THE

NEW AGE

INCORPORATING "CREDIT POWER."

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NOTES OF THE WEEK.

Peace Through Armaments.

A Sunday newspaper pointed out recently that the standing armies of Europe had increased since the war, from a minimum figure of about 3,000,000 (on the completion of demobilisation after Versailles) to about 10,000,000 at the present time: further, that a large proportion of this increase has taken place during the last twelve months or so. This information is used as the text for a war-scare campaign. But it will serve just as well for abating fears of war.

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No one can safely prophesy whether war will come early or late, or ever, because no one can foresee whether or how the spark which could ignite the explosive gaseous mixture of military preparedness will be struck, if at all. And it is just here that we come upon a curious paradox, namely that the more explosive this mixture is the less the risk of the spark. This will be seen at once by every one who realises that the addition of 7,000,000 to standing armies represents an addition of 7,000,000 customers for European industries who are not earning wages in those industries, and are therefore not a charge on them. Whatever may be the psychological provocation resident in the display of seven million uniforms, it is more than offset by the economic easement resident in the effective demands of the seven million customers inside the uniforms. It is true enough that in theory, and according to the strict rule of sound finance, the money expended by them, or on their behalf, must be recovered in general taxation or become additional debt, but the point is that whereas the expenditure is going on day by day and feeding industry with revenue, the levying of the relative taxes (or even the interest on unpaid taxes figuring as debt) is an event which may or may not happen. And whatever does happen, there is a credit time-lag which eases economic credit-problems, takes the edge off international trade competition, and slackens the drive towards war. European rearmament is much the same in principle as the public-works schemes which are being carried out, and much less deceptive because, at the present stage of capitalist development, the construction of public works contributes no more to actual economic enrichment than does that of a military barracks or war-vessel. There is a vast difference potentially; but people do not live on potentialities, they live on actualities: and so long as existing financial policy and procedure continue to confine the productive-processes of industry within the vicious orbit of mere potentiality, the development of productive capacity is just as much a waste of energy as is the development of destructive capacity. The new super-power-station is as inert and burdensome as the new super-Dreadnought. People recognise the waste readily enough when it is embodied in armaments, but they are blind to it when it is embodied otherwise.

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With these reflections as a background Mr. Eden's dramatic peregrinations can be interpreted not as hasty, desperate attempts to stave off an imminent clash of arms, but fundamentally (which is to say that probably he is unaware of it) as leisurely steps to regulate the relative pace at which each European Government exercises the privilege of manufacturing customers-in-uniform by means of public credit. For, while it is true that, from the military point of view, any big change in the balance of fighting-powers now possessed by the several European nations would be dangerous, it is just as true that another danger has to be dealt with, and it resides in the fact that within the present financial system national rearmament involves national currency-depreciation in the sense that the expenditure on it is inflationary in its effects (as pointed out) and to the extent to which it is resorted to tends to depreciate the currency of any given nation in terms of the currencies of other nations. Assuming the absence of exchange-rigging devices such as the Exchange Equalisation Fund, etc., the natural consequence of the depreciation of a country's currency is to confer on that country a competitive advantage over others in selling goods abroad. (*Vide* Mr. McKenna's speeches.) Thus an expansion of armaments can automatically cause an expansion of exports; and hence it is necessary for the military expansions of the several nations to " keep in step "—as Mr. J. M. Keynes would say—in order that no nation steals a march on the others in the " world market." Needless to say, such an eventuality contains a greater menace of war than the disturbance of the balance of armed strength considered by itself. After all is said and done, the soldier is the tool of the trader, and what decides the issue of war or peace is not the rivalry of soldier and soldier, but that of trader and trader. And this dominant rivalry is the distillate from the witches' cauldron of International Finance.

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Since competition in armaments involves competition in currency depreciation, it follows that all industrialised nations alike are under the economic necessity of expanding armaments in order to secure the protection that this confers upon their so-called " favourable balances " of trade, quite independently of whether they are already " secure " in a military sense or not. Those who do not seek such protection by those means must do so by falling back on others such as import-quotas, tariff-barriers, or deliberate depreciation by de-valuation of the currency. Thus the Belgian Government, who do not appear in the bidding for bigger armaments, have re-formed themselves under a Banker-Prime-Minister in order to " divorce " the *belga* from gold with the express purpose of de-valuing it so that Belgian goods may be exported with less difficulty and foreign goods imported with greater difficulty. The immediate policy of the Government is, in a phrase, to take the bulge out of the *belga* by removing some of the gold stuffing. The Prime Minister, M. van Zeeland, is taking charge because such a policy needs handling by a banker-statesman, that is to say, by someone who upholds the technical axioms and political principles on which the International Money Monopoly is founded and who can be trusted so to implement the Brussels policy that it shall not seriously clash with the Basle policy. And he is already busy on this reconciliation. Even while announcing the de-valuation of the *belga* (which, left to itself would be of advantage to Belgian exporters) he also announced the instituting of an Exchange Equalisation Fund (which could be so operated as to prevent the advantage to Belgian exporters). It is a case of the Basle financial expert double-crossing the Brussels capitalist politician. Moreover, M. van Zeeland makes no secret of the fact that the de-bulging of the *belga* is part of his long-distance policy of re-bulging the *belga*. " We are coming off gold," he says in effect, " in order to produce consequences that will bring pressure on those Governments already off gold to get back on to gold along with us." That is why he speaks of the *belga's* being only " divorced " from gold—for divorced parties are free to re-marry. In the meantime, to revert to our main theme, Belgium is adopting a monetary device which can secure her the same kind of economic advantage as she would derive from inflationary expenditure on new armaments.

