THE
NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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NOTES OF THE WEEK.

The Newfoundland Foreclosure.

Our earliest reference to the Newfoundland ramp was in our issue of March 2, 1933, when we analysed *The Times's* account of how Newfoundland got into financial difficulties. Further references are to be found in our issues of December 7 and 28. The latest item of news is in *The Times* of December 22, wherein appears an announcement of "The Newfoundland Loans Offer" under which holders are allowed to exchange their securities pound for pound for Three per Cent. Newfoundland Stock guaranteed by the British Government. Principal, interest "*and sinking fund payments*" are a charge on the "revenues *and assets*" of Newfoundland, but carry the "full guarantee of the British Government" under the Newfoundland Act, 1933. (Our italics.) This Offer (sanctioned by a sleeping House of Commons in Committee as described by us last week) amounts to an issue of stock in a Bankers' Distraint Corporation to holders of claims against the Newfoundland Government. Under the Newfoundland Act the Bankers' Bailiffs have the right to call in the armed forces of the Crown if necessary to effectuate Distraint Warrants against the people of Newfoundland, who are no longer a self-governing community. It will be remembered that serious rioting took place there before the fall of the Squires Government, and since there was general popular sympathy with the rioters, that Government could not put them down by the extreme drastic methods that it might have employed against Communists and (shall we say?) credit-reformers. But now this can be done. Governmental authority and responsibility for the internal economy of Newfoundland are external to that area, and can be upheld without risk to the person or persons who inspire and enforce economic policy there. If this situation is reflected upon against the background of our speculative analysis of last week where we visualised the Bankers' International directing the Basle Air Force in a disarmed world, it will be seen that even the British Government could ride out of the responsibility for, and escape the odium of, balancing the scales of debt with the blood of the Empire's citizens. What is about to happen in Newfoundland is the same in principle as what happened in Austria (see our "Notes" of last week) when the bread-subsidy was stopped and measures were adopted to make up the Budget deficit by expansions of prices and taxes, and when, at the same time, steps were taken to throw a League-of-Nations police army into the country to put down any insurrection. The logical successor to this Geneva invasion by land is the Basle invasion by air. It is cheaper, and not less humane—as the apologists for the use of British aircraft to subdue native tribes in the Empire insisted recently.

Commercial Law and the Gold Standard.

The House of Lords on December 15 reversed a judgment delivered by Mr. Justice Farwell in the High Court, and upheld by the Appeal Court, on the question of the interpretation to be placed on the "gold clause." According to *The Times* of December 16 (leading article)

> "The case concerned the obligation attaching to a bond issued by the Société Intercommunale Belge d'Electricité in which the obligation of the debtor was defined as being payable '*in sterling in gold coin of the United Kingdom of or equal to the standard of weight and fineness existing on September* 1, 1928,' and the question at issue was the interpretation of this contract since the suspension of the gold standard."

The Société maintained that by paying the required sum *in the legal tender—i.e., paper pounds—current on the day of the payment* they had discharged their obligation. On the other hand the bondholders' submission was that the Société were bound to pay *in sterling the sum necessary to purchase in the market on the day of payment so much gold of not less weight and fineness than that contained in the gold coin of the United Kingdom as would have sufficed to discharge such payment on September* 1, 1928, when the country was still on the gold standard. This submission was upheld by Lord Russell of Killowen, mainly on the ground that *the so-called gold clause could have no meaning unless it was intended to guard against the depreciation of the currency (sterling) in which the debt was payable.*

* * *

The practical importance of the judgment will be plain when it is remembered that whereas the price of

gold in 1928 was in the region of £4 per ounce it is now over £6 per ounce. Therefore, assuming a £100 bond at 4 per cent., whereas the interest could have been paid by handing out four £1 notes in 1928, it now requires six £1 notes to discharge the liability as now finally established by Lord Russell's judgment. An increase of 50 per cent. in the Société's liability for interest involves a considerable sum of money; and it is not surprising that the case was fought out to the bitter-sweet end—according to how you look at it.

* * *

But more important than the money involved are the principles involved. The effect of the judgment disposes of an issue in one frame of reference, but seems likely to open new issues in others. Readers of THE NEW AGE will remember that Lord Russell of Killowen and Lord Warrington of Clyffe were the judges who, in the Waterlow case, took the view that the worth of the notes of the Bank of Portugal was their worth as " printed stationery," as Mr. Gavin Simonds appropriately described it on behalf of Messrs. Waterlow and Sons. For that reason they would agree that insofar as the present case allowed scope for realistic merits to be taken into consideration it was being tried before a judge who has proved himself both willing and competent to disregard the most authoritative expert (which really means *ex parte*) submissions and testimony when, in his own judgment, they conflict with verifiable objective facts. But the issue here was much narrower, and rested, as Lord Russell's main ground of judgment shows, on whether the so-called gold-clause was intended to have any meaning at all—whether it embodied an inducement to investors—if so, what inducement—or if not, what discouragement!—or if neither, whether the clause was to be regarded simply as the Société's " Amen " to the other clauses. From this angle of approach there cannot be two views about the wisdom and justice of his Lordship's decision. In applauding it ourselves we hope we shall not arouse suspicions among our readers when we let out that *The Times* also applauds it. To find ourselves clapping hands alongside Mr. Montagu Norman is a kind of thrill which might lead to nervous exhaustion if continued too long. But there is no danger of that; and we do not mind wagering that we shall be harking back to this judgment in future when the banking community will be wanting to forget it.

* * *

This is what *The Times* has to say.

" This decision, which is likely to have important consequences, will be widely welcomed in the City and elsewhere, not so much because it upholds the creditor's standpoint, as because it safeguards the fundamental principle of the sanctity of contracts which lies at the root of all commercial transactions. The gold clause, which in some form or other is of very ancient origin, was invented to safeguard the interest of the lender against the constantly occurring danger of currency debasement to which throughout the course of history Governments have so often arbitrarily resorted, and to declare it null and void would undoubtedly have administered one more shock to the already badly shaken credit structure of the world. It is, of course, perfectly true that in the almost unparalleled circumstances of the past few years the alteration of the value of gold as expressed in terms of commodities has in many cases imposed great hardships upon the debtor. But hard cases proverbially make bad law, and such a consideration is not altogether relevant to the point at issue, which is the definition of the precise meaning of the terms of a particular contract. At the present time, when default is stalking naked and unashamed through the world, it is of the utmost importance that debtors should at least acknowledge their rightful obligations; for it is only on this basis that the delicate though necessary task of adjusting debts to the capacity of payment of the debtor can be undertaken. Once a debt is duly acknowledged the equitable measures necessary to redress the accidental hardships brought about by changes in the world's price level can safely be devised, but unless the sanctity of the contracts is first upheld all contractual obligations must inevitably lose their meaning; and that is a state of things which no sane person would be willing to contemplate."

If you count you will see that the writer of this homily spends twenty lines drawing the moral of the " sanctity of contract," and then serenely adds that the moral is irrelevant because the issue concerned only the meaning of a contract. That being so, the judgment does *not* " safeguard the fundamental principle of the sanctity of contracts," although we do not doubt the statement that it will be " widely welcomed in the City "—for the financiers can easily use it to point that irrelevant moral because of the accidental circumstance that in this case the debtor company was unwilling, and naturally so, to pay out the extra money involved. The writer then concludes with another irrelevancy. He talks as if the debtor company had refused to acknowledge its " rightful obligations " whereas the whole point at issue was whether the obligations *were* rightful, and, morover, it took three hearings to decide it. There may be a secondary practical relevance in his remarks in that they can be construed as a hint that now the creditors have established their right to claim gold-interest they are ready to redress the hardship suffered by the company. However, that is a private matter between the parties, and need not concern us.

* * *

Let us now come outside the strictly legal frame of reference and consider something over which the Courts had no jurisdiction, namely how there came to be a gold-clause in the contract. There can be no doubt that it was imposed on the Company by those investors to whom it looked to put up the money—namely banks and financial houses. In the first place the insertion of the clause itself is evidence, because the ordinary investor at the time of issue would not think of requiring a guarantee that Britain would remain on the gold-standard, and in fact was daily bombarded with Press assurances that coming off gold would be a fundamental denial of the sanctity of contracts and was therefore an unthinkable contingency to financiers generally and Mr. Montagu Norman in particular. In all probability the directors of the company also relied on those assurances, and accepted the clause as signifying nothing other than a mannerism in fastidious legal draughtsmanship. In the second place, the securities sold were Bonds, a predominantly bankers' form of security—and foreign bonds at that, which connotes international financial institutions as the subscribers, and the present creditors. In the third place, no unorganised body of non-professional bond-holders would have cared to contest the case further after Mr. Justice Farwell's adverse decision in the High Court.

