NOTES OF THE WEEK.

Japanese Finance.

We have received a specimen copy of a 60-page monthly magazine entitled The Oriental Economist. It has been sent by the publishers in Tokyo. It is printed entirely in the English language. It costs 10 sen (35 sen). The issue before us is Vol. II., No. 3, dated March 1935. It comprises about nine pages of advertisements and about fifty pages of reading matter including graphs and statistical tables—the latter occupying most of the space. In the advertisement section all the corner-side positions are occupied by Japanese banks and finance houses, as of course is to be expected. They proudly display their paid-up capitals and the reserves, and it is pleasant to record that collectively the proportion of reserves to capital is well above the 50 per cent. mark. The champion bank is the Dai-Ichi Ginko, Ltd. (formerly the First National Bank), whose "Reserve Fund" stands at the same figure as its paid-up capital, namely 57 million yen, and who, to make assurance more reassuring, have an extra "Special Reserve Fund" amounting to 30 million yen. After that it is a mere trifle to mention that it holds a sort of unofficial reserve fund in the shape of "Undivided Profits" amounting to about 3 million yen. Honourable mention is due also to the Nippon Ginko (The Bank of Japan), whose Report shows that whereas its net profit for the second half of 1934 was 19 million yen, its dividend (at the rate of 10 per cent. per annum) amounted to 24 million yen. The only other external allocations of profit were "Payments to the Government" amounting to about 5 million yen; and "Bonuses and Allowances," 4 million yen. All the rest of the profit, amounting to about 17 million yen, was attached for reserves or carried forward. Evidently London has nothing to teach Tokyo on the subject of sound finance.

The proprietors of The Oriental Economist publish an announcement in which they say:

"This journal is independent. It pays its own way through legitimate income from circulation and advertising. It is in no sense propaganda. Its views are independent; unbiased by any racial, national, or other allart except one towards Liberalism."

A careful critic might hold that views biased by a slant were suggestive, both in spelling and idiom, of American origin—but that need not mean that the content of the views is either racial or national, especially in the judgment of those who, like our readers, are familiar with the doctrines of "liberalism" defined so eloquently by Dr. Nicholas Murray Butler and General Smuts. It may be added that these gentlemen have reached the highest pinnacle of independence in the sense that their views float about in a vacuum-chamber of expression from which the atmosphere of factual material and logical reasoning is entirely excluded.

The proprietors are quite correct in their claim. The larger liberalism to which they owe allegiance is the philosophic halo cast round international financial policy. Bankers know no race, no nation, no person. Their views are independent in the sense that they are impartial and detached. And The Oriental Economist, in its survey of trade and commerce talks exactly the same language as the equivalent economic magazines in the capitals of Europe. They all slant at the same angle.

Listen to the following comment about Manchukuo (sic; this must be the unbiased Oriental spelling of what we in the biased Occident spell Manchukuo). First, bear in mind that the Manchukuo's Government consists entirely of Chinese Ministers, each of whom is served by a shy and retiring Japanese private secretary. Each Minister acts by the advice of his secretary. Hence the financial policy of the Government reflects the financial policy of the Japanese Government. The comment is this:

"With the opening of its Central Bank on July 1, 1934, Manchukuo undertook the task of bringing order out of its currency chaos by withdrawing from circulation paper notes of numerous kinds and authorities. Paper notes of about ten varieties, are said to have been in circulation. The Central Bank made up its mind to retire all these notes by exchanging them for the new currency at various rates. . . . The
The Point of the Pen

By R. Langner.

No. XXX.—ST. JOHN EIRVINE, DRAMATISTS, AND MANAGERS.

