily high—purposely so, in order that the labour attached to the lower necessities of life may be diminished and time be available for the higher necessities of life, sculpture, handicraft, dance, music, and above all, religion.

If a village becomes crowded, and two days' work a week no longer suffices, no one is accused of idleness for protesting. A family will just move off to a less crowded area. They will be welcomed by their new companions, who will build them a house, a granary, help them with the hard labour of bringing a new piece of land into cultivation, and provide them with food

*A gong and drum orchestra with perhaps some string and flute.

†Pronounced Bah-lee.

until the new crops are available. The land so won belongs to the community, the crops to whomsoever works the land.

Thus is new production evolved, no one has got into debt, the charges have been entirely borne by the credit of the social group, and there is plenty for all.

Of course, climatic conditions are exceptionally favourable, but our technical advances make that no longer of importance to the white races, and, in the neighbouring island of Java, which has been highly developed on European lines, the natives work nine to ten hours a day for the barest necessities of life.

The explanation is not in climate, nor race: it is in the system.

Perhaps the two most conspicuous characteristics that strike the stranger in Bali are, firstly, the long processions of most beautifully formed women carrying on their heads either market produce, or offerings to the temples, and next, the all-prevailing music. In every village, and almost at every time of the day, the musicians will be practising or else performing; and never a musician is paid. In their art there is no such thing as professionalism. Yet they have a keen sense of the value of money. As a tripper you can pay to have a dance performed—and well is it worth it—but no individual in the troupe draws a cent. The money goes to some religious or communal fund.

At night under the light of the moon, or by the flickering light of oil lamps, the young girls will be dancing. Just peasant girls who, by day, may be exposing their bared bodies to the pigmenting rays of the sun as they work in the fields or carry their produce to market. These all-but-naked savages, as some fools call them, at night will be clad in silks and cloths of gold, bearing gilded crowns upon their heads, dancing for the delight of the beholders, or in honour of the gods; and never a dancer will be paid. Wonderful dancing it is, too, into which years of training have gone.

If you follow your hotel boot-black home—there is one hotel in the south of the Island—you will probably receive the surprise of your life. Why, to begin with, any Balinese should black anybody's boots I never could quite discover. It does at least show that in a leisured state work does not go undone. Arrived at your boots' home, it would be nothing for you to find him seated in front of a block of wood without a mark upon it, without a model of any sort by him. Then under the blows of hammer and chisel an eyebrow or an ear will seem to leap with incredible speed out of the wood, and fit in place into a head or a figure carved with wonderful fidelity, or else caricatured into an extraordinary yet pleasing fantastic Eastern deity. In Europe such a man would be overwhelmed with professional pride—it is doubtful if Europe could produce two men capable of the feat. In Bali he is just one of hundreds, all taken as a matter of course, and receiving not a cent for their work, or a personal reward of any kind. They are amusing themselves, working as artists should, just because they would not be so happy doing anything else.

When people worry about what leisure will do to the race, I would advise them to go to Bali, a land where the climate is hot, where the air is enervating, where the blood is readily heated, and they will see where the leisure, with means at hand and climatic conditions to foster every vice, and they will find no vice worse than that of gambling on a cock-fight.

I would advise such people to go first to the northern and only port of Bali, where the European invasion is beginning; where the native is clothed and perspires under a galvanised roof in order that a banker financing a Western factory may recover his loan. There can be found all the Western amenities of motors, gramophones, cameras, clothes, dirt, debts and poverty. Then turning their backs on that, let them climb past the fires of the Volcano Batoer and down into the fertile Southern plain, where the natives say "No, we don't want your clothes, the climate makes them unnecessary."

nor do we want your hot galvanised roofs; we want our money for other things, for building temples, for festivals, dance and music, and the cremating of our dead with proper care for their future comfort."

If questioned they will admit that Europeans have marvellous brains for making useful things, but that our minds are rather nasty, and we know nothing at all about things that really matter, such as religion and the art of living.

One must concede that they are right, for, so true is it that only the beautiful in human relationships finds place in Bali, the question one is always asked "and their morals?" strikes a discord which does not exist there, and makes one want to throw things at the questioner.

Truly a land of dreams come true, where leisure has produced nothing but the best.

Unfortunately the canker is there. Commerce is knocking at the gates, and, in spite of the enlightened Dutch Government's motto of "Bali for the Balinese," their financiers are already adding, "Yes, but their money for us." Slowly but surely will they become inveigled into debt and enslaved for a pittance, even as their neighbouring Javanese already are.