* * *

Now, presiding over the whole transaction was the Bank of England, without whose approval floatations like this could not have been made. When, subsequently, Britain came off gold the decision to do so originated with the Bank of England. Whether Mr. Montagu Norman was an assenting party or not remains in doubt, for he was somewhere in the Atlantic when the act was done. At any rate the point we want to make is unaffected, and it is that the Company had become indebted to a financial group in England who had it in their exclusive power to bring about a certain circumstance against which they had deceived or compelled the Company to insure them. The gold-clause was not there to protect the bond-holders against the commission of acts by the company, but to indemnify the bond-holders at the expense of the company for the consequences of their own acts, over which the company had no control. The principle of the transaction was similar to that followed by Mr. Leopold Harris, who withheld from the insurance companies the fact that he had the power of turning fire-risks into fire-claims and was exercising it. But the Société Intercommunale Belge d'Electricité will not be able to do what the insurance companies did and invoke the law against those who have done them down.

Social Credit and the Law.

We reproduce elsewhere our diary of legal events and issues brought up to the end of 1933, and hope that readers will keep it for reference, because practically every item in it contributes to a picture of the subjugation of the principles of justice by those of financial policy. In our opinion a lot more use ought to be made of this kind of material in popular propaganda than has been the case, for example in some such form as would sustain the proposition that Financial Might is Legal Right, or High-Financial Might is Constitutional Right, whether concerning the destinies of persons, groups or nations—also the lesson that the distribution of the Consumers' Dividend means as much to the liberty of the subject as to his physical health and comfort. Economic security and civil liberty are inseparable: each is a function of the other; and on their mutual inter-action depends the realisation of that experience to which we all vaguely aspire under the name of Freedom. Popular propaganda modelled on these lines would have, among others, this one merit, that it would reconcile the so-called " material " with the so-called " spiritual " implication of the Social Credit Analysis and Proposals. Even if nobody needed money for material ends he would yet need to have it if he would become master of his own soul.

Mr. Leon Franklin's Action.

The judgment we have been discussing recalls another that we commented upon on June 4, 1931. It is referred to in the above-mentioned diary in these terms: " Mr. Leon Franklin's claim against the Westminster Bank for £450,000,000 laughed out of court." We won't recapitulate all the details of the case: doubtless most readers will recall a good many of them. What caused the hilarity was the size of the claim: and what caused the estimate of the claim to come so high was the depreciation and the subsequent re-valuation of the German Mark. During the course of the depreciation the Bank sold Mr. Franklin a draft for 9,000 million Marks for £15, which was at the rate of 600 million to the pound sterling. Some time afterwards the Mark was revalued at twenty to the pound sterling, giving an expansion in exchange-value of 30 million times. This figure multiplied into Mr. Franklin's £15, gave £450 millions. He did not ask for this sum, but for the Court's ruling that he was entitled to receive it. His object was, in his own words: " to get justice *and to establish the sanctity of a contract.*" There was no cheering by *The Times* the next day! And really there ought to have been, because Mr. Franklin offered to accept only one quarter per cent. of one per cent., or one four-thousandth part of the sum claimed—in other words he showed, as a creditor, the same spirit as *The Times* points out in the article quoted above for the consolation of debtors, saying in effect to the Bank: " If you confess your debt I will be faithful and just to forgive you your debt—or the best part of it." But the Bank weren't having any of that. Far from confessing, they instructed Sir Patrick Hastings to submit that it was against the public interest for people to hear that a claim of this size against a bank had even been seriously argued out. He told Mr. Justice Mackinnon that the utmost Mr. Franklin could claim was " an infinitesimal portion of a farthing," by which evidently he was dividing the £15 by thirty million as against Mr. Franklin's multiplying it by that figure. Addressing Sir Patrick Hastings Mr. Justice Mackinnon said:

" His case is that a Mark is always a Mark. No doubt you can show that it is not so."

Sir Patrick had just stated that there were " innumerable defences that he could raise," but although the hearing lasted all day there is no recital of any of them in the *Evening News* of May 13, 1931, whose report we are depending on. And it is a curious thing that a claim which was " ridiculous and absurd " (the judge's description) should have taken so long to dismiss. Probably it would have been summarily dismissed about six months earlier; but during these six months another (ostensibly) " ridiculous and absurd " contention had been raised in the Waterlow case and been upheld by one judge in the Appeal Court and two judges in the House of Lords. Therefore Mr. Justice Mackinnon would feel it wise to listen carefully to what Mr. Franklin had to say, as he must have done.

* * *

As we commented at the time, no English court of law could have dealt differently with the claim than this court did. The only way of elucidating the issue would have been to try it before some international legal tribunal, joining some body as respondent representing international finance instead of the English bank which sold the draft. Undoubtedly some such body was responsible for the fact that the Marks bought by Mr. Franklin depreciated to one-thirty-millionth of their sterling value, and it could have been proved to have foreseen when it sold them that they were not going to be re-valued as he expected, but scrapped, and superseded by a new and different Mark. Unfortunately the culprits are not identifiable, and they are not actionable entities. Their breaches of law are above the law.

Libel Case in Australia.

Following the award to Mr. Bevin against the *Daily Worker* we must record another case which raises comparable issues. In this case Associated Newspapers (Australia) sought damages against a newspaper on the ground that it had imputed unworthy motives to their (the plaintiffs') anti-Japanese publicity campaign, saying that they were running it as a stunt for circulation purposes against the public interest. The law of libel is like the British Constitution: it is largely an unwritten code, and the reason is that the British jury is largely an unknown quantity. Even on issues belonging to the plane of their everyday experience nobody can foresee how they will react to the testimony and oratory to which they listen; and as for issues involving a knowledge of financial policy and technique as it is in reality, the " realist " party does wisely to apologise and pay up before the writ is out. In this case, however, the court awarded only one farthing damages, and withheld costs from the plaintiffs, holding that the action ought not to have been brought. This result was briefly reported in the London Press last week-end. There was no comment, as the plaintiffs are appealing. We hope that readers in Australia will post us up with information about the case, as we have no material on which to form any judgment. What we can say is of general application, and it is that any anti-Japanese agitation, wherever it springs, is suspect to us as motivated by high-financial considerations, and that it is the duty of Social Credit advocates to do all they can to protect critics of such agitations from intimidation. The mentality of the public is so much under the influence of bank-inspired publicity, and the dice are loaded so heavily against independent criticism of bank-inspired policies, that the mere bringing of an action against critics of this quality on an issue of this order is in itself a virtual act of blackmail.

President Roosevelt and the Constitution.

" What is the Constitution between friends? " said a Tammany Congressman to President Cleveland on an occasion when the President vetoed some ramp on the ground of its unconstitutionality. You need only alter " friends " to " bankers " and you bring this jocose remark up to date and give it universal application. What are, indeed, national representative political constitutions when, dominating them all, is one autocratic cosmopolitan financial constitution? " Money talks "

says the old tag; but more significant than that is the modern version: "Money acts"—and without talking. Politicians do the talking; and the net result of their eloquence is the tuning in of national political philosophies to international financial events. *L'etat, c'est moi*, in the modern version, becomes: "*The constitution—it is what I do*"—the "I" being the Money Monopoly.

* * *

The pivot of constitutionalism is the judiciary, on whom lies the function of deciding what it means in particular cases. If it be granted that the acts of Finance ultimately decide the laws of the Constitution then it is also granted that the judicial interpretation of those laws must confirm financial reasons of policy and regard the objective of such policy as an integral factor in preserving the so-called "Safety of the Realm." This lends universal significance to the remark of a patriotic American on one occasion. "We have, sir, in our country, the very best judges that dollars can buy." It is not that judges consciously allow money to buy them, but that the Money Monopoly is able to create juridical dilemmas on high-political issues. The Court is placed between the devil of Logic and the deep sea of Expedience: the judges have to ask themselves not simply whether a given deduction is constitutionally sound, but whether the consequences of a judgment in accordance with it are desirable. When once they make expedience the criterion they are bound to uphold the contentions of the Money Monopolists, for the reason that these can make anything practically inexpedient that they deem constitutionally unsound.

* * *

Against this background readers will be able to appreciate the significance of an article which was contributed by Congressman James M. Beck to the November issue of *Fortune*—a sumptuous magazine made for millionaires. Mr. Beck, who was Solicitor-General under Harding, writes under the heading: "The N.R.A. is Unconstitutional," and forecasts that sooner or later the Supreme Court will be called upon to say whether the Constitution "*ever vested in Congress the power to pass this legislation*"—the said legislation of course being that which empowered the President to be the "economic" and financial (but Mr. Beck hardly says anything about "financial") dictator of the United States.