Mr. St. John Eirvine has done good work by exposing the attacks made upon dramatists’ rights by managers. The demand in their theatrical contract is that the authors’ potential profits should be the same as the film rights of produced plays. They fear that a theatrical production in the West End may be followed by a film production of the same play, and they have a share of the dramatists’ sale of film rights. Mr. St. John Eirvine has answered this nonsense admirably, but it will do no harm to answer again and again: the position of the creative artist is being seriously threatened in a age of chaotic commercialism, with its brutal and stupid concept of art. The greater part of plays made into pictures have been filmed simply because they are plays, and as plays they lend themselves to reproduction as “talkies” far better than any of the previous silent films. Plays contain dialogue and the revolution of character through dialogue, and they are not the automatic stories by men like Stevenson, Wilde, Collins, Eugene Sue, Arnold Bennett, etc., who would make just as good pictures as the average play; but, proselytes of full action and suspense, and however good the success of the film, it will lack dramatic dialogue. The managers do not create this inherent film value which lies in the drama: if it is claimed that the author is not his own producer, the manager’s production has added value then this may be categorically denied. Producers ruin just as many plays as they improve; and, obviously, the finer the play the less room there is for “improvement.” Good managers and interpreters and imaginative men. Good dramatists only hope to get adequate interpretation of their work. The film is a pay the expenses of hiring a good author to write “extra dialogues,” as is usually done where a novel is filmed: men who can write good dialogues are rare, and expensive, according to their established reputations.

As for the managers’ “risking their money,” Mr. St. John Eirvine rightly answers that, together with the dramatist, the producers, the actors, and the audience, they have a view to gain. They risked their money before the films were invented, and were content to do so. If a man produces a play solely because he thinks the film rights will sell, then such procedure is obviously going to be bad for the theatre, and for authentic dramatists. A thing which dramatists overlook or ignore is the fact that dramatists also risk their money (or their time, which is the same thing), and it is common for artists to experiment, and write highly speculative themes, for years before they make a hit. What dramatist would develop his art, and whilst he experiments he eats up capital—or starves to death!

It will be contended that these “extra rights,” provided by the cinema industry, are an additional revenue for the dramatist in the belief that plays are produced in a lively hope of selling film rights, that otherwise would never be produced. The answer to this is simple: no authentic dramatist wants his plays produced because he knows they will not make money. And that is why the manager who produces plays for their film value would be better out of the theatre. As a fact, film money is making a formidable attack on the art of the theatre, backed by gutter journalism, and the carefully preserved ignorance and bad taste of the mob. The cinema-going habit is fostered in every possible manner that money-power can produce; the cinema itself is an enemy. It has enormous value as national trade propaganda, however indirect. One symptom of all this is revealed in the fact that the cinema is able to buy and send all the best plays with the shock appeal of money and the taste for the disaster, as film ruins the palate for good wine.

The only way in which the present-day cinema industry can help the dramatist is by giving him his money by which he can collaborate to pursue his goal. The managers’ attack on dramatists’ extra rights is also an attack on this precious leisure: it is doubtful whether, in the end, it will help the authentic manager when the threat of the film companies is a reality. These are far more interested in film production than they are in the theatre. Where the dramatist might be ready to surrender potential radio profits to a producer, the manager can never sell, for the film industry sells all his old stock in unusual drama and the art of the theatre—the dramatist will certainly be resentful of his profit by a business organisation which regards the theatre as a mere celluloid cut-out. It is highly dangerous to the artist. If he signs a contract surrendering film rights to a management it means that he sells his property without obtaining the consent and signature of the theatrical management he deals with. Consider what the effect will be: artists who think that the interests of the theatre management are precisely the same as his: he may learn, in bitterness, that his management’s interests are different, and even contradictory.

(The continued.)

Theatre Notices.

The Playhouse is giving Galwayton a jubilee airing, with The Skin Game, of which a critique will be published next week.

Some local liberties are taken with English history in West End week, but in only the most trifling way. It will introduce the public to the students of real politics. An enjoyable and profitable entertainment all through.
Velocity of Circulation.

By A. W. Jospeh.