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It is not our intention to suggest that the Belgian policy has been directly and immediately inspired by the re-armament policies of neighbouring powers. That would be to over-simplify the complex of motivations beneath European high-politics. Acute readers of this journal will be able to see for themselves that there is a relation between the two kinds of policy, and that it consists in the fact that both are related to a common cause and are means of attempting to get out of a common dilemma, which is, ultimately, the inherent gap between costs and prices within each of the several credit areas that we call the nations of Europe. There is no physical dilemma at all confronting the capitalist enterprises and consuming publics of Europe: they are confronted by a towering mountain of unused real wealth (actual and potential) and the whole trouble is that nobody is able to use it without picking his neighbour's pocket for the price! Full purses make fast pals—and the issue of the Social-Credit dividend would silence the European pandemonium in a month.

Taking Profits Out of War.

The immediate causative factor in Belgium's new policy is stated, by a Special Correspondent of *The Times* (April 4) to have been the imprudent financing of Belgian enterprises by the banks. Credits had been granted so liberally that the trade depression had caught them short of the means of fulfilling their legal obligations under the gold-standard, and the position was so serious that unless the Government had come to the rescue the *belga* would have flopped down to almost any figure in the midst of a panic of depositors. In fact, as this writer points out, M. van Zeeland himself has admitted a resemblance between what his critics describe as his " new deal " and the policies set going by Mr. Roosevelt, but has been careful to explain that whereas Mr. Roosevelt is acting by " choice," he, M. van Zeeland, is acting from " necessity." This plausible distinction is all eye-wash; it is a discreet method of hinting at the doctrine that when the banks get into trouble their rescue is a Government's duty, but that when once the banks are safe the rescue of any other classes of the community by the Government is *ultra vires* unless sanctioned and directed by the rescued bankers. It is the old story: The State drops a rope to haul the banker out of the pit and then the banker proceeds to bind the State with the very rope whereby he is saved. In 1914 the British Government hauled him out with Treasury Notes, and to-day the British Government lies bound by a rope of debt woven out of those notes.

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President Roosevelt, not being an expert banker, nor having a clear understanding of the new financial technique destined to supersede the old one, may probably make mistakes such as will defeat his rescue-plans, but he deserves support for fastening on to the idea that what is healthy for money-lending enterprises is healthy for money-borrowing enterprises, not to speak of money-using customers. In short, against M. van Zeeland's strictures, we should say that it is President's decision to go on doing from choice what he first did from necessity, which merits sympathy and support, if only as a gesture symbolising the sovereignty of the State in financial policy and its responsibility to use its powers in the interests not of one class only, but of all classes constituting the community. Having said this, we are bound to say that some of the " reforms " that he is sanctioning threaten to discredit his Administration as arbiters of high financial policy. One of these has a direct bearing upon the armaments problem from the angle of our foregoing analysis. It is his recent appointment of Mr. Bernard Baruch to deal with munition-makers in the United States, and his consequent identification with that gentleman's plans for " taking the profit out of

war." It is beautifully simple, and, oh, so moral. Makers of munitions, etc., are to be taxed to the extent of half their profits if these are not above 6 per cent., and all their profits in excess of 6 per cent.

The Supervision of Armament Firms.

We need not concern ourselves with the conditions in the United States as regards such enterprises, because what we have to say applies to general principles, and we can equally well discuss these for our purpose apropos of conditions in this country. It is broadly true of all enterprises here which manufacture war-material of any kind to say that they are under State supervision both as regards what shall be the designs, qualities, and quantities of what they make and, no less important, as regards the ultimate destination of the products if exported. This is what one may call the " narrow nationalistic " type of supervision, which is exercised primarily to maintain the relative military security of the country among all the others. It has to do with the physical operations of the enterprises. But in addition there is the " broad cosmopolitan " type of supervision. This is exercised partly by Somerset House (with the Treasury, the Bank of England, and the Basle Bank for Central Banks behind) and partly by the joint stock banks. It has to do with the financial operations of the enterprises. It is virtually exercised, in both parts, by the Bank of England which, in this country, is the arbiter of taxation-policy and of loan-credit policy.

The Profit-Motive and War.