* * *

He recognises that if at that time the results of the President's policy "have proved the salvation of the American people," then "unquestionably the Court will find itself in a position of unparalleled embarrassment." We should say so! Nevertheless he insists that the inviolacy of the Constitution must be preserved at all costs. He cites Bismarck as having said on a critical occasion that "while the ponderables *favoured* one course, the imponderables *dictated* another, and that the latter were more important." Notice Mr. Beck's choice of verbs (italicised by us) to differentiate the ponderables from the imponderables. He proceeds:

"If the economic results of the N.R.A. shall prove as valuable as its optimistic proponents believe, yet these are but the ponderables of the problem that now confronts the American people, possibly the gravest since the beginning of the Republic.

"The great imponderable is whether it is necessary or even desirable to violate the fundamental law of the nation, *even though such violation may end a serious depression.*" (Our italics.)

We all owe a vote of thanks to Mr. Beck for his candour. His formulation of what we have always said was the attitude of the Money Monopoly on economic policy is more frank, and more pregnant, than any words we have used in the past or may in the future. It ranks as a classic alongside Mr. Benjamin Anderson's complacent boast about "passing the buck."

* * *

And speaking of buck-passing as Mr. Anderson described it, we must direct special attention to the news over the week-end that the leaders of the party in opposition to the President's have decided not only to refrain from opposing his policy, but even to vote for it if a section of his party revolts against it. What this may portend, and probably does, is that just as Congress (according to Mr. Anderson) had passed measures because it knew the Senate would reject them, so, in this case, both Congress and the Senate will let Roosevelt gallop loose and hand a lasso to the Supreme Court. It is a twin picture to the trick played on Mr. Lang by the New South Wales Legislative Council when they decreed their own death and got the High Court to resurrect them.

* * *

The article "American Monetary Policy" elsewhere in this issue should be considered in this context. It affords grounds for suggesting that Mr. Beck had his tongue in his cheek when he referred to the possibility of the "salvation of the American people" coinciding with the raising of the constitutional issue. Either Mr. Beck, or the banking interests to whose brief he speaks, must know that the President's plans in their present form will aggravate the economic situation, and tend rather to lessen the "embarrassment" of the Supreme Court than to increase it. It is significant that among the powers of the President which Mr. Beck enumerates is that which enables him to control "*the price of the product.*" (This figures last in the enumeration—which to us means that, like the lady's postscript, is the whole thing.) Now, the "price of the product" happens also to be the basic theme of the article just referred to. We therefore hope that this coincidence of focus (for it is coincidence) will underline, for our American supporters, the importance of the arguments used in the article relative to the flaw in the price-system and the resultant shortage of incomes as against costs.

"Monarchy or Money Power."

[*Extracts from Mr. McNair Wilson's book of this name.*]

"Of Socialism, as such, Money was not afraid. Financiers prefer Governments and unlimited resources to private borrowers who may conceivably default, and have always therefore been partial to the idea of State enterprise and trading provided that they can exert control over it. The experience of Russia, where a whole nation has been enslaved in order to pay very high rates to the financiers who are supplying the material of the Five Year Plan, has amply proved that Money has little to fear from the destruction of the Capitalist System of individual production." (p. 191.)

. . . . .

"It is habitual with the Money power to lay the blame for the ruin which it causes upon the shoulders of other people." (p. 213.)

. . . . .

"Will the illusion of gold then be shattered for ever? One is irresistibly reminded of Rostand's hero, the barnyard cock which, every morning, amid profound silence, ascended a little hill and crowed. At the sound of the cock-crow the sun rose and the other inhabitants of the farm believed that they saw a miracle. Where would they be if Chanticleer did not bestow on them the blessing of light? But one morning Chanticleer slept in and the sun rose without awaiting his summons." (pp. 229-230.)

Tax-Collection in France.

KINDLY SPARE A COPPER FOR THE REVENUE!

"It appears from an official document quoted in the Chamber on the 8th December that in a first grade levy on eight districts comprising a total of 6,000 inhabitants, of whom 500 are merchants, and where there are more than 200 touring cars, only 38 persons paid income tax.

"The income tax paid by these 38 taxpayers amounted to 8,000 francs.

"Among these 38 persons were four manufacturers possessing eight cars and employing eight servants; six merchants possessing four cars and employing three servants; while a lawyer possession a car and employing two servants is put down for a tax of 40 francs. In the levy on this region, which is essentially agricultural, not one farmer is put down for income tax."—(*Gringoire*, Paris, December 22, 1933.)

American Monetary Policy.

By Arthur Brenton.

[The following article reproduces the substance of a letter sent by the author to a correspondent in the United States. It follows on the letter (to the same correspondent) which was reproduced under the title "American Monetary Policy" in THE NEW AGE of December 14 last. Further comments on President Roosevelt's policy appear in the "Notes" in the present issue.—ED.]

I want to emphasise the latter part of my first letter wherein I refer to the danger that the banking interests will be able to saddle the President with the responsibility for the disappointing results of his policy, whereas the real cause does not lie in his policy but in the methods of pricing goods for consumption which the bankers' policy compels industry to practise. The practical outcome of these wrong costing methods, which have been discovered and described by Major C. H. Douglas, is that the minimum remunerative price at which industry can sell articles to consumers exceeds the total amount of money which consumers have to spend. Taking token figures to illustrate the argument, it may be said that against every $100 worth of production ready for sale to consumers, only (let us say) $80 have found their way into the consumers' purses. If we take this token amount of $100 to represent the total amount of money spent on production before the President took office, we can assume some higher figure, let us say $120, as representing the larger amount of money put into circulation for production purposes under the President's plan for National Recovery. Now the shortage of dollars in consumers' hands has been shown by Major Douglas to occur automatically under the present costing system, and for reasons which show that shortage to be proportionate to production costs. In the above illustration the proportion is arbitrarily shown as a shortage of $20 against $100 of production costs. Assuming that the processes of production remain unaltered, and the costing of production is also unaltered, the effect of the President's raising the amount of production money in circulation from $100 to $120 is that the shortage of consumers' money will be increased from $20 to $24. If you now multiply that extra shortage of $4 by several millions in order to get a sum comparable to that which would be short in practical experience of working the President's plan, you will see the vital importance of your taking serious notice of Major Douglas's analysis of the costing system and his proposals for rectifying it.

The shortage of dollars in consumers' hands will, of course, become manifest in trade paralysis on one hand or a huge budget deficit on the other (or both together), and immediately that happens the bankers will broadcast statements to the effect that the President's policy of putting more money in circulation is the cause of the trouble; and they will immediately draw the moral that in order to cure this shortage of purchasing power the President's policy must be reversed and the money now in circulation reduced to the amount which was circulating before the President took office—and most likely to a lower amount still.

This moral will be most difficult to rebut because it happens to be one of those half-truths which constitute the most effective lies. From the above reasoning you will see that the President having put more money in circulation will have increased the collective shortage of consumers' money as against prices. But that is quite a different thing from saying that his having done this is the reason why there is a shortage at all. A shortage of some dimensions or other is bound to manifest itself, no matter how drastically and quickly the amount of production money in circulation is reduced. There is no level in the amount of money in circulation, however low it be, where you can get rid of the problem of the shortage; for, as I say, it is automatic and proportionate to production costs.

The only thing that the bankers are entitled to say is that it is at least better to go back to the $100 with $20 shortage than have $120 with a $24 shortage, but the trouble does not reside in the measure of the shortage; it lies in the fact that there is *any shortage at all.* The reason is largely psychological, and is that when industry finds itself unable to recover its costs in full from consumers, it naturally tries to meet the problem by reducing its production-programmes, and dismissing work-people. By so doing it certainly lessens its total costs, but also lessens the number of dollars in the consumption market from whence it expects to recover its costs.

You will see on reflection that the permanent and final success of the President's plans depends upon his adopting means of compensating the shortage of dollars in the consumption market so that consumers will be able to pay the full prices necessary to encourage industry to continue its manufacturing.

Credit Power.

A REFLECTION.

The Douglas analysis has revealed some abstract principles of economic cause and effect. The present monopoly of credit is an embodiment of those principles. The principles themselves are not monopolised, but there is practically a monopoly of their utilisation.

From this springs the privilege of creating costless financial credit, and the power that this privilege gives. To retain this power, however, the financial system must be animated: otherwise it would be merely a dead structure of figures.

This animation implies that the costless financial credit must be released into a free market; and, while it is there it has power embodied in it. Anyone acquiring the credit acquires the power with it. In the hands of those not directly indebted to the monopoly there is the chance of its coagulation into large units of power.