May Social Credit come in time to save them, and, instead of being unworthy teachers, may we learn of them; and, by applying the lesson with all that superior force and intelligence which is a cool climate's gift, may we attain to a civilisation such that Bali will appear in its true light; no longer as a glimpse of paradise but merely as an elementary prototype.

E. S. H.

Do You Advertise?*

If you do, can you say that you are particularly impressed by the logic or the taste exhibited in modern advertising—even in your own?

You can not. Yet you would not conclude that an advertised article need be bad on that account. Gaps in logic, lapses in taste, and over-statements of fact are as necessary to sell your good article as the other fellow's bad one!

Why? Because these devices are the most efficient for getting the public to give a trial to your article with the least delay; and because you cannot afford to use less efficient devices than your competitors.

Therefore do not be prejudiced against Social Credit merely because the methods used to popularise it do not appeal to you. Realise that those methods may be just as distasteful to those who employ them as all advertising methods are to men of education and culture. Like you, they are obliged to achieve publicity in that way, or else sent their selling story logically and temperately, and to be examined on it, whenever a prospective "buyer" has time to listen.

In your own publicity you often advertise, not your article directly, but information about it. "Write for repair errors and omissions in your original advertising. Sometimes you offer samples of the article itself—in either case the samples check back your publicity. In evidence of the merits of your article to submit to discriminating inquiries condones the crudity of the methods you must perforce use to attract the attention of the indiscriminating public.

So when you see people dressing up, or marching, or "tub-thumping," or hear them shouting slogans like: "Demand the National Dividend," "Break the Bankers' Monopoly," remember that they, too, have

*A suggested form of defence for promoters and conductors of street propaganda against critics who dislike their methods. It is open for anybody's adoption with or without amendment if considered useful.—Ed.

their "booklet" to offer—in fact a range of publications severally designed to stand the test of any criterion of informed judgment.

The speakers you see in the streets are not necessarily experts in financial technicalities; nor is it necessary that they should be. Their function is to create a general popular demand for the adoption of the Social Credit policy, and at the same time to encourage those who will to investigate the scientific and social feasibility of that policy.

The question for you is not: "Are these selling-methods desirable?" but—"Is the article worth buying?" The first is a matter of taste, but the second is a matter of judgment.

The Green Shirts.

NOTES FROM THE GENERAL SECRETARY.

Five meetings were organised in Bradford on Sunday, September 17, by Section Leader Townend, of Leeds, in co-operation with the Bradford Green Shirts, and under the general direction of Staff Section Leader Harper. Mr. Hargrave, who travelled north with other Green Shirt officers and leaders from London, was the principal speaker at each meeting, the programme being as follows:—

11.30 to 1 p.m.—Informal consultation on policy and organisation in the district.

2 p.m.—Mr. Hargrave addressed the executive committee of the Bradford and District Unemployed Association on "The Real Problem Facing the Unemployed."

3 p.m.—Mr. Hargrave addressed the members of the B.D.U.A. on the same subject, and dealt with questions.

4.30 p.m.—Assembly of Green Shirts and Social Credit advocates belonging to various local Study Groups for tea. The café was packed—sixty people being present—and after tea Mr. Hargrave was asked if he would speak to the assembly. This he did in a lucid exposition of the development of the Social Credit Movement as a whole, the part that was being played by the Green Shirts, and how the active co-operation of local Study Groups was coming about, not by any sort of co-ordinating organisation, but on its own account. He concluded by presenting a green banner to the Bradford Section, bearing the following in bold white letters:—

"BRADFORD DEMANDS

THE

NATIONAL DIVIDEND!"

6.30 p.m.—Open-air meeting in the car park. A crowd of 500 to 600 people gathered in a dense mass to hear the Green Shirt message which was put forward by several speakers. A semi-Communist-cum-I.L.P.-Labour meeting was in progress near by, but most of their crowd moved over or listened-in to the Green Shirt platform. Staff S.L. Harper held the "pitch" while the main body marched, with banner displayed, through the main streets and then came swinging into view down Market Street. The detachment, led by Hargrave and other officers, wheeled left, cutting clean through the crowd and took up its position immediately in front of the "platform"—a stone parapet. Our report says: "The crowd throughout this meeting gave the impression of being held 'rooted,' as though fixed by some sort of enchantment. Eager to hear, but silent and motionless—a great sea of faces upturned to the Green Shirt speaker. I had the feeling of a crowd stunned . . . not exactly for us, but by no means against us. Sort of hesitating on the brink. A friendly press of people—not quite sure of itself. In a way, it seemed to stiffen and take on some part of the Green Shirt discipline. A few more mass meetings of this kind could swing Bradford over to us."