Next we come to the administration of these enterprises. Without knowing any details such as are served up in works like the *Stock Exchange Year Book*, we may confidently assert that in none of them is the discretion as to fixing profits vested in anybody likely to be affected by hunger for profits. The rule of the independent private directorate came to an end soon after the war, and to-day the control is exercised by salaried auditors and accountants appointed directly or indirectly by the bankers. It does not matter to them what profits are earned; the only interest in profits is the shareholders' interest, and that interest does not enter into the calculations of the officials in control, nor can be made to effect their policy. In any case the bulk of the fixed capital would be found to belong to financial institutions, whose views as debenture-holders or shareholders would prevail over those of the scattered and unorganised private investors. So it all comes to the same thing in the end. In a phrase, the banker is the price-fixer. If anyone is disposed to consider this outline of the situation overdrawn, we can reply that at any rate it will be true to fact if and when the occasion comes for the taxation of war-time profits.

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Now the making of profits is not the primary concern of the bankers even in their own business, much less in other businesses, though they may have bought stock or advanced loans to them. Their interest is impersonal and is to maintain the stability of banking institutions as such and their control over industrial policy generally. The means they adopt to do this consist in building up reserves—to a small extent those reserves which are disclosed in their balance-sheets, but to a far greater extent invisible reserves representing unexercised powers of creating and lending credit. This object they can achieve most easily and quickly when industry is distributing the least proportion of its costs in wages and salaries and the least proportion of its profits in dividends to private individuals. The reason is that when money comes into the possession of private individuals in these ways, the discretion as to what shall be done with it lies with those individuals: they have the legal right to hoard it, invest it, or spend it just as they choose. It measures not simply their economic independence, but their political initiative. So far as it goes, private money speaks the language of the private spender and exerts a force not only on the trader who wants to sell him an article, but on the politician who wants to sell him a programme. It is the citizen's last defence (within the Constitution) against economic and political dictatorship. Now the policy and purpose for which the banks wish to keep control are contrary to the expectations and desires of the general run of citizens, and would be effectively opposed if they had more money. Hence the reason why the bankers wish to limit their incomes to the minimum.

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It has already been shown that the limitation of armament profits is a superfluous method of ensuring Peace against the operation of the private-profit motive; and it should now be seen that the announcement and adoption of that method masks quite another object, one which, by the way, contains a greater eventual menace to Peace than the wildest profiteering. It is a method of keeping people short of money, a condition which continuously fans the flames of rivalry and animosity between man and man, trade and trade, and country and country. As we remarked before, none can buy without picking others' pockets.

Overheads the Danger, not Profits.

" But surely," someone may object, " if profits are limited the community must benefit by the saving in buying, whether directly or through the Government who buys on their behalf." That is agreed, but it leads up to a fundamental technical truth, namely, that the injury done by profiteering is nothing to that done by the costing which precedes the levying of profits. Take, for example, some munition, say, a shell, and let its cost be, say, £100. It sounds very nice to be told that the maker of that shell will not be allowed to retain more than such a profit as will show him three per cent. on his capital—from which the man-in-the-street may derive the reassurance that in these circumstances the maker won't bother to charge more (which isn't necessarily true, by the way, seeing that the " maker " is a banker's agent and may put prices up for banker's purposes, as will be seen later)—but the crucial point has nothing to do with what profit is added to the £100; it has all to do with what charges are contained in the £100. And of these charges those demanding attention are the ones which are comprehensively described as overheads.

Speculative Overhead Charges.

The man-in-the-street hasn't the ghost of a notion of the " principles " ruling the size of overheads. There have been occasions, even in Government Departments selling things to the public, where the directors have solemnly debated, not whether to add to direct charges let us say a proportion like 10 per cent. or 20 per cent., but whether to add 100 per cent. or 200 per cent.! No disrespect to them: they have to guess at a price which will recover for them not only the cost of *all the articles they make* from the number of articles they sell, but the cost of the factories and plant into the bargain in view of possible liquidation. To explain, the ideal aimed at in these accounting gambles would be achieved if the whole capital of a concern could be recovered in the sale of its products in, let us say, the first year of its operations. This is too good to be true in practice, but every director hitches his wagon to that star and tries to make it come true as soon as possible. Banks come nearest to accomplishing the feat.

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Considering that war-time factories and plant only do business while the war lasts the officials in charge of their accounting departments will naturally try to cover capital charges at a fast rate, and in doing so will have the support and assistance of both the banking and the taxing authorities. Being all in the swim together they can charge the Government what they think fit. So, coming back to the £100 shell, it is not at all extravagant to express its items somewhat as follows:

	£
Wages and Salaries	17
Material	16
Total (direct charges)	33
Overheads, 200 per cent.	66
	£99

Call this £100 and add on 6 per cent., making £106. Of course the price is paid by the Government in full because it is obliged to buy the shell whatever it costs. When collected the money is split up as follows:—

	£
The Government gets back	3
The " Overheads Fund " gets	66
The shareholders get	3
Employees and suppliers get, say	34
Total	£106

Now the " Overheads Fund " in principle is a pool from which the bankers prematurely retire loan credit. The Social Credit Analysis shows this retirement to be scientifically unsound, and to be the root cause of the general shortage of money which afflicts every community. The proof of this cannot be gone into now, but assuming this Analysis to be correct, it sufficiently explains why, after a war, when overhead charges fly up to a fantastic level, the phenomenon of general financial poverty makes its appearance in the exaggerated form which marked the close of the last war.