Now the accounting method of the monopoly does not record any value against the power accruing to them with the creation of new financial credit. Yet when released to the others the power is embodied in the credit itself. Consequently we get a huge disparity between the assessments of apparent power within and without the monopoly. And an accumulation outside could show at the moment evidence of greater power than could the monopoly which created it.

In the stories of the rise of some American financiers one finds that something like this has happened. The accumulating snowball of financial credit outside has overwhelmed and absorbed the very sources of the power.

If the monopolists declared their accretions of power with the release of credit, the illusion would probably be broken and the monopoly questioned. So they must conceal the fact and do their best to defend the position. They have benefited from their experiences, and rigorous precautions are taken to prevent the accumulation, or to sterilise the control of it. So much so, that to-day it is almost impossible to make headway against their defence.

But, while this apparent disparity exists, they must always be on the defensive.

A. F. W.

The Green Shirt Movement For Social Credit

Kin Feast, 1934.

"Kin Feast" will be held on January 6 next ("Twelfth Night") at the Olde Dr. Butler's Head Restaurant, Masons-avenue, Coleman-street, at 7.15 p.m. for 7.30 p.m. The accommodation is very limited, and early application for tickets, price 3s. 6d., exclusive of drinks, should therefore be made to the Acting Quartermaster, Green Shirt Movement, 35, Old Jewry, E.C.2.

Italian Economics.

By Frederick J. Gould.

The Italian Fascism, or Bundle-life, and Totalitario, or Social Wholeness reveal some elements harmonious with Social Credit doctrine. Professor Francesco Orestano, whom I have met in Rome in educational circles, held a distinguished place in Italian and European philosophy before 1922, and, in the ensuing Fascist period, has given the support of his broad historical views and intellectual constructiveness to the schemes of Mussolini. Orestano has a profound sense of evolution and forwardness, and eagerly quotes (in a lecture on "The Right to Work," Il Diritto al Lavoro) Mussolini's remark on the Fascist revolution: "The revolution is, and must go on being, a continuous creation of our spirit and of our combative urge." In that case, we need not class the Totalitario idea, even though it stops obviously short of our ideal of Economic Democracy, as permanently divergent.

In his address to the National Congress of Philosophy at Rome recently, Orestano discusses the following points: The immense growth of technical production-power; the "immoral" distinction of agricultural products by "industrial capitalism"; free trade favoured by international capitalism, and "economic nationalism" scorned; capitalist ideal of one-world-one-market, etc. Orestano does not object to a planned balance of exports against indispensable imports; but the balance must be purely in goods, and gold must not enter in. And civilisation requires a universal money standard.

Orestano compliments the old capitalism on its capacity for turning out products, but since the aim was profit-making, and since it resulted in unhappy unemployment, and in a low grade of living for the masses, and since (Orestano here puts on a strong emphasis) universal employment would be a benefit, we ought to reconstruct economics for an ideal social life, an ethical mastery of our conditions, a corporate organisation—in short, Fascism. Three basic things would be: (1) Capital removed from mere individual control, and founded on a general and extending wealth-production; (2) Administration of this power by efficient technicians who, with labourers, would form a united body, though graded; (3) carefully planned relation of national consumption and production; this plan to take precedence of the plan of balanced imports and exports. Such a scheme must harmonise with respect for "private property," but private property must be mindful of responsibilities, and effectively aid the social Totalitario. This scheme recognises the right of all citizens to a social life which implies the right to serve, to improve, to initiate, to co-operate, and all this means the universal "right to work," and this again will lead on to a universal rise in the standard of living. Let human forces be developed to their utmost, but always in obedience to social solidarity, always for social control of wealth and economic activities—but not (adds Orestano decisively) for a Communistic State-ism.

Here ends the summary of my philosophic friend's address, and I do not need to moralise on its obvious stopping-short of the conception of National Control of Credit as preliminary to the Just Price for Consumers and to Dividends for All. But I am sorry for the grim censors—"Liberal" or "Socialist," or others—who cannot detect healthy elements in the Totalitario of the Italy of Mussolini and the Vatican. If a brutal Fate condemned me to be a Rockefeller I should use some of the cash for establishing a small College of Synthetists, and the duty of these Synthetic Friars would be to study Stalin's Russia, Hitler's Germany, Roosevelt's U.S.A., etc., and constructively reveal and lay out in clear mappings the factors which, amid errors and tumults, quietly converge towards the Douglasite method of Social Credit. Some hear nothing but the crack of "World Crisis," and I hear the still small voice of synthesis. Some see only a welter of rotten finance and dying economic creeds, and I see the origin of species, ethical and social and creative.

A Rate of Flow.

*[The author of this thesis offers it for examination by advanced students of the A + B Theorem, and would be glad to hear from anyone who cares to offer a judgment on its soundness or otherwise. Letters addressed to this office will be forwarded to him. Envelopes should bear the mark "E.63."—*Ed.*]*

The A + B theorem, by presenting incomes on the one hand and prices on the other as rates of flow, has rightly placed emphasis on the essentially dynamic nature of the economic problem. At the same time it has placed the student under the obligation of dissecting the mental picture called up by the word "flow."

Now any definite flow must take place *from* some specified point *to* some other specified point *along* some specified route. In the A + B theorem the starting point is the factory, using that term in its widest sense. The factory is regarded as generating, on the one hand, a flow of incomes (A payments) and, on the other hand, a flow of prices (A + B payments).

As regards the flow of incomes, the picture is simple. It is a passage of A payments *from* the industrial organisation *to* the consuming public. It represents a continual stream of *new* income, and the route which it may take in the course of its flow from any industrial counting-house to any consumer's pocket is immaterial to this analysis.

But, as regards the flow of prices, the picture is by no means so simple. Prices may be regarded as generated in industrial ledgers, and their flow must be traced from these to shop counters or booking offices or other points of contact with consumers' incomes.

When we split up prices—or, let us call them, costs plus profits—into their A and B categories, it will become evident that all A payments represent a stream of *new* costs on to various markets. But this is not necessarily the case with B costs. When a firm makes a B payment for (say) materials, it does not launch a new cost on to the industrial market; the cost was already there. It merely transfers a B cost from one part of the industrial market to another part—one stage nearer the final, consumers' market. The flow in this case is not the flow of a *new* cost *on to* a market, but the flow of an *old* cost *along* a market; and if we mix new and old costs indiscriminately in considering our rates of flow we may possibly draw misleading conclusions.

If B costs are regarded exclusively as payments to other organisations for goods or services, then all B costs are of this nature, viz., existing costs in transit *along* the industrial market. But B costs are usually considered to include at least two other factors which are not of this nature, viz., depreciation and profits. At the moment of their generation in industrial ledgers they resemble A payments in that they are new costs about to flow *on to* markets—not old costs flowing along.

Now, bearing in mind that the end and aim of industry is to provide goods and services on consumers' markets, and that the provision of intermediate products and capital equipment is only a means to this end, let us split up our A and B payments so that A^1 and B^1 refer to payments and costs on consumers' markets while A^2 and B^2 refer to the corresponding factors on the industrial market, We can then picture A^2 and B^2 costs, in respect of both intermediate products and capital equipment, flowing both on to and along the industrial market, the A^2 costs undergoing a change into B^2 costs at every subsequent stage of the flow, until the total of these costs is finally discharged upon consumers' markets, undergoing conversion into B^1 costs in the process.

Now as, at this moment, these B^1 costs are flowing off the industrial market *on to* consumers' markets, and A costs are, in any case, always flowing *on to* markets (as soon as they begin to flow *along* they become B costs), it may be said that the rate of flow of costs plus

profits *on to* consumers' markets is represented by $A^1 + B^1$.

(Vis-a-vis this flow, we have a rate of flow of incomes into consumers' hands represented by $A^1 + A^2$.)

But we cannot similarly say that the rate of flow of costs plus profits *on to* the industrial market is represented by $A^2 + B^2$. The rate of generation of costs in the ledgers appertaining to this market is undoubtedly represented by $A^2 + B^2$, but the rate of flow of *new* costs *on to* the industrial market is represented by A^2 + (the rate at which depreciation items and profits are charged into B^2 costs).

This, however, should be regarded as a gross rate. In so far as these depreciation charges are paid out, week by week, for maintenance of existing plant, within the same (index 2) group, they are incorporated in the A^2 payments, the corresponding B^2 payments of the firms engaged in capital production representing a flow along. The same consideration applies to profits in so far as they are distributed, so that the net rate of flow will be represented by A^2 + (rate of flow of depreciation charges in respect of new plant) + (rate of flow of profits placed to Reserve).

If we assume that the production of intermediate and capital products is put in hand at just such a rate that $A^2 = B^1$, and that consumers spend the whole of their incomes on their own markets, then (theoretically) the general level of prices will remain steady, and consumers' incomes will be sufficient to purchase the products on consumers' markets. But the rate of flow of new costs on to the industrial market will be as stated above.