On Monday, September 18, three of the London Green Shirt leaders went over to Keighley, where a successful open-air meeting was held, of which we have no detailed report at the time of writing.

Tit-Bits for September 23 has a whole-page illustrated article entitled "Lads of the Shirt Brigades," by Carl Olsson, in which the Green Shirt Movement and the Kibbo Kift are described as separate movements! In fact Mr. Olsson's information is all upside-down and inside-out. However, in spite of many inaccuracies, his general description of the Green Shirt Movement is not so bad, considering:—

"There are the Green Shirts, for instance—a mys-

corps of stern-faced, broad-shouldered young men who march about in green shirts and berets.

"Like the Fascists, they are organised on semi-military lines. Their discipline is even better, and their bearing and precision on the march would not shame a battalion of Guardsmen.

"Unlike some of the Fascist groups, however, the Green Shirts do not seem to go about looking for trouble. Or if it is trouble, it is of a very queer kind. They have been present at all the big demonstrations in Trafalgar Square and Hyde Park for the past year, but nobody knows quite why.

"They were present at some of the most violent Fascist-Labour clashes last year, but nobody has ever seen any of them strike a blow. Occasionally one or two of them have been struck by people in the crowds who disliked Black Shirts and mistakenly assumed that these Green Shirts were in the same group. But they have never hit back.

"If your curiosity is roused and you want to know the why and the wherefore of this strange corps, you will be told at their headquarters at Old Jewry, in the City of London, that they exist to preach 'a new economic doctrine for the complete regeneration of the financial system of the country!'

"The Buddha of the Green Shirt Movement is a Major S. H. Douglas (sic), who has been advocating his 'National Credit system' in the pages of a certain high-brow weekly for the past twenty-years. The leader and chief disciple is a Mr. John Hargreaves (sic).

"Like Buddhism, too, the higher reaches of the National Credit system are complex and obscure, and possibly only a few of the inner circle know the whole of it.

"Why they should think that forming fours and wearing green shirts will beguile the working-man into listening more readily to a brain-spinning mass of figures and a tortuous economic argument is beyond anybody's comprehension—except their own."

If Mr. Olsson, or anyone else who cannot understand the political significance of drill and uniform, will attend one of our open-air meetings, he will see for himself that these things do "beguile" not only the working-man, but hundreds of other men (including journalists) into "listening more readily" to the brain-clearing facts and the clear-cut economic argument of Social Credit. But isn't it extraordinary that it seems quite impossible for a journalist writer-up of "stunt" articles to get his data correct and to spell names accurately? Is it because they have to turn out their stuff at top-speed and are poorly paid for it, or do these pressmen have to pass an examination in How to Jumble Facts and How to Spell Names Wrongly?

Here is another tit-bit from *Tit-Bits*:—
"Next among the queer armies is the Kibbo Kift. . . . Their motto is 'Issue a National Dividend to all'. . . . All very "complex and obscure"—but all good advertising from our point of view.

The prospectus and other printed matter of an organisation now in course of formation calling itself "The National Association for Resistance to Jewish Monopoly" has been forwarded to National Headquarters, together with a covering letter in the form of an "appeal," in which we read:—

"The cordial congratulations and assurance of support of the National Credit Association of Great Britain has been extended to us.

"We hold, with the utmost weight of conviction, that Social Credit can be secured only by attacking the Jewish monopoly, which is the basic reason why Social Credit is making but small headway despite heroic efforts."

Our attitude towards any kind of racial policy was set forth clearly in *The New Age* for August 17, page 185, and Green Shirts are advised to re-read it carefully.

H. T. W.

What Is a Financial Expert?

A financial expert is a man who knows a great deal about very little, and goes on knowing more and more about less and less, until he knows everything about nothing; or vice versa, a man who knows very little about a great deal, and goes on knowing less and less about more and more until he knows nothing about everything. (A definition lately circulating round the Stock Exchange.)

Questions and Answers.—VII.

(Contributed by the Credit Study Group from their correspondence.)

What would be the method of procedure, under Major Douglas's Social Credit Scheme for Scotland, in making expenditure on public roads, buildings, education, etc., subject to the Price Assistance scheme?

It is not proposed to make such expenditures the subject of the Price Assistance scheme (except so far as they constitute directly industrial costs in the period). These are expenditures which have not yet got into industrial costs, but being increases of real wealth are proposed to be represented by National Dividend, supplementing the social credit distributed through prices.

Surely the suggestion under the Scheme that the consumer should pay full price for his goods and be directly credited by the Credit Issuing Office with the proportion of credit for that period, his bank collecting the amount for him from the C.I.O. would be extremely cumbersome to work? What about all the people who have not got banking accounts? In the case of every minute purchase a customer makes, in the case of a shop he never visits again, must he get the shopkeeper to fill in a form and then must he get in touch with the Credit Issuing Office to get his grant on, say, a box of matches, for which he has paid full price?