E. W. H., in his note published in The New Age of May 2, makes a useful correction to my article, "Velocity of Circulation." I had overlooked that if money is involved, it appears without cancelling costs. In most cases, however, the costs, though still there, will change their nature. Suppose a business is started with the aid of a bank loan, and later an issue of shares is made in order to pay off the advance. Before the capital is transferred, payment may be made in money, and goods are burdened with a loan cost. After the issue of shares the money disappears as also the loan cost, but in the place of the latter appears what I have termed a capital cost. I agree with E. W. H. that it is of little importance whether the cost is a loan cost or a capital free cost; in both cases it must be recovered. There are, however, differences. If a loan cost cannot be recovered the debtor will be forced into bankruptcy. If a capital free cost cannot be recovered it is usual to have a loan cost, and must be written off. This is not unusual in a matter as bankruptcy, although I agree that it is highly undesirable for such a situation to arise. When a loan cost is recovered the money involved is automatically cancelled. When you buy a bank's stock you recover the capital in the form of money and it can be used for revenue purposes, although, of course, such an action would be "eating capital."'

E. W. H. and myself are looking at matters from slightly different angles. I, however, think that a payment which is owing to some other person, I have generalised the idea of cost by assuming (I agree I did not make the point very clear) that a cost attaches whenever an article or service is rendered to a person other to another person. The cost is paid for out of the money, which cost is liquidated by the passage of the money, even though the article concerned is wholly owned by the seller. I have assumed that the seller has to estimate to charge for his own services, that there is no medium of exchange between a charge incurred to somebody else for a piece of work to oneself for a piece of work. These costs I have called revenue costs. I have assumed that as they may be extinguished without money being destroyed, velocity of circulation is greater than unity as far as they are concerned.

(3) Capital free costs may be extinguished, money being destroyed at the same time. Capital is recovered in the form of money. Velocity of circulation is unity.

(4) Loan costs may be extinguished, money being destroyed at the same time. Velocity of circulation is zero.

Whether the velocity of circulation is greater or less than unity will depend on which of the two factors (1) or (4) is the more powerful.

Retiring Free Credit.

If a Government distributes the National Indivisible Warrant which retailors accept in payment for goods, and which bank accepts from them in repayment of loans and/or as credit-deposits, the banks would require the Government to purchase the funds from the banks. The currency? Reasons for a negative answer were given last week. This week the accounting of this Dividend is dealt with.

II.

Coming now to the technical aspect of the problem there is no ground for the assumption that new legal tender currency would be printed and issued every time an instalment of the National Dividend was spent. The Government could have distributed the warrant as a dividend, and then cancelled it (in an article entitled "Dividend Overspills") that the annual amount of the "national income" does not represent the amount of money in circulation but is a cumulative record of fifty-two weekly cycles of, so to speak, the same money.

Our correspondent's suggestion that it is possible with a book of Warrant Dividends (say, fifty-two to last him a year) does not alter the principle. He can cancel the warrant as a debt. A bank in respect of which they are denominated with a cheque. He can then cancel the warrant as a debt. A bank in respect of which they are denominated with a cheque. He can now pay it to the National Credit Authority, who will credit him with the amount; or he might pay it to his bank in who turn could transfer it to the National Credit Authority who would credit him with the amount.

In either case the National Credit Authority would retire the warrant. In the former case it could be that the National Credit Authority is not present to provide legal tender to the full amount and probably would not make less than the treble or four times the amount of the warrant in that form. The demand for legal tender proceeds ultimately from the public; and it is likely that under Social Credit large numbers of people would not present it to the National Credit Authority and have a bank which will not adopt the cheque-system, with the result that there might be even less demand for legal tender than there is now, in spite of the large increase in buying.

So the idea of an astronomical store of currency notes must be discarded, and the problem (if any) becomes that of adjusting the credit-entries recording the hand-over of the Dividend Warrants during their circuit. It is true that they are retired by the National Credit Authority. It is equally true that the National Credit Authority must now be a bank in the normal sense of the word. Its business is to retire warrants and keep track of them. It should be noted that under Social Credit large numbers of people would not present it to the National Credit Authority and have a bank which would not adopt the cheque-system, with the result that there might be even less demand for legal tender than there is now, in spite of the large increase in buying.