Now apply these considerations to the stabilised state of "continuous process" or "uniform velocity" described in a recent article. (Vide, also, p. 24 of *The New and the Old Economics*.) Here there is no production of *new* capital equipment; there is only the continuous maintenance of existing plant. So that A^2 and B^2 refer to the payments made by firms producing intermediate goods and firms engaged in the maintenance of existing plant. These producers will not be allocating any depreciation charges in respect of new plant; the sums which they set aside, week by week, for upkeep, will be offset by the A^2 payments made, week by week, by other firms within their own (index 2) group, the B^2 payments made by these other firms representing a flow of costs *along* the industrial market. Further, they will be distributing profits, as A^2 payments, as fast as they are charged into B^2 costs, though there will, of course, be a short time-lag in the case of both these and the upkeep payments.

So, under these "uniform velocity" conditions, we get:—

Rate of flow of prices on to consumers' markets .... $= A^1 + B^1$

Rate of flow of incomes into consumers' hands .... $= A^1 + A^2$

Rate of flow of intermediate and capital costs on to the industrial market. = A^2 + (Rate of flow of new depreciation charges) + (Rate of flow of profits placed to Reserve).

$= A^2 + \text{Nil} + \text{Nil}.$

$= A^2 = B^1.$

In other words, the rate of flow of total cost *on to* the industrial market equals the rate of flow of the B costs *on to* consumers' markets, and we have the conditions necessary for uniform velocity.

But, under normal conditions of acceleration, the rate at which producers will allocate charges in respect of new plant will be considerable, relatively to their labour costs. Also, the rate at which they will place profits to reserve, and plough them back into the business, leaving another trail of costs, may also at times be considerable, so that a large discrepancy between incomes and costs is inherent in modern industrial development.

But, whether we consider a "uniform velocity" community or a modern developing community, the fact remains that if the rate of flow of incomes to consumers is represented by $A^1 + A^2$, the rate of flow of prices *into industrial ledgers* will be represented by at least $A^1 + A^2 + B^1 + B^2$.

In other words, if, at the end of any given week, a community should attempt to buy the output of that week at the prices at which it stands in industry's ledgers, it will find itself short of the necessary purchasing power by an amount equivalent, at least, to $B^1 + B^2$.

The Sting in the Tail

OR SOMEONE STANDING AT A CRITIC'S SHOULDER AGAIN.

Under the heading "The Douglas Plan" an American edition of Major Douglas's book, *Social Credit* (W. W. Norton Company, $2), is reviewed in *The New York Times Book Review* (a Sunday supplement of the paper) for November 26. The name of the reviewer is Louis Rich, and I propose to quote his effort in full, for the first three quarters of the review is a succinct statement of Major Douglas's general argument worthy of a place beside the best of Social Credit literature, while the remaining part looks very much as if it belongs to another person altogether. The review is a really interesting example of the current technique for disposing of Social Credit publications. Mr. Rich apparently is a speciality critic. His name probably carries weight. That he has brains is obvious. How he could possibly conclude his review as he has done unless he fell into a stupor and wrote to dictation, or openly allowed another mind to guide his hand, is beyond reason. But there it is, and those who know will either smile with grim toleration or itch to give Mr. Rich a biff on the boko, according to how they are made. However, here's the good part:

> An admirer, who subsequently underwent a change of heart, once called the author of the "Social Credit" theory the Einstein of economics, because it was said that only few could understand him. On reconsidering the matter, other followers of Major Douglas have proclaimed him the Darwin of modern economic thought. A diligent attempt to assimilate the "Social Credit" scheme makes it clear, however, that its propounder need not be burdened with the responsibility for being regarded as either of the two named savants. To the extent that these two have endeavoured to establish the validity of truths arising out of a relationship of things, in which what has gone on before is reflected in the present and operates as a factor in the future, they are at the antipodes to Major Douglas. The latter is anything but a relativist, or even evolutionist, in his chosen field. He is an absolutist, who believes only in conscious change, an engineer preoccupied with natural, i.e., physical and mechanical, laws that have nothing to do with growth or development, since they are automatic, final, and inflexible.
>
> Hence there is little of the historical perspective in the author's analysis. Society is invoked only for the purpose of finding a basis for freeing the individual from his enforced subordination to the group. For, above all else, Major Douglas is an individualist. He looks upon industry as a machine that needs repairing in order that it may properly perform its function, which is the production and delivery of goods and services. There is continuous improvement in the efficiency of the machine from a technical standpoint in that it increasingly dispenses with human labour and becomes more and more automatic. Unemployment, therefore, is not at all a symbol of industrial break-down, but a sign of economic progress.
>
> Owing to the fact, however, that for its moral guidance society still clings to the traditional ideas of rewards and punishments, it makes employment the sole condition for existence to a large and constantly growing section of the population and perverts industry into a means of furnishing this employment. But the rewards are withheld even from those eager to earn them. For present-day society commands that goods and services be sold at prices which are higher than those originally paid for them. The result is that a limited number of persons have gained possession of most of the purchasing power of the

community, while the majority are unable to pay for their subsistence.

It is to be observed that Major Douglas does not inveigh against the accumulation and ownership of wealth as such, but only against the fact that accumulation and ownership of wealth are achieved by a deliberate restriction of industrial output. The root evil, according to him, lies in the mechanism used for the maintenance and enhancement of scarcity values, and that it is the financial system which stands between demand and supply. Because of the guarantees of ownership, this system, we are told, has degenerated into one run by a powerful business ring which deals in money as a commodity, creates and controls its supply, and regulates its value at will. Through the control of credit it is able to control industry, and by controlling industry it has secured a strangle-hold on consumption.

The author contends that not only is money unsatisfactorily distributed, but that its visible form is collectively far below needs. Purchasing power issuing from production, where it represents cost, is in itself insufficient to buy back the output of production at prices which necessarily include profit and overhead. It is still further diminished by the diversion of a portion of it into savings and capital investment. Hence, if producers and distributors are to continue to do business without loss, the consumers must be provided with a supply of purchasing power which is not included in the price of the goods produced. Such a supply can come from only one source, the same source which enables the bank, through the use of the check system, to lend more money than it originally received, and that is community or social credit.

This suggests the reform advocated by Major Douglas. The nation is to be incorporated at an aggregate sum equal to the total capital assets available plus the capitalised value of the population. Every individual is to be regarded as an equal shareholder in the "National Corporation," and is to receive a monthly dividend on his capital stock. This will assure initial purchasing power to everybody. All business concerns are to be invited to register with the Government under an "assisted price" scheme. An agreed trade discount rate, representing the difference between actual production and actual consumption, is to replace the bank discount rate. Goods will continue to be sold at cost plus profit, but the purchaser will be credited with a rebate equal to the discount rate established, and this rebate will be paid out of the treasury and deducted from the buyer's share of the "National Credit Account."

The Douglas scheme involves two fundamental economic changes: The community deprives ownership of the right to create purchasing power in the form of credit. The community claims the product of industry as its own, but in order not to violate the appearance of ownership it buys back from industry the unsold excess of production over consumption with fiat money.

And here is the bad:

Major Douglas, therefore, may be said to urge the destruction of the power and purpose of ownership while at the same time retaining its form. The possibility of this is questioned by many competent economists. Another complicating feature is the fact that the credit of the community, consisting mostly of the accumulated results of past centuries of human effort, is already owned by private individuals. Then, again, to finance a part of the cost of industry by the mere issue of fiat money, which the payment of "social credit" really amounts to, would involve a continuous process of inflation, governed not by the increase in the demand for goods, but by the increase in the number of business transactions. "Social Credit" issued as money would become as indestructible as money and keep on adding to the pile of unbacked Government notes. Under a régime of progressive inflation, with fewer and fewer people hired to work to give effect to the enhancement of the nation's capital assets out of which the entire consuming population is to be supported, "Social Credit" might lead to social catastrophe.

. . . possibility questioned . . . competent economist . . . complicating feature . . . mere issue of fiat money . . . inflation . . . adding to the pile . . . unbacked notes. . . . progressive inflation . . . social catastrophe.

No, Mr. Rich! the good part and the bad don't honestly "belong together," not if you did make a "diligent attempt" to understand the Social Credit scheme and thought the good part out yourself. Inflation is what Major Douglas expressly guards against.

T. C. W.

The Sydney "Douglas" Resolution.

Dear Sir,—We enclose herewith cuttings representing Press reports of the Douglas Meeting held in the Sydney Town Hall on the 14th instant, when over 3,000 people crowded into the hall and more than that number gathered outside to listen to the speeches.