Hushing Up The Ramp.

It is amusing to notice, in this context, that the Senate, in considering the problem of stopping war profits, preferred the method above described to another proposal which was that the Government should take over the munition concerns and run them as State enterprises. As we see it the rejected proposal would have left open the chance that instead of trained accountants and bank-agents in charge there might have been soldiers and engineers; and we can imagine how they might have reacted to the proposition that the Government should be fleeced of £106 for a shell costing only £33 in current disbursements of money, and only £3 more in eventual payments of dividends.

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We alluded parenthetically just now to the possibility that even the accountant-manager might sanction profiteering. The reason is that the bankers do not object to high profits as such, but only to their distribution to private shareholders. The profits might be any percentage provided that they were chiefly allocated to reserves so far as they are concerned, for the " reserves " pool would feed their retirement scheme just as well as the " overheads " pool. Their objection is that whereas the " reserves " allocation would be public, the " overheads " charge escapes notice—it is lost in the so-called legitimate cost. It is not expedient, in their view, to let shareholders see profits which are theoretically due to themselves disposed of otherwise above their heads. Well-to-do shareholders such as those who hold bank-shares may not mind seeing the banks in possession of reserves almost equal to their paid-up capital: they would have reinvested their dividends anyway. But other shareholders not so well off, and possibly pressed for money, might well start an agitation for liquidation of reserves visibly held by their companies.

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As a final observation the same sort of retirement-ramp—which is really deflation in one of its disguises—may be worked quite easily with the concerns engaged at present in supplying the European Governments with their re-armament requirements. There is no indication of it at the moment, and we are inclined to think that the Basle bankers are letting inflation have a little run so as to sweeten the tempers of the peoples concerned and thus allow themselves a breathing space in which to revise their plans for Europe's moral regeneration. It's dogged as does it if it don't miss it.

The Point of the Pen.

By R. Laugier.

XXVI.—A PISGAH VIEW OF HISTORY.

Historians may be divided into two types. There are those who discover in past records a steady progress towards a better, more enlightened mode of living; and there are those who maintain that there is no progress, but only a travelling in circles; that, at bottom, human nature remains unchanged, and that there are " good " and " bad " times, depending largely upon Chance. I will call these two types of historian, Ameliorist and Classicist, respectively. Popular jargon would dub them " optimist " and " pessimist," but popular jargon would be wide of the mark. My Classicist is not necessarily gloomy; the cheerfulness of my Ameliorist may, to the intelligent, be one of the most depressing things in life. If we agree partly with the Classicist's interpretation of history we are not compelled to believe in " original sin," or obliged to regard human nature as fundamentally ignoble. We may share, with the Ameliorist, his conception of steady " progress," and, at the same time, we may imagine that the Ameliorist is far too easily satisfied with this dubious " progress." In other words we may admire the Classicist for his realism, and dislike the Ameliorist for his Utopian sentimentality.

But are we forced to bestow our whole-hearted adherence upon either Ameliorist or Classicist? Does not the truth lie somewhere between these two " schools " of thought?

A short article on such a wide subject necessitates a certain recklessness, and so I shall just state, very briefly, my own views. In the first place I do not think historians have sufficient evidence upon which to form anything more than superficial opinions. The records of history are not only scanty, but they are not the right kind of records. Since Voltaire, historians have realised

that a mere chronicling of battles and the intrigues of Kings, was not enough; but historians fail to expose the influence of Finance upon " political movements," and in fact they do not suspect such influence. History then will have to be rewritten, and when it is rewritten it must be evulgated. History cannot be " philosophy teaching by experience," when the human experience placed upon record only covers (reliably) a few hundred years; when the experience dealt with is largely insignificant, and when real motivation is either misrepresented or never even enucleated.

I agree with the Classicist that chance plays an important part in the affairs of men. I agree with the Ameliorist that there is such a thing as Progress. But this latter conviction is rather an act of faith than an affair of observation and rational deduction. At the moment the Classicist's viewpoint is the more plausible. It is easy for him to discover a close analogy between this epoch and, let us say, the decline of the Roman Empire. The Ameliorist, when he is merely a vulgar optimist, not only forfeits our sympathy because of his lack of intellectual integrity, but often makes us regard him as a menace because of his unscrupulous selection of material. To-day one may feel that the Ameliorist possesses the truth, but without knowing it, and without rationalising the truth; and one may suspect that the Classicist, though superior in scholarship and integrity, has yet missed the truth. In short, both are ignorant and working from insufficient data.

Let us attempt to look at our age dispassionately, with the realism and amoral attitude of the best type of Classicist. We find that, physically speaking, poverty is abolished. Potentially, then, man might go forward, immediately, into a golden age. If this is admitted the Ameliorist is wrong in his conception of a necessarily slow *social* betterment; and the Classicist may be mistaken in his views upon an unchangeable human nature. The Ameliorist is justified in his faith in Progress; and I think the Classicist's " gods of chance " may also be said to reign.