The reason why the National Dividend is issued is, I believe, to calculate money and to measure and to compensate a premium represented by money. After it has been used in the work of enabling the public to purchase goods, the same amount of such reinvestment of income that falls due for recovery in respect of the output offered in the consumption market in a given week, but which the public do not pay. The reason why the National Dividend is issued is, I believe, to calculate money and to measure and to compensate a premium represented by money. After it has been used in the work of enabling the public to purchase goods, the same amount of such reinvestment of income that falls due for recovery in respect of the output offered in the consumption market in a given week, but which the public do not pay. The reason why they cannot spend it in the consumption market or they might renovate. If they spent it—which implies that they intended to give up their investment-practice altogether—the reduction would be between collective costs and income during the periods and reduce the size of the National Dividend. If they renovated it—which implies that they intended to keep their consumption expenditure constant and increase their investments—the leave the gap open (and perhaps widen it) in which case there would have to be further (and larger) National Dividends.

But there is no need to suppose that the investor demands the $10 for $5. Indeed, why should he? To re-invest? That would be silly: for he would be drawing out credit to put it back; so he might as well leave it where it is. To spend it on consumption? Has the consumer power of after the Dividend? Suppose, then, that he leaves the $5 where it is and is content to hold his share (or other security) and enjoy such industrial dividends as may accrue to him. In that case the banks are not put to the expense of writing off the $5, and therefore have no need to ask for a covering credit from the National Credit Authority. We can ignore the banks, and say that the $5 is suspended or potential credit in the hands of the N.C.A. It may be said that the banks do it to the investor if ever he wishes to retire his capital out of industry. Let us consider it in its visible form of a Dividend Warrant retired from the consumption market and, so to speak, put into circulation.

The next step is the present step, that the reassessment that in the next and subsequent weeks production-finance continues on the same investment basis and on the same scale as before, there will be additional Dividend Warrants issued, used, and ultimately destroyed. To pay the N.C.A. at the rate of $5 every week. This could go on indefinitely until the value of the N.C.A. were over-estimated, or otherwise not functioning in the consumption market. The former would be the logical result of the wrong policy of the National Credit Authority when they are not functioning in the consumption market. The former would be the logical result of the wrong policy of the National Credit Authority when they are not functioning in the consumption market.
tired. But this cannot happen in modern industry. Production cycles are many times longer than the longest credit cycles. So much of the credit issued is retired before it has passed through the consumption market. The investor is the chief agent of this short-circuit operation. He needs subsequently to retire from the public the equation in which the banks have already retired from him. The National Dividends provide the public with the necessary amount. To use our token figure, the National Credit Authority gives the public $2 for enabling them to pay back in the investor's pocket $1 which the banks have taken out of circulation. As has been said in previous articles, anyone who contends that the $2 ought to be retired by some special device after distribution was established is an N.C.A. is implicitly denying that the $2 has already been used up in financing the industries which if there were no private investment at all there would be a surplusity of incomes against costs.

Japan’s Foreign Trade.

Japan’s foreign trade last year was valued as follows: Exports, 2,722 million yen; Imports, 2,652 million yen. This represents 17 per cent. increase over the exports of the previous year, and 19 per cent. over the imports. In last year’s exports the predominating contributor was wholly manufactured articles, 314 million yen, representing an increase of 25 per cent. over the previous year. These chiefly comprised silk textiles, rayon fabrics, woolen and worsted goods, cotton piece goods, knit goods, and other textiles. Next came pottery, glassware, cement, paper, and bamboo. Further items which have made a large increase in machinery, and which are finding their way into Manchukuo and other trading areas in the Orient. On the import side raw materials predominated, showing a gain of 39 per cent. on the previous year. These chiefly comprise cotton and wool, then come crude rubber, oil, and phosphoric acid.

Last year British India’s purchases from Japan were up on the previous year by 53 million yen (26 per cent. rise), Great Britain’s were up by 27 million yen (24 per cent.), and equally large increases took place in Germany and Holland. Europe as a whole increased purchases by 40 million yen (25 per cent.).