The three morning papers gave space as follows:—

"A" is Sydney *Morning Herald*, 3½ inches.

"B" is *Daily Telegraph*, 1 inch.

"C" is *Labor Daily*, 4½ inches.

The only surviving evening paper, the Sydney *Sun*, gave no space at all.

Yours truly,
F. W. TAYLOR,
Hon. State Secretary,
Douglas Social Credit Association (N.S.W.).

[The reports are reproduced below.—Ed.]

"A"

The aims and objects of the Douglas Social Credit Association were explained at a large meeting in the Town Hall last night.

It was announced that a cable message had been received from Major Douglas stating that he would arrive in New Zealand on January 30. A remarkable demonstration occurred when Mr. John Macara proposed that a copy of the meeting's decisions should be forwarded to the King.

The meeting agreed to the following demands: That full use be made of the Commonwealth Bank to finance the nation; that all credit issued for national undertakings and services, including defence, be debt free; that loan credit, free of interest, be provided to local government bodies, manufacturers, farmers, and pastoralists, etc., on approved security; that a credit be issued to pay a bounty on primary exports in order to bring oversea prices up to the average cost of production (including profit) in Australia; that a national dividend, based on the increasing productive capacity of the whole community, be paid (over and above wages) to every man, woman, and child, whether in work or not; that the national credit be used to reduce prices to consumers by means of a subsidy, ensuring to vendors the recovery of full costs of production, and agreed margins of profits, thus preventing inflation, and increasing the purchasing power of money.

A copy of the demands is to be sent to the King, the Governor-General, the Prime Minister, members of the Federal Cabinet, members of the Federal Parliament, and the Parliament of New South Wales, and to each member of the Commonwealth Bank Board.

"B"

Douglas Social Credit advocates crowded the Town Hall last night, and supported a resolution urging that legislative action be taken to provide for a Commonwealth policy of finance on the lines of the Douglas system.

Copies of the resolution will be sent to the King and the Governor-General.

"C"

Demonstrating the extent to which the public, even outside the Labour Party, is awakening to the stranglehold exercised by the private banks over business and politics in the Commonwealth, a largely-attended meeting was held last night by the Douglas Social Credit Association at the Sydney Town Hall.

There was an overflow meeting which heard the speeches through amplifiers erected in the streets surrounding the building. Mr. S. F. Allen presided.

The vice-president of the association, Mr. J. Macara, said that for all fundamental purposes finance had subjugated the elected Government of Australia and reduced the sovereign rights of the people to a sham.

In stressing the stranglehold that the banks exercised over the community, it was pointed out that practically all wealth had become mortgaged to these financial institutions, and, as an instance, that 95 per cent. of the farms had passed to the ownership of the banks.

It was claimed that as the credit of the community was something created by the people, it should be used in their interest entirely, and not allowed to be manipulated by the private banks for profit.

It was decided to forward a copy of the Association's declarations and demands to the King, the Governor-General, the Prime Minister, and members of the Federal Cabinet, Federal and State Parliamentarians, and members of the Commonwealth Bank Board.

The following is the text of the Resolution passed on November 14 last by the meeting at Sydney Town Hall, attended by 7,000 people.

We declare:

That cruel and unnecessary poverty is being imposed upon the people of Australia.

That, for all fundamental purposes, Finance has subjugated the elected Government of Australia and reduced the Sovereign rights of the people to a sham.

That there is no physical reason why the people should not enjoy a standard of living commensurate with greatly increased ability to produce goods and services.

That the changes necessary are merely those of financial method and financial policy. Bank deposits and savings, the private control of industry, the property of shareholders, the daily habits of the people, and personal initiative need not, and should not, be interfered with.

That the Douglas Social Credit Association, while remaining non-party, and reaffirming its educational policy, will throw its whole weight behind such approved candidates as will fully support and advocate the following demands on the floor of Parliament:

We demand:

That full use be made of the Commonwealth Bank to finance the Nation.

That all credit issued for National undertakings and services, including defence, be debt free.

That loan credit, free of interest, be provided to Local Government bodies, manufacturers, farmers and pastoralists, etc., on approved security.

That credit be issued to pay a bounty on primary exports in order to bring overseas prices up to the average cost of production (including profit) in Australia.

That a National Dividend, based on the increasing productive capacity of the whole community, be paid (over and above wages) to every man, woman and child whether in work or not.

That the National Credit be used to reduce prices to consumers by means of a subsidy, ensuring to vendors the recovery of full costs of production, and agreed margins of profit, thus preventing inflation, and increasing the purchasing power of money.

An addendum to the Resolution was as follows:—

All credits will be issued against the real wealth and productive capacity of Australia, and will not be taken from savings or bank deposits, which must be guaranteed by the Nation.

By the foregoing policy industry will be enabled to sell its products at profitable prices, because consumers will have the money with which to buy. By this policy the burden of indebtedness can be removed, crippling taxation progressively eliminated, and the paradox of poverty amidst plenty ended forever.

Social Credit and the Law.

Diary of Events with Dates of Comments in THE NEW AGE.

1929.

October 31 *and November* 7, 1929. Review of Lord Hewart's book, *The New Despotism.*

1930.

November 6, 1930. Critique of Mr. Harold J. Laski's attack on lawyers.

1931.

January 1, 1931. Analysis of Mr. Justice Wright's judgment in the action of the Bank of Portugal against Messrs. Waterlow and Sons.

April 2, 1931. Comment on the conflict of judgments between Lord Justice Scrutton and Lords Justices Greer and Slesser in the Waterlow Appeal on a question of fact, i.e., What was the cost to the Bank of issuing new notes to replace the forged ones—their face value, or the cost of printing? (The Waterlow Action and Appeal can be read in the *Times Law Reports* of January 30 and May 1, 1931, respectively.)

April 9 *and* 23, 1931. Bankers' intrigues in Australia to twist constitutional law into conformity with their own policy.

June 4, 1931. The Drapery Trust's issue of £123,275 20-year Notes in order to settle a claim by Lloyds Bank—directors decide on settlement without giving shareholders an opportunity to say whether the case should be taken to court.

June 4, 1931. M. Leon Franklin's £450,000,000 claim against the Westminster Bank laughed out of court.

June 25, 1931. "Legislative Lawlessness." The case of Mr. F. H. Hamilton—the law altered in his disfavour by the House of Commons at Snowden's instance while litigation was actually in progress between him and the Tax Authorities.

July 30, 1931. The opening of the Kylsant trial.

August 6, 1931. The result of the Kylsant trial.

November 12, 1931. The result of the Kylsant Appeal.

1932.

May 5, 1932. The Waterlow Appeal: Lords judgment delivered on April 28. The Lord Chancellor (Sankey) and Lords Justices Macmillan and Atkin decide for the face value of the notes (see April 2, 1931, above), while Lords Justices Warrington of Clyffe and Russell of Killowen decide for the printing cost.

May 19, 1932. Waterlow Judgment; analysis by cross-examination of Lord Macmillan's argument.

June 2, 1932. Mr. Justice McCardie's public "reproof" of Lord Justice Scrutton.

June 9, 1932. The Privy Council Judicial Committee and Mr. Lang.

July 14, 1932. The trial of Mrs. Barney.

July 21, 1932. Mr. Justice Piddington's resignation in protest against Governor Sir Philip Game's dismissal of the Lang Administration.
Notes on the Barney trial. II.

July 28, 1932. Notes on the Barney trial. III.

August 4, 1932. Notes on the Barney trial. IV.

August 11, 1932. Notes on the Barney trial. V.

September 1, 1932. (For this issue we wrote some comments on Lady Mountbatten's libel action, tried by Lord Hewart, but were advised not to publish them.)

September 15, 1932. Crime and Insurance (Editorial).

September 29, 1932. Kingston Currency (Editorial).

October 6, 1932. Kingston Currency (Editorial).

October 13, 1932. *The Accountant* and the Waterlow case.

October 27, 1932. An echo of the Kylsant case (Editorial).

1933.

January 19, 1933. The case of Kreuger and Toll.

January 26, 1933. Mr. Tom Mann imprisoned for his action in respect of the promotion of street demonstrations.

February 16, 1933. The Dismissal of Mr. Lang (official correspondence).

February 23, 1933. Postage-stamp Currency.

March 2, 1933. Mr. J. Maundy Gregory and the sale of honours.

March 9, 1933. Juridical limitations—"We can't go into that."

March 30, 1933. Mr. Justice Horridge on "Cheating the revenue." (Spiro Morris trial.)

March 30, 1933. Bankers in ermine (Editorial).

April 27, 1933. Schoolchildren and sedition—proposed legislation.

June 15, 1933. West Australia and Secession.