Can we not say, with certainty, that just as Science is progressive, so ethical conceptions are progressive? We know that inventions are in a " bad age," bought up and scrapped in the interests of despotism. We know that talent is frustrated, and banished from theatre, book-publication, journalism, etc. But are these inventions scrapped for ever? Does, or does not, truth prevail in the end? Is the real, practical point this: that the human soul has brought forth its invention and its idea? Or will it be true to say that the finest efforts of the human soul must always be frustrated by despotism, by the mediocre hirelings of despotism, or by sheer inability of democracy to distinguish right from wrong, black from white?

I do not think that historians can answer such a question with any authority or even plausibility. I believe that 1934, with all its hideousness, is yet better than 1834—if only potentially better. I cannot prove this. I am not sure that I can prove anything. But I could postulate the possibility of a " golden age " in 1940, and show that 1940 might see a fundamentally changed human society and human nature. And the Classicist could not prove that my picture was an impossibility. The human mind is, at times, capable of *leaping*. An individual may suddenly *see* the solution of a difficult problem, and in such cases the mind seems to skip a link or two in the chain of logical reasoning, and arrive at truth by " inspiration." The mental leaping is confined, perhaps, to individuals; but these individuals may communicate their inspiration to the masses. There have been periods of " renaissance "; there have been periods of suddenly changed attitude (under pressure of necessity, such as war) and rapid social " adaptation." The Classicist with his theory of chance admits this potential rebirth of the spirit, this leaping of the human mind. But I think that—perhaps because of the shortness of recorded history—this exultant leaping of the human soul has been forgotten and almost completely ignored by historians.

Dividend Overspills?

By John Grimm.

A correspondent writes me privately saying that he is bothered about the aggregate size of the dividend (or its discount-equivalent) which would be distributed if the figures in, e.g., the scheme for Scotland were used as a basis. He does not contest the principle of calculating the price factor, but apparently is unable to see how industry can possibly need to absorb so much new money in order to be self-liquidating as would have to be put out by the National Credit Authority. Sixpence per week per head might be absorbed without trouble, but when figures like a pound a week per head are considered the total seems out of all proportion to the margin of industrial default which has to be covered by the new credits.

The short answer to this is, of course, to point out that it implies a rejection of the Social Credit Analysis, and involves going through the whole subject *ab initio*. To take a parallel case, someone might conceivably impugn the reasoning in the forty-seventh proposition of the first book of Euclid, but he cannot accept that reasoning with its conclusion and at the same time suggest that the equivalence of the large square to the two smaller ones depends upon limiting the size of the right-angled triangle. Once agree that the square of 3 plus the square of 4 equals the square of 5, then whether these figures express millimetres or miles the equivalence remains true. If it is not true on the large scale it is not true at all.

So a complete satisfactory answer is out of the question, but some assistance towards reaching it may be derived from an examination of the aggregated figures representing what is called the " national income." Whether these figures are up-to-date or not doesn't matter, so those given by Chiozza Money for the year 1904 in his book *Riches and Poverty*, 1905 (now out of print) will serve the purpose.

In that year they were as follows:—

$1\frac{1}{4}$ million Rich people got	£585 millions
$3\frac{3}{4}$ million Comfortable people got	£245 millions
38 million Poor people got	£880 millions
Total	£1,710 millions

Now supposing there had been a price discount of, say, 25 per cent. applied to prices at that time, the statistical increase in the purchasing power of all the people would have worked out at one-third more, or £566 millions, giving a total income of £2,276 millions. My correspondent's difficulty can be put in this way: How on earth can industry require to receive such a huge sum? In the context of his letter it appears that the sum seems huge because he compares it with the total of deposits recorded by the banks. If this is his difficulty it should be pointed out that such a comparison is inadmissible. If a comparison is drawn at all the comparable banking figures should not be deposits, but clearings—figures which (according to the latest accounts) come to £45 thousand millions, or about twenty times the sum of recorded deposits. What deposits were in 1904 is not within my knowledge, but they were about £900 millions at the outbreak of the war, so it will not be very far out if they are applied to 1904, in which case the clearings would work out to twenty times £900 millions, or £18,000 millions. Against this figure the "national income" of £1,710 millions doesn't look anything much, nor does the supplemented (or price-assisted) income of £2,276 millions. The first represents 10 per cent., and the second 12½ per cent., of the clearings.

It must not be inferred from these remarks that clearing-house figures have any value in themselves for the purpose of the present analysis: they are brought into the discussion simply because they are arrived at on the same principle as is the "national income," i.e., that of adding together a multitude of transfers of credit over a twelve-monthly period, and recording a total which looks as if it were the measure of a cross-section of one big credit-cycle.

To illustrate let us take Chiozza Money's figures. These are incomes; and must be scaled down to get figures representing consumption demand. Quite arbitrarily let it be supposed that the "Rich" save (re-invest) one-third of their incomes, the Comfortable one-tenth and the Poor none at all. Deducting these proportions the respective net spendable incomes (that is, shopping money), work out as follows.