Governor hijikata addressed the annual meeting of shareholders of the Bank of Japan on February 18. He pointed out that this expansion of trade has taken place despite the “increasing barriers set up in the way of foreign trade by other nations.” The foreign exchanges, he said, generally displayed stability. Money remained easy “with dibilitants of Government funds in substantial amounts.”

The money market, as in the previous year, was in large amounts of Government loans, the bulk of which was taken up by this Bank, the consequent disbursement of the obligations proceeding in the hands of the banks to increase. On the other hand, loans declined as the improvement in trade made possible liquidation of debt to some extent, while no small portion of bank loans was converted to debenture bonds at lower rates of interest.

The total amount of local government obligations, and bank and company debentures placed during the past year reached 2,506 million yen, which is an increase of the previous year of 205 million yen. Rates of interest for these loans gradually declined downwards, so that towards the end of the year “high-grade debentures were offered at 4.3 per cent., resulting in a

considerable saving of interest charges to the borrowers.”

In this state of affairs the banks found themselves with abundant supplies of funds for which they sought outlets chiefly in investments, particularly in Government bonds, and the Bank sold during the past year 906 million yen of Government bonds out of its

The Bank’s loans and discounts which stood at a monthly average of 700 million yen until July, rose to 800 million, “due largely to increases in advances on foreign bills and in advances to the Government in connection with the Bank’s purchase of gold, the gold so purchased is mined in Japan. Since 1928 the Government had been buying it and ‘using it for meeting payments abroad’ the Bank was not actively empowered to buy it, and the gold now goes into the Bank’s specie reserve.

It will be interesting to watch the development of this new trend as they will be able to provide the market when and if the yen is allowed to be traded freely in the foreign exchange market.

A Central Banker on Banking.

[Excerpts from Speech of Governor of Bank of Egypt]

March 13, 1925

"... a bank is like a bank in a country... Through its deposits, its borrowers, and particularly its investments, the needs and reforms which are changing in economic society are reflected and in which the economic conditions of the country will be continually studied. We should imagine that the failure of a bank in Vienna would be felt in all the countries of Europe, the failure of a bank in New York would be felt in all the countries of the world... The effects of which are due to the influence of the world currency, and to the influence of the world's financial system, as well as to the influence of the world's agricultural system.

It follows therefore that the management and shareholders can never be indifferent to the world’s events..."

"Are we... witnessing the disintegration of the capitalist system, at any rate in the individualism of which we know it? Are we witnessing the revolution, in which we see the growth of a new social order, in which the individual acquires a new social function?"..."In all periods of change it is appropriate for the world to become conscious of the new conditions..."

The Bank of Egypt is working continuously in a direct line to the world’s interests, as well as to the interests of the country... We have therefore sought to study the conditions of the world’s economy and its financial system, in order to be able to understand the way in which the world is working and to be able to make a contribution to the development of the world’s economy.

Will Beans Be Spilled?

Readers should watch Mr. Winston Churchill’s recent history of the King’s reign which began in the Standard of 25th May. Churchill is a great historian who has no lasting claims, but on the subject of his new dailies, "It is a fair bet that before he’s done we shall hear something, but we don’t know what."
LETTERS TO THE EDITOR.

ELECTORAL CAMPAIGNING.

Sir,—There are, I should imagine, a good many who share Mr. Tait's scepticism with regard to the methods proposed for the furtherance of the electoral campaign. In accordance with Social Credit theory once the general body had decided upon a policy it was the task of the experts to carry it out. Having resolved to bring pressure on the powers that be through the agency of the parliamentary machine it should have been left to individuals and groups to employ the technique that seemed to them most suitable in their particular locality. This again would have been in accordance with our theory and tradition. Instead of this an effort is being made to convert the finest body of propagandist guerillas that ever existed into a regular army, and all the signs are that they are not taking any too kindly to the squad drill.