(a) There can be no doubt that for a while a variety of intermediary expedients will be devised for dealing with those individuals (a vast number) who have no banking accounts. But when we remember the wonderful way the population was served with individual Food Tickets during the war, the necessary organisation could surely be devised quite easily; and in a few months there is no reason why everyone should not have a Banking Account. The first payment of dividend could take the form of opening a banking account by the Credit Issuing Office for each individual not already having one.

(b) The Co-operative stores type of bill would serve. By that means even the smallest purchase is recorded, so that the customer gets his shares of the periodical "dividend."

Is this correct:

$$\frac{\text{Goods consumed} + \text{depreciation} + \text{exports}}{\text{Goods produced} + \text{appreciation} + \text{imports}}$$

Assuming top to total £2,000,000,000
and assuming bottom to total £3,000,000,000
The amount of new money that can be issued under the Price Factor scheme is £1,000,000,000 and the cost of every consumable article will be multiplied by 3. An article formerly sold for £12 (plus profit) will now be sold for £36 (plus profit). If during the same period the value of "output" of education, etc., over and above the previous "output" of these services is estimated at £80,000,000, then £80,000,000 extra will be issued as National dividends.

We agree the equation, but the price in each case already includes profit, it is not again and separately added. Whatever the net increase in the national wealth, expressed in terms of money, that sum would be available for per capita distribution as National Dividend.

Would it be impracticable to apply the Price Factor fraction at the wholesale end of business?

Mr. A. J. Coleman, of Mundesley, raised a fairly thorough discussion of this point some time ago in the columns of *The New Age*, and the 1930 Club devoted an evening to the discussion. The conclusion was that whatever the administrative difficulties of distribution over the shop counter, proper rebate of national credit could not be distributed effectively, so as to reach individuals, at any earlier point in production. It is likely that the Distributing Houses would establish some book-keeping method to assist small shops, and that the coupon system would be adaptable to the purpose.

Assuming that new roads, etc., add to the wealth of the community why should National Dividend without Price Factor lead to inflation? If the dividend is to back an increase of wealth, why should prices rise?

The dividend would put into circulation considerable additional money which could lead to a general rise in prices to absorb that money. It is, of course, not by anything in the nature of "natural law" that it would happen, but the knowledge of the financial masters of industry in respect of the amount of "cash credits" available at any time does in fact get expressed in prices. The existence of a larger

New Zealand News.

The prominent military officer who recently made a visit to Australia re munitions was the New Zealand director of Artillery. His mission was relative to big-gun shells and equipment, which Australia is now in a position to manufacture. New Zealand has been manufacturing ammunition for small arms for the past fifty years.

The Dominion would be well advised to dig two feet deeper into the economic miasma before attempting to resist Japanese imports by the gesture of offering Japan to feel her muscles. Why not find out how it is that Japan can export abroad upon such favourable terms? There is no technical reason why New Zealand should not follow suit. But no, the politicians are rushing to put the Dominion into the noose of the bankers' Central Bank. New Zealand should reflect upon the fact that the League of Nations was impotent to deflect Japan by one single hair's breadth from her set purpose in China, and the same fossilised League will be equally impotent to stop her from her set purpose of trade or other aspirations in the Pacific.

Social Credit is the only permanent cure for the ills of New Zealand. The subject is now topical news in the Auckland daily Press. The bankers are becoming alarmed at the rapid march of Social Credit throughout the Dominion. Snipers are now appearing. The hottest Tory paper in the Dominion has opened its columns to a Communist sniper.

Unemployed men are now being set task work to bury seaweed in the sand at Mission Bay. They would be better employed carting it and spreading it on the land for fertilising purposes. But the land of New Zealand is already too fertile. What is the use of producing surplus butter which has to be turned into soap?

The New Zealand Returned Soldiers' Association are pressing for an inquiry into the present financial system. Go it the Diggers! After "winning the War" ex-servicemen were disarmed and dispersed to their homes with back pay and gratuity, which was very soon spent or invested in business, because the world was clamouring for our goods—at least that was the bankers' story. When peace began to dawn in real earnest and when the civilian shoe was beginning to pinch, many tried to ginger up the local ex-service organisations, which by this time had all become centralised, both at home and in the Empire. To crown it all an Inter-Allied Old Comrades' Association was formed. The constitutions of all these organisations were carefully designed to debar political controversies. The New Zealand Returned Soldiers are to be congratulated as being the first to spike the bankers' cannon, and it is to be hoped that other ex-service organisations will follow their lead. R. H.