	£
Rich	392 millions
Comfortable	225 ,,
Poor	880 ,,
Total	1,497

It is on these figures that the size of the national dividend (or discount) has to be calculated, because no dividend is payable except in respect of goods actually bought in the consumption market. (It is assumed here that all the money is spent.) It would be one-third of £1,497 millions, or a fraction under £500 millions. That is substantially less than the £566 millions first estimated; but it is still a sum of the same order of magnitude, and therefore looks uncomfortably large from the point of view adopted by my correspondent. But when we come to look into the figures and inquire what they really represent we can get out others of a smaller magnitude altogether. We will assume for simplicity that the Rich live on commercial dividends, the Comfortable on salaries and the Poor on wages. We will also assume that the dividends are paid out half-yearly, the salaries monthly and the wages weekly. In that case the three classes of recipients draw their money as follows:—

Rich, 2 instalments of £196 millions.
Comfortable, 12 instalments of £19 millions.
Poor, 52 instalments of £17 millions.

Assuming commercial dividends to be due in the first week of January and July, and salaries in the first week of every month there will be the following weekly sequence of payments. (Assume exactly four weeks to a month.)—

		Millions
January	1st week	£232
,,	2nd ,,	17
,,	3rd ,,	17
,,	4th ,,	17
February	1st ,,	36
,,	2nd ,,	17
,,	3rd ,,	17
,,	4th ,,	17

And then the February sequence will be repeated over the next four months until at the opening of July the £232 millions will make its second appearance.

Another point to notice is that the levying of many compulsory charges—taxes, rates, rents, water, gas, and other items which might be described as "consumer's overheads"—coincides in point of frequency and times of incidence with the periodic high-level distributions of purchasing-power shown in the table. Just as the dividends paid out by the Co-operative Societies are allocated by many members to the payment of their rents, so with the rich classes of the community who allocate and surrender a part (and often a large part) of their dividends as and when they receive them.

The general effect of this sort of back-flow timing is that the net flow of money into the optional consumption market is much less uneven than would appear at first, and, more important to the present argument, the quantity of money optionally disbursable by the community is comparatively small at any given time even at the highest tides of the flow.

Apply this to the incomes of the poor. Expressed historically in an annual summary they look huge. But the figure represents what may be called income-clearings: it counts the same money fifty-two times over, after the same manner in which the Clearing House counts bank-credit transfers of all sorts. Similarly, in respect of weekly wage-earners, if they get a 25 per cent. addition to their income or purchasing power by the Social Credit Dividend or Discount, the aggregated annual statement of that additional sum will really represent one-fifty-secondth part of it in weekly rotation.

Admittedly this does not prove whether the Social Credit Dividend will be retired or not: nor is that the purpose of this article. But it does show antecedent reasons for our not doubting the possibility of its retirement simply on account of its size. Other students may like to bring the argument to a narrower issue in the light of these remarks. In the meantime there is one more observation to be made, namely that supposing the possibility that the amount of the Dividend indicated by the Price-Factor might be too high (which would mean that the Social Credit Analysis was unsound) then the proof of it would be detected in the first week, i.e., with only a fractional part of the "annual" Dividend passed out, and could be modified in nice easy time to forestall the crash into chaos which would thereupon be prophesied by watchful bankers in binoculars. At the worst we should have come to the end of a perfect week, and though the discovery of the error would have depressed us, the exhilaration of the trial would have stimulated us, like a holiday, to submit once more to the imperfections of the present system. All's well that ends well!

Social Credit Movement.

REPORTS.

The London Social Credit Club met on Friday last at its headquarters, The Blewcoat Room, Caxton-street, S.W.1., to receive reports and elect committee. The honorary treasurer announced substantial surpluses both on general account and on the recent Demonstration at the Central Hall. The honorary secretary (Dr. Mitchell) gave an impressive description of the work done by members in organising and advertising the Demonstration. Invitations to attend had been sent to all the Members of Parliament, all the London newspapers, the Press Association, and, of course, the Social Credit journals. Several members had carried placards in procession through important London streets three nights in succession just before the meeting and distributed leaflets (of which something like 50,000 were circulated altogether in this and other ways). The secretary offered a general tribute to the organisers collectively, and particularly to the ladies.

The meeting received both reports with acclamation. The committee were re-elected *en bloc* with the exception of one (retired) whose place was filled.

A motion that the Club affiliate to the Social Credit Secretariat was lost. A motion that it take part in the Electoral campaign was talked out.

NOTICE.

All communications requiring the Editor's attention should be addressed directly to him as follows:

Mr. Arthur Brenton, 20, Rectory Road, Barnes, S.W.13.

"Epic" Defeated In Four Phases.

Upton Sinclair, author of "The Jungle," "Oil," "The Brass Check," and other well-known books, has written an account of his "Epic"—End Poverty in California—campaign, entitled "How I Got Licked and Why" (just published by T. Werner Laurie, 7s. 6d. net.)