There is no reason that I can see why, if Mr. Tait and his friends want to run candidates, they should not be encouraged to do so. Their action will not compromise the movement and will certainly give it a much needed advertisement. It is just as easy to get these pledges or as the Secretariat says it is, there should be no risk of a discreditable fiasco.

I do not feel, however, that Mr. Tait's plan which is feasible in Gateshead would be the proper one to adopt in the suburb in which I live, a constituency with a Tory tradition and a thirty thousand majority. Nor is the Secretariat's pledge scheme of much use, for in effect it means persuading the electorate to vote, assuming as is by no means certain, that the Labour people put up a candidate. What experience has been gained shows that the poorer streets furnish the best pledge harvest, but as they are generally political opponents of the sitting member this does not get us far. The difficulty of persuading the suburban masses and to vote Labour goes without saying. Consequently, if we are to attempt to apply political pressure the most feasible means seems to be to enter on a campaign to persuade the electors to abstain from the poll on the ground that existing parties are a sham fight: quite a standard Social Credit doctrine, our aim will be to reduce the poll below the 50 per cent mark and cut off the moral support on which the system depends. If the Labour dog won't fight we might have to consider at a later stage putting in a type of our own.

I hope that you will use your influence with the Secretariat, assuming you have any, to get them to allow a greater degree of autonomy to local groups. If the locals think they can improve on the official scheme they should not be excluded.

A. P. S.

Our correspondent's latter letter recalls the fact that the earliest form of what are now known as Social Credit electoral campaigns was a parade of members who walked along the main streets of London carrying placards prompting the electors not to vote. Older readers will remember that at that time The New Age made it a practice to interpret by-election returns by classifying abstentions from the poll as representing the "Social-Credit vote." The idea, now revived by our correspondent, was to discredit the mandate secured by any Government on a narrow majority of voters over non-voters: and with that in view the narrower the majority (if any) was, the better—the best of all being an actual minority of voters. The soundness of the idea was not a matter of open controversy at that time, though we do not suppose that everybody in the Movement would have supported it if canvassed.

Today, however, it has become a matter of controversy. There is an anti-vote school of thought, and there are pro-vote schools of thought: and the latter are divided in opinion as to how the electors should use their voting power. To these may be added another school of thought which may be described as supporting the policy of ignoring the electors as such altogether, and leaving them to do what they like. Again, this school of thought covers two classes of opinion, one of which would attempt no popular political mobilization at all, and the other of which believes in the popular mobilization of citizens on a demonstrative agitational basis outside the voting system.

Leaving aside all the arguments which can be brought forward by various proponents of policy, it may at least be said in support of the anti-vote school of thought that in some countries, e.g., Australia, voting is compulsory; and this fact raises the presumption that the interests (primarily financial) which impose that compulsion do attach importance to the moral value of large polls. Again the extension of the boycott of the ballot-box in this country during the last few years has been spontaneous; and it is legitimate to ask whether it may not be more feasible and effective for Social-Credit advocates to push behind this spontaneous than to obstruct it—to educate the abstainers into a philosophy which logically justifies their instinctive abstention. However, there is no object in elaborating this, because there is not the slightest prospect of agreement among members of the Movement about any plan of action at all.—E2.

The Credit Reformer's Library.

Stanley Nott, Ltd., have issued five more pamphlets (Nos. 5 to 9) in their "New Economics" series. They comprise writings by F. A. Ormskirk, the Dean of Canterbury, Ezra Pound, and Alfred Venetian (poems), and a selection of extracts from ten Social-Credit writers, edited by William Ward. These pamphlets average thirty-two pages and are priced at 6d. Each contains Ormskirk's broadcast address of November 4, 1935, and his lecture to the Leicester Athenaeum in 1934. In No. 6 Ezra Pound writes on Social Credit in his usual picturesque style—his truculence and irreverence towards the established authorities contrast well with the persuasive styles of the other authors. The pamphlets are obtainable from the publishers, 69, Grafton Street, Fitzroy Square, W.

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