LETTERS TO THE EDITOR.

LIVERPOOL S.C.A. AND THE JEWS.

Sir,—My committee has had its attention drawn to a publication, presumably connected with an anti-semitic movement, which is circulating in Liverpool and other places, and which is using the Social Credit proposals of Major Douglas to forward its campaign.

May I be permitted to inform your readers that the Liverpool Social Credit Association dissociates itself from any object which savours of a sectarian, political, racial, or class antagonism.—Yours faithfully, E. J. PANKHURST, Hon. Secretary.

JAPAN.

Sir,—On the 4th inst. I wrote to the Editor of the "Manchester Guardian," asking for references to issues which had contained information bearing upon the alleged issue of Japanese national credit (not bank-raised loan credit) to Japanese exporters. In reply I received a letter, signed "W. Gwyn Pilkington, Commercial Editor," as follows: "In reply to your letter of September 4, I think I am right in saying that we have never published any information about the matter you mention. We have been unable to confirm the suggestion that such credits have been given, although we have frequently sought authentic information on the point."

With the object of assisting in the provision of the missing evidence, I asked the Japanese Consulate here whether a list of bank-loans, internal and external, floated for the Japanese Government during the past three to five years, could be obtained. I was assured that the information would be supplied on inquiry at the Financial Commission of the Imperial Japanese Government, 7, Bishopsgate, E.C.2. The Commission does not, apparently, concur in the opinion expressed by the Consulate, which "saw no reason why the information should not be supplied." "CREDIT."

(Comment upon a letter sent to the Credit Study Group by a correspondent for consideration.)

Your correspondent is correct in excluding "money in the banks, which is in reserve" from the total volume of money in existence in any country at any time, as the money in the banks in this sense is only paper and not money until it is issued to somebody. The fact that such money constitutes part of the banks' "resources" upon which credit may be issued does not affect the matter until credit has actually been issued upon that basis. We agree that "the total volume of money is not changed by ordinary cash movements into or out of the banks." We agree also with the explanation of what happens when cash is paid into a bank and that when securities are sold to a bank they are paid for by a creation of credit or by cash, which results in the total volume of money being increased.

We cannot see, however, in what way these statements disprove the Douglas A plus B theory which only states that the flow of purchasing power is always smaller than the flow of prices. The misunderstanding appears in the sentence which runs: "If money necessarily and continuously disappears in the course of production, where does it go to?" Douglas does not at all deny the cyclical issue and recall of money, but he does point out that at every issue the money becomes a component part of a new price and that each price contains elements which necessarily are required to meet indebtedness to an earlier period in payment of which it is discharged and cancelled, and that it is therefore not available anywhere in the community as purchasing power against "to-day's" production.

Your correspondent's explanation of the "circuit velocity of money" is very clear and useful; but he goes on to speak as though money can be available (as the employer's profit) to purchase goods into the price of which it has been counted, and can at the same time be used again to pay the wages, salaries, etc., which are the components of a new price, without leaving either the former or the latter price short of part of its necessary purchasing power. It is on this point that the questioner thinks he has proved that Major Douglas makes unsound proposals in his suggestions that the National Credit Office should issue new money to make up the successive deficits. In claiming that Major Douglas's proposals must necessarily result in "inflation prices which is Major Douglas's method of obviating this consequence. We agree, of course, that rising prices, to absorb the additional money in circulation, would occur if the price-regulation method was not used.

The statement that "prices charged for goods are higher than costs" does not convey a definite meaning unless we know whether your correspondent refers to accountancy costs or costs in the real sense employed by Douglas, i.e., "the cost of Production is Consumption." Is he not putting forward, without modification, the argument of Mr. J. A. Hobson that the maldistribution of income between profits and wages and salaries is sufficient explanation of the whole modern impasse. Admitting that profits may sometimes be excessive, we cannot see that it can be reasonably argued that a gross deficiency of purchasing power can be cured by its more equal distribution over the community.

"Devil Engines" in Iraq."

British engineers have terrified the natives in Iraq by the introduction of machines which were thought to be 'Devil Engines.' Actually the machinery was required for the hygienic pressing of dates. When the machinery was first installed the natives almost ran amok with fright, and ultimately they threw the whole equipment into a tributary of the River Euphrates known locally as the 'Hell Pool.' Order was only restored by an official proclamation that the machines would result in more prosperity for the date growers in the district on account of the saving in time, money and labour.—*Whitley Seaside Chronicle and Visitors' Gazette*, April 1, 1933.

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The Social Credit Movement.

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

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

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