The whole idea of the "Epic" plan is "to take the unemployed of California off the backs of the taxpayers, and put them at WORK under a system of producing for (their own) use (page 14).

With this idea in mind Upton Sinclair published a book in October, 1933, entitled "I, Governor of California: And How I Ended Poverty."

Here are the four phases of the "Epic" campaign, revealing how Sinclair "got licked and why":—

Phase 1.—"End Poverty League," formed to make the Epic Plan known. Plenty of enthusiasm and plenty of willing workers—but always short of money. "Our one perpetual need was funds. . . . There was money to be had for our campaign, but unfortunately always money that we could not take. As soon as it became evident that we had a real movement, we began to have visits from well-dressed, smooth-spoken persons familiar with politics. . . . All these people wanted to know was that if I was elected Governor I would let them alone. . . ." (page 24). Others wanted promises of fat tit-bits and good jobs. One man came and explained that the State of California insures certain buildings against fire with private insurance companies. Sinclair was asked to indicate which companies he would favour if he became Governor. This man promised to get $15,000 for the Epic campaign funds from each of the companies concerned if the "indication" went the right way.

Sinclair refused every offer of money that had a string tied to it. "Because of that attitude and that conduct *we did not have the money* to answer the millions of lies of our enemies, and so we did not get the votes" (pp. 27-28. Our italics).

Phase 2.—In spite of this lack of funds the Epic idea went forward on its own appeal and was very well accepted. In fact, it swept the country in a remarkably short time. The total of the "I, Governor of California" book printed and sold by the End Poverty League up to election day was 255,000. The campaign boomed by the hard work of the members of the League.

"The primary election came on August 28, and our people closed the campaign in a whirlwind of enthusiasm. We had literally hundreds of meetings every night of the last week." From reports received Sinclair made up his mind that "we were going to win."

The vote for the Democratic nomination was:—
(a) Sinclair ("Epic" Plan), 436,000.
(b) Creel, 288,000.
(c) Wardell, 48,000.
(d) Milton K. Young, 41,000.
With a few thousands for each of the others.

The Republican votes were as follows:—
(a) Merriam, 346,000.
(b) C. C. Young, 231,000.
(c) Quinn, 153,000.
(d) Ray L. Haight, 84,000.

The Communist vote for California was 1,072.
The Socialist ditto was 2,521.
Everything looked good for Upton.

Phase 3.—"Immediately after the primary election California stocks and bonds took a tumble—$50,000,000 lost to California, said the newspapers. How were the people to know that the big insiders manipulate the prices of stocks and bonds, and drive them wherever they please?" (page 158).

In fact the anti-Epic people got going good and proper. They set the Lies Factory to work full time and overtime. It worked full steam ahead. Press—Radio—Films—everything. They dug up sentences and scraps of sentences from Upton's books and novels and published them daily in the papers. They put useful dots ". . ." where words were best left out in order to give a dog a bad name and hang it. The anti-Epics waged a fierce and entirely unscrupulous propaganda war against Poor, Simple, Honest Upton. They plastered all they could on him: Red Bolshie being the most useful weapon, coupled with Atheism and Free Love. Then Hollywood was stampeded and brought into play. The motion picture industry threatened to pack up and go—to some state not threatened by Upton's Epic Plan to Put the Unemployed to Work! In the last three or four weeks of the campaign the "Downtown Shopping News" of Los Angeles, distributed weekly to 400,000 homes, blossomed out with terrible stories on half of its front page:

PAYROLLS MENACED;
PROTECT YOUR JOBS!

"Upton Sinclair says: 'If I am elected I expect half the unemployed in the United States to hop the first freights for California.'

"Such an influx would create an impossible relief burden; business could not maintain its payrolls, and those now employed would lose their jobs or divide the pay-checks with the newcomers." (Page 166.)

Two thousand billboards were put up with the following in blue on white:—

"'IF I AM ELECTED GOVERNOR, I expect one-half the unemployed in the U.S. will hop the first freight to California.' UPTON SINCLAIR, Sept. 26, 1934. MORE COMPETITION FOR YOUR JOB." (Page 127.)

Now it so happened that Upton did say something of that sort to a bunch of reporters. Sinclair writes: "If I were asked about one thing which may have cost me the election, it would be the story which follows."

Then he tells what happened: "They (the reporters) asked me every question they could think of about the EPIC Plan, and I answered freely and humanly. One said: 'Suppose your Plan goes into effect, won't it cause a great many unemployed to come to California from other States?' I answered with a laugh: 'I told Mr. Hopkins, the Federal Relief Administrator, that if I am elected, half the unemployed of the United States will come to California, and he will have to make plans to take care of them.'" (pp. 124-25.)

Well, if that wasn't asking for it . . .?

The Los Angeles "Times" came out with a front page headline: "HEAVY RUSH OF IDLE MEN SEEN BY SINCLAIR."