July 12, 1932. Blackmail as an instrument for recruiting secret service agents and ensuring their loyalty: wire-pulling as an instrument for protecting them from penalties for breaking the law. ("Notes of the Week.").

July 12, 1932. Flogging sentence for money-snatcher.

July 20, 1933. The abolition of Grand Juries.

July 20, 1933. The status of judges and their salary-cuts.

August 11, 1932. Flogging advocated in the *Times* for "violence to property."

August 24, 1933. Tithes and lawlessness—distraint-battles.

August 31, 1933. The fire-raising trial—sentence on Mr. Leopold Harris and his associates.

November 30, 1933. Mr. Bevin's £7,000 damages against the *Daily Worker* for libel.

The Theatre.

Seasonable Fare.

Although it looked a few weeks ago as though the theatrical "West End" would be without a pantomime this year (and I don't know that anyone would have been a penny the worse off except the hardworking people concerned in these productions), there is actually seasonable entertainment enough and to spare. Apart from the suburbs, "Aladdin" is at the Embassy (Children's Theatre production with Ann Casson and Brember Wills), and the "Lyceum" has "The Queen of Hearts," with that admirable couple, Naughton and Gold. "Beau Brummell," a new "romantic play with music," is at the Saville. This is a Nigel Playfair production, with dances and numbers arranged by Ralph Reader, and a cast including Harry Welchman and Thea Holme. Then there are the familiar revivals, such as "Where the Rainbow Ends," "Toad of Toad Hall," "Charley's Aunt," "When Knights Were Bold," "Treasure Island," "Alf's Button," "Hansel and

Gretel," and, of course, the inevitable "Peter Pan." If you like genuine antiques, here's your choice.

"Without Witness." By Anthony Armstrong and Harold Simpson. Produced by André van Gyseghem. Embassy.

Quite unassisted, Mr. Armstrong wrote "Ten Minute Alibi," the rights of which have been bought by forty—or it may be a hundred—countries, and that the present critic regards as a thriller that fails to thrill. He has now called in Mr. Simpson as collaborator. The title of the new production might well be "The Perfect Alibi," both authors having a complete answer to the charge of having written a play. This is an incredibly amateurish affair, with wooden dialogue and painful attempts at humour. The acting is mediocre, save for the detective-inspector of Hugh E. Wright, who is always competent, and has my sympathy with what he tries to make of his present part. Neither author appears to realise that it is an elementary canon of theatre craft not to leave the stage empty without compelling reason, and Mr. van Gyseghem has not helped in this respect, while he should also be reminded that every act calls for a quick curtain. The ending is painfully reminiscent of that of "Ten Minute Alibi," with the benevolent detective again giving the suspect the benefit of the doubt.

As tedious an evening as ever I spent in the theatre.

VERNON SOMMERFIELD.

The Films.

"Baby Face." Warner Brothers Production. General Release.

Some of my brothers in the critical trade—I am not sure about the sisters—professed to be shocked by this film, at the same time protesting that they were not squeamish, but I recommend the picture as a collector's piece, for the delectation of those connoisseurs who can derive enjoyment from a film that is so bad that its badness becomes positive virtuosity. The plot, according to the report issued to its members by the Cinematograph Exhibitors' Association, is "a very sordid story of a slum girl's rise to affluence after a career of immorality," and purports to show the rise of a common and penniless girl to a millionaire's wife, after she has become the mistress of several men and is responsible for the suicides of two of her lovers. The film commences with a very unsavoury episode in a low speakeasy, wherein a girl is attacked by a man, while her father waits outside in the full knowledge of what is happening."

It is impossible to better this admirable terseness and clarity of style, but the account requires qualification. On the face of it, the author set out to depict realistically and without sentimental extenuation the career of a hard, young woman determined to secure wealth and luxury, and who realises that the only way is between the sheets. This is promising material, even if not for the squeamish critic; unfortunately, and after making every allowance for cuts by the Censor, instead of being Zolaesque, the film is a salad of banality, unreality, and sticky sentimentality. The ending, in which the lady gives up her jewels in order to settle the financial obligations of her millionaire husband—now ruined—and departs with him to a Pittsburgh tenement where the two are to find happiness, is a triumph of hokum that has to be seen to be believed, and is even then incredible.

The title role, and the title is singularly stupid, is played by Barbara Stanwyck, an immensely overrated actress. With one or two reservation in my mind concerning British players, I award her the Gold Medal for the worst acting performance of the year. One detail stands out. Miss Stanwyck is surprised in the arms of one lover by another, who shoots the first gentleman dead. Neither by vocal inflection nor facial play nor gesture does she exhibit as much emotion as though she were ordering ham and eggs for breakfast. A woman may be as tough boiled as you like, but she would show some emotion in the circumstances, even if only interest or pleasure. And blame for this immobility cannot entirely be laid on the director.

The official report from which I have quoted, awards "Baby Face" $7\frac{1}{2}$ marks out of a possible 12, and in the same issue "Mickey's Good Deed" receives only 8, plus the commendation, "safe fill-up." I regret that my powers of invective fail me, but it is easy to see why exhibitors show so many films that are not to the liking of their patrons if they rely on this kind of report as a guide to booking their programme.

"Voltaire." Warner Brothers Production. Directed by the late John Adolfi. Regal.

George Arliss has here his most successful role since "Disraeli." The film is good entertainment and good melodrama, but fails to convey in the slightest degree the atmosphere of the period, and is full of wasted possibilities. As in "Disraeli," the theme concerns itself with a single episode—here, the Calas case. Such concentration is legitimate on the stage, where it is often compulsory, but the screen, which can show whole epochs and range over fifty years in fewer minutes, has greater possibilities. Its potentialities are disregarded in this picture, which, as is the case with most others in which Mr. Arliss has appeared, is more photoplay than cinema.

Excessive liberties are taken with history. Voltaire—and the Voltaire of 1762—is portrayed as a combination of vain writer and apostle of liberty, who appeals to "the people" and is a popular hero. Possibly the conception of Voltaire the democrat is a concession both to the American lip service to liberty and to the fondness of the American public for beholding on the screen the despotism of vanished courts. Still, the producers have been sufficiently forbearing not to show us the fall of the Bastille a generation before its time.

The cast might have been better chosen. Doris Kenyon is charming, but she resembles the Pompadour no more than she resembles Nelson. Most of the remaining players are too stagy, and the settings, despite the superlatives of the publicity department, are cheap.

"Creation Rocked."

To advertise "Voltaire," the producers have launched a "Merchandising Campaign Plan" that sets up fresh records in vulgarity and illiteracy even where film publicity methods are concerned. "The greatest role any actor ever played, played by the greatest actor of them all!" is, of course, common form; nothing is so cheap in the cinema world as superlatives. But this is how the character of Voltaire himself is described—"first sceptical, then defiant, but always quite foxy;" "greatest man of his time;" "was he demon or redeemer?" "his brilliance amazed millions, his intrigues shocked the world!" After these thumbnail sketches, and the description of the film as "1934's most notable contribution to screen drama. Ripped from the forbidden pages of history," you may or may not be surprised to learn that the attempt is being made to sell the picture by attributing to it a salacity of which it does not possess a trace. "Why," asks the Warner Brothers' Publicity Department, "did he open his house to the most notorious women in Paris?" "Why did he court the favours of the wickedest women in Paris?" "He shocked the wickedest city in the world." (Curious, how the provincial American mind can never get away from the idea that the French capital is exclusively peopled by ladies of ill-fame.) "See how he drew the ravishing beauties of pleasure-mad Paris into his fatal power. How he became a lord of women!" "The Man Who Scandalised the Wickedest City in the World!" "Paris blushed, France quivered, creation rocked at the words he whispered in a woman's ear!"

Don't believe a word of this penny-gaff stuff, for we see nothing of the kind. What we do see is an elderly gentleman, clad for the greater part in dressing gown and slippers, whose feminine entourage consists of his elderly cousin and housekeeper, Nanette Calas, and a Pompadour who would not raise a blush at the vicar's garden party. But it would be interesting to know what Mr. Arliss, who is reputed to be such a stalwart of the "clean" screen, that he will not even allow himself to be photographed in the company of a woman with a cigarette, thinks of this impudent endeavour to make box-office capital out of advertising a non-existent eroticism.

DAVID OCKHAM.

LETTERS TO THE EDITOR.

BANKERS AND NEW CAPITAL.

Sir,—The rock upon which Mr. Arthur Williamson thinks I split is quite familiar to me, though I am conscious of no more discomfort from it than from any of the other rocks by which your correspondents have supposed me to be sundered.