"The cartoonists rang endless changes upon the theme." Newsreel cameramen got "bums" and "hoboes" to pose and talk, and the cinemas showed the influx of unemployed already beginning!

Says Simple Sinclair: "Were the people fooled by all this? Of course they were fooled. I can answer, because a friend of mine was discussing the campaign with a woman, who said that I would ruin the State of California if I was elected. 'He says himself that he's going to bring half the unemployed out of the United States to California.' 'Do you believe he really intends that?' asked my friend, and the woman answered: 'Of course he intends it. He has put it up on billboards. You can see it all over the town—his name is signed to it!'" (pp. 126-8.)

It only takes a small pin to bust a big balloon. Honest Upton filled a big EPIC balloon (mostly with hot air) and then handed the pin to a bunch of Press reporters!

But a man who can write, "I am a mild-mannered gentleman devoted to a noble-minded wife," (p. 161), deserves deflation, and is sure to get it. This phase of the famous Epic campaign proves, once more, that Honest Mugs cannot hope to win against Double-Crossing Knaves. Moral: *Watch how you go, for you never, never know . . .*

The result of this phase: political stampede—people afraid to vote for Sinclair—employees openly threatened with the sack if they did.

Phase 4.—Election day results:
Merriam: 1,138,000.
Sinclair: 879,000.
Haight: 302,000.

The astonishing thing is that Upton managed to poll that 879,000!

This is probably not the end of Epic.

Sinclair gives a hint of the next phase: "We should call for a California Authority for Barter, instead of a California Authority for Money; because very certainly *our enemies would tie us up in court proceedings if we tried to create anything along the line of 'money' in our State.*" (p. 212-3. Our italics.)

Sinclair can write (p. 213): "The idea of borrowing one's self into prosperity seems childish . . . We are lending money to ourselves to pay our debts to ourselves." And his way out of this childishness is to put the unemployed to WORK so that they can produce for their own use on a barter basis.

He sees the problem as a Work Problem, and his "solution" is: Get to Work and Exchange Goods by Barter amongst Yourselves.

His mind is fixed to round about 1887—and it will never come unstuck as long as he lives.

. . . .

What do we learn from Sinclair's Epic campaign?

That even a "Work-and-Barter" Plan arouses the fury of Big Business and Finance.

That a Social Credit, "Money-for-Jam" Plan will arouse a hurricane of fury the moment it begins to get popular support—i.e., the moment it looks like becoming "practical politics," as they say.

That any attempt to take a Social Credit Plan through via the electoral mechanism of political democracy will unloose such a whirling vortex of blind fury as to make Upton Sinclair's Epic defeat look like a storm in a rainfilled acorn-cup.

That B.-P.'s motto, "Be Prepared" isn't a bad one.

S. R.

LETTERS TO THE EDITOR.

RETIRING FREE CREDIT.

Sir,—I see that the question of cancelling consumer credit is cropping up again, and wonder if the following would help to clarify this matter in the minds of some of your readers?

Under the present system a retailer charges all costs into prices including his own remuneration or profit, and, if successful, recovers all these costs from the public in prices.

Under Social Credit he would be required to allow a discount of, say, 25 per cent. to the public. He would thus be short of 25 per cent. of the money necessary to meet all his costs and liabilities to suppliers. In other words, if his sales were £1,000 p.a., he would be short of £250 *unless* this were made good by the National Credit Office via his bank, in which case all would be well again. The goods would then have been sold for 25 per cent. less than their ordinary full commercial value, while the *money* representing the full commercial value would flow through the usual channels for cancellation just as now. The *issue* of the £250 to the retailer to "*put him right*" would be debited against credit for "excess of production over consumption" of the previous period by the National Credit Office and thus be cancelled.

In this way it can be seen that no special mechanism for retirement of consumer credit is necessary.

D. P.

"PER CENTUM PER ANNUM."

Sir,—Enclosed reached me through the firm's auditors, who received it from a Government official. It occurred to me it might be of use, as so many people fail to realise that the banks control practically every action of the Government. This is the best specimen of such that I have so far seen.

New Zealand.

A. McC.

[ENCLOSURE.]

The maximum rates of interest that may be paid in respect of any period between the first day of August, One thousand nine hundred and thirty-four, and the thirty-first day of March, One thousand nine hundred and thirty-seven (both days being inclusive) by any trading company (including a stock and station agent) on all new deposits made with any such trading company (whether by an employee or shareholder of such company or by any other person) on or after the first day of August, One thousand nine hundred and thirty-four (including renewals on or after that date of any such new deposits or of any deposits existing prior to such date) shall be the following rates according to the respective terms of such new deposits or renewals.

(i) At call or for any period less than three months, two and one-half per centum per annum.

(ii) For any period not less than three months but less than six months, three and one-half per centum per annum.

(iii) For any period not less than six months but less than one year, three and three-quarters per centum per annum.

(iv) For any period not less than one year but less than two years, four per centum per annum.

(v) For any period not less than two years but less than three years, four and one-half per centum per annum.

(vi) For any period not less than three years, four and three-quarters per centum per annum.

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