If new capital is eventually financed out of savings, Mr. Williamson asks, "Who were the previous owners of the £8,000,000,000 we spent on the war?" Before I answer I should like your correspondent to put a question to himself. If this money was provided, not merely temporarily, but permanently, by the banks, as he seems to argue, what has become of it? The total debts of all kinds, including commercial debts, owed to the banks at the present time amount to no more than a quarter of this sum; the war loan they hold is a very much smaller fraction.

Mr. Williamson's reply will probably be that the banks have cancelled the money. But do banks cancel debts before they are repaid? On the contrary, it is part of the Douglas

case that the banks are compelled by the system to demand repayment of their loans. And, of course, these loans were repaid—out of the enormous incomes made by the investing classes, that is, out of savings.

Naturally, the whole sum was never owed to the banks at one time: the expansion of credit did not reach those astronomical dimensions. But a given volume of money can become income again and again, and a proportion of it can be saved every time it does so, thus constituting a growing claim upon society. (I have, of course, never denied the growth of such claims, though Douglasites often argue as though I had. What I deny is that they have any necessary connection with bank loans.) During the war not only was the volume of money constantly growing; its velocity of circulation increased as well. Thus the consumers' income was greatly enlarged. In the absence of any serious and effective control of prices, the usual consequences followed: prices rose, and a large part of the increase consisted of swollen profits, whose acquirers used them to purchase Government securities as the mounting public debt was funded, thus providing themselves with a vast and permanent claim upon the national income. It is those profiteering capitalists and their successors who own most of the debt to-day, not the bankers. The story is a scandalous one, indeed, but the Douglasites, with their assumption that profits have nothing to do with the matter, always tell it with the emphasis on the wrong places.

More than one method of financing the war, as of financing industry, was possible, and some of us are wiser about it all than we were then. Taxing those profits, even to the extent of a drastic confiscation of capital sums (as THE NEW AGE of those days advocated) would have been by no means the worst way. Incidentally, it would be wrong to assume that the bankers as a whole approved of the methods actually adopted.

The rest of Mr. Williamson's letter—indeed, the whole of it, I think—would not have been written had he read my book, *The Control of Prices*. I am sorry to have to refer again to that noble work, but so long as your correspondents continue to make incorrect assumptions about what I believe or ask questions I have already answered I must either do that or go on taking up more than a reasonable share of your correspondence columns.

AUGUSTUS BAKER.

PRICES AND INCOMES.

Dear Sir,—It is not my wish to continue to occupy your space indefinitely, but I was very interested in the article written by Mr. Hilderic Cousens as a "rejoinder" to me in your issue of December 7, and I should be very glad to make my position finally clear. I cannot help thinking that if Mr. Cousens and I had opportunity for full discussion we should find ourselves far more nearly in agreement than perhaps either of us now think.

To take his second point *first*. I agree with his analysis of the effect of reducing the cost of ploughs, except in the conclusion that he draws. It is true that less money will be distributed to the consumers as long as he assumes that the makers of ploughs do not spend the £10 per week that they have saved. If they keep this money they are hoarding it, and all economists would agree that purchasing power will be deficient to that extent, and should be offset by the creation of new money. But if they spend it, and there is nothing in the total economic situation to prevent them from doing so, no difficulties will arise. Mr. Cousens is surely wrong to think that there will be any losses in the production of bread or any unsold stocks of bread in this particular situation—because he has forgotten that, on the assumptions he has made, the *cost* of producing bread is reduced by just as much as the price. Hence all the bread can be sold. But if the money saved by the producers of ploughs is hoarded by them in the first instance, there will be unemployment among the makers of ploughs, and will continue until the hoarding is offset. No economist for the last hundred years would dream of disputing this.

Now, in the second place, to take the more important point. It does seem to me that Mr. Cousens is guilty of a complete *non-sequitur* in his account of the implications of my diagram. In the four-week production of bread, he says, ". . . the ploughs produced this week have no *productive relation* with the bread produced this week." (Italics mine.) This is perfectly true. They are used next week to produce wheat to make flour to make bread in the fourth week of the sequel. But he goes on to say: "*Therefore the A payments made in respect of these ploughs are not available to make the A + B purchasing power needed this week.*" It is this statement which is fundamentally wrong. Of course, the money paid out to the workers making ploughs this week is available for the purchase of bread this week. How can it be otherwise? If I am making ploughs to-day and earn my money to-day I can spend it to-day, and how can anyone deny this patent truth? And, the argument ocntinues, as long as these four necessary stages are maintained in each period, in order that the continuous production of bread should be maintained in the future, there will continually flow into the hands of the final consumers a sum of money equal to the cost of producing bread in the present. It is Mr. Cousens, and those who think with him, who persistently neglect the "flow" aspect of economic life.—Yours, etc.,

E. F. M. DURBIN.

PEPYS BEHIND THE SCENES.

Sir,—Some years ago, in Pepys' Diary (Wheatley's edition), I came across a certain short passage which, since, I have been quite unable to re-find.

The writer, if I rightly recollect, had had a talk with a Goldsmith-Banker on finance, and remarked thereafter that what the good man had said would no doubt have been very interesting had it been possible to have understood it.

Reading yesterday the first volume of "Samuel Pepys," by Mr. Arthur Bryant, an excellent book, I found the following:—

> "The whole credit of the country had fallen into the hands of two or three great bankers. . . . 'So long as we and the world,' Pepys mournfully concluded, 'must be subjected to these bankers I do despair of compassing it' —the sending of the fleet to sea." Diary 6, November 21, 1665.

This reference to bankers does not seem to be in the Wheatley edition of the journal, so let us keep our eyes open in reading the forthcoming Magdalene College complete edition. In perusing this and the promised second volume of Mr. Bryant's "Life," it will be interesting to discover to what extent, if at all, so intelligent and practical a great man, living at that critical time, was able to realise the beginnings of our centuries of subjection.

PHILIP T. KENWAY.

CHRISTIANISING SOCIAL CREDIT.

Sir,—My copy of last week's New Age is not with me at the moment, but may I add to my previous letter a postscript, which should have been added to forestall the reply to it in last week's issue as well as the contentions in your own article.

The Social Credit Theorem *is* based on a Philosophy, and does not stand alone as mere technical device for bestowing material comfort. Even its technique is based on the assumption that the free individual, out of his freedom will decide to produce as much as will give him and his neighbour as good a standard of life as is compatible with exist ing resources. The argument from the compulsion of physical desire is unsound, and is only a variant of the utilitarian theory. Whole nations and races might choose inertia and a low standard of living. The Social Crediter believes that in the main they will not so choose; he has faith in the goodwill of the individual. If you ask him where such goodwill preponderates he will point to the West, that part of the world which has been most open to the Christian impulse for nineteen centuries. It is in this part of the world that the Social Credit idea was born, and is most likely to find its true expression.

You, sir, will be familiar, *ad nauseam*, with the arguments, and one knows they are not likely to convince the rationalists. All I would ask of Social Crediters is that they should state their philosophy as often and as clearly as possible, for a technique without one is as dead as a piece of machinery.—Yours faithfully,

F. BUNCE.

[If Social Credit *is* based on a philosophy, then the Social Credit so based is not the Social Credit which we have been speaking about. To us, Social Credit is the Douglas Theorem of Cost. It has no more relation to a "philosophy" than has the Euclidean proposition that the three angles of a triangle are together equal to two right angles, or that the square on the hypoteneuse of a right-angled triangle is equal to the sum of the squares on the other two sides. The confusion arises because controversialists do not distinguish between a scientific truth and psychological reactions to that truth. The Douglas Theorem discloses the means by which a community can reach any economic objective that is physically possible. "Philosophy" only comes into the picture when one proceeds from intellectual recognition of the said means to a consideration of what kind of objective a community *will* like, or *ought to* like.

Our "philosophy," to call it such, amounts simply to a belief that as and when a condition of material sufficiency and economic security supersedes the present condition of insufficiency and insecurity there will be a spontaneous transfiguration of humanity's ideals and codes of conduct, and

that however multifarious its forms as manifested in individuals, it will mark a universal ascent towards ultimate rightness in thought and action.

A reviewer in these pages recently alluded with emphasis to an indictment of Social Creditors, which was that after fifteen years of propaganda they had "totally failed to make the smallest dent in the armour of the financial monopoly." But such failure is nothing to that which is logically implied by any profession of distrust as to what humanity, after two thousand years of Christian propaganda, will become when Social Credit enables it to give free expression to its personality.—Ed.]

FORTHCOMING MEETINGS.

Leeds.

Douglas Social Credit: Lectures at the Griffin Hotel, Boar Lane, Leeds:—

1. January 18, at 7.30. Lecturer, Mr, J. G. Dodgson, of Bradford.
2. February 1, at 7.30. Lecturer, Mr. R. G. S. Dalkin, of Rotherham.

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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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