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NOTES OF THE WEEK.

The Bankers and the Election.

According to *The Times* of November 15, when commenting on the election returns of the previous evening, "the larger the poll the better the showing of the Government candidates." Whether the accuracy of this observation has been corroborated by the full figures we must leave to the researches of statisticians. But there is no doubt that it reflected the calculations of the Government's advisers when they were fixing the time of the election and the leading issues on which it should be fought. The timing of polling day three days after the Armistice anniversary caught the people in an altruistic mood, and the millions who went to the cinemas in that mood had that mood intensified by pictures of the ritual, and, most important, directed by the injunction that it was their *duty to vote,* flashed on the screen at the height of all the emotion. Another artful device was the gratuitous and universal extension of licensing hours. This was designed to accommodate that " selfish " section of the community who might not trouble to vote before they went to the pubs, or to break their visit to the pubs for that purpose, if the usual closing hours (10 or 10.30) had been in force. But with the midnight extension (in London) there was the generous prospect of three hours (often four hours) entertainment after the close of the poll, with wireless chucked in for those who were interested in hearing results.

* * *

Of course both devices tended to swell the Socialist vote as well as the Conservative vote—particularly the second one—and that is the reason why we question whether they had any decisive effect on the balance of the voting as between the parties. But behind the Government were the bankers; and they have a deeper reason for getting a large poll, which is that the larger it is in proportion to the electorate the more definitely the legislation passed by Parliament is constitutionally accredited. A House of Commons representing a minority of the electorate would offer encouragement to

those who wished to dispute its authority and to challenge the Government's interpretation of its mandate. It doesn't matter how small a Government's majority in the House may be so long as the whole House is returned by a large majority of the electorate. For then the answer to people who might object to the Government's legislation would be that it had been debated and divided on by Members on both sides whose combined authority to decide these matters had been vested in them by a majority of their combined constituents.

Since the above was written the news is announced (in the *Observer*) that the percentage of the electorate voting at this election is 71.0, as against 79.8 in 1931 and 79.5 in 1929. According to a letter from Lord Castlerosse to the *Sunday Express,* the " total poll " at this election is the lowest on record since the war. Presumably he means the percentage, not the actual number voting. Curiously enough he adduces this information as the reason why the Conservatives made such a good showing, and thus takes the opposite point of view to *The Times,* which argued that Conservatives would make their best showing on the largest poll. However, the only significance of the polling statistics, from the point of view of the Social Credit advocate, lies in the fact that the 1935 election marks the peak point in apathy and absenteeism.

Payment of Members.

A net gain of nearly one hundred seats by the Socialists means an additional contribution of about £40,000 per annum to the pool from which the Party can (potentially) feed its funds and improve its organisation. Not that the Party collars the salaries, but that the new Members who get them are either so much better able to support it, or, if they come out of other jobs, bequeath wages or salaries to successors who will probably belong to their political group. In one way or another more money flows into Socialist quarters, and tends to console everyone concerned for still being on the Opposition side of the House. A startling reminder of the financial aspect of seat-winning comes from Alberta this week. The *United Farmer,* the official organ of the United

Farmers of Alberta whose Government and Members were knocked out by Mr. Aberhart's Party last August, has been reduced in size from sixteen pages to four pages —a sign of the material as well as moral damage suffered by a Party which losses heavily at the poll.

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As regards the principle of paying Members of Parliament, after all that can be said in its favour it suffers from the defect that it tends to make them put the continuance of the Legislature in front of the driving of an issue to the point of compelling an Administration to resign. It is no doubt advantageous that the poor man with brains should not be excluded from legislating by reason of his poverty, but the advantage is lost if he can be intimidated into voting against his judgment lest he be thrust back into poverty as the result of a Parliamentary dissolution. In an ideal system there would be no such thing as the "*threat* of dissolution if the Government is beaten" that one hears of from time to time. Students of the credit question will see how the general impoverishment of a country which can be brought about by deflation, together with discriminatory taxation of the more affluent classes, tends to drive all Members of Parliament down towards much the same degree of dependence on their official salaries. From this point of view Members of Parliament may be looked on as in process of becoming auxiliaries of the Civil Service—temporary Civil Servants. In form they are so already; the Treasury pays them, and, as we know, can bring about their dismissal for misconduct by indirect means. An amusing item in the election news of last week had reference to two candidates in Ireland who pledged themselves that if elected they would not attend at Westminster. In a discussion we heard on this question was raised whether persistent non-attendance might legally disentitle the absentee from receiving his salary. Opinion inclined to the negative answer, because cases had been known of Members going abroad on long missions, and nothing had been said, so far as anyone could remember, about their being deprived of their salaries. Additionally, it is probable that when Payment of Members was decided on the idea that anyone should stand for Parliament without intending to go there did not occur to the legal advisers of the Government. It is an interesting point to clear up, for, as some wag suggested, the two Members referred to might use the money to provide periodical feasts for their constituents, selecting guests by sweepstake methods—a use which would at any rate show voters, for the first time, a concrete return for their votes!

Social Credit in the Election.

The results of the three contests in which Social Credit candidates took part (and by "Social Credit" we mean candidates who advocated Dividends and challenged the Money Monopoly as the obstacle to economic prosperity) were as follows. Figures for 1931 are shown against those for 1935 for the purpose of comparison: it should be noted that the figures for 1931 do not necessarily refer to the candidates standing in 1935 nor to the parties they represent; they are simply tabulated in descending order of size.

BIRMINGHAM (Erdington).

	1935	1931
J. F Eales, K.C. (Con.)	27,716	35,672
C. J. Simmons (Lab.)	17,757	16,676
H. C. Bell (Nat. Dividend)	2,050	—
Conservative majority	9,959	18,996

Total electorate	72,524	67,448
Total poll	47,523	52,348
Absentees	25,001	15,100

BRADFORD (North).

Sir Eugene Ramsden (Con.)	21,150	31,537
Mrs. Muriel Wallhead-Nichol (Lab.)	14,047	12,401
Reginald Kenney (Nat. Dividend)	4,684	—
Conservative majority	7,103	19,136

Total electorate	55,166	52,864
Total poll	39,881	43,938
Absentees	15,285	8,926

LEEDS (South).

H. C. Charleton (Lab.)	15,223	14,881
Noel H. Whiteside (Con.)	14,207	14,156
W. Townend (Soc. Credit)	3,642	6,291*
Labour majority	1,016	725

Total electorate	44,886	45,548
Total poll	33,072	35,328
Absentees	11,814	10,220

The combined result may be tabulated as follows:

	1935.	1931.
Orthodox Party votes	110,100	131,614
Social Credit votes	10,376	nil.
Absentees	52,100	34,246
Total electorates	172,576	165,860

A simple calculation will show that whereas in 1931 absenteeism from the poll was 20 per cent., in this election it was over 30 per cent., of the combined three electorates. In actual figures, although nearly 7,000 more citizens were entitled to vote this time than last, nearly 17,000 more declined to vote. At first sight the inference would seem to be allowable that the intervention of the Social Credit candidates helped to keep people away from the poll. This would have to be checked up by reference to figures in the other constituencies; but in the meantime it is antecedently probable that where you have candidates in the field declaring, with plausible argument, that all the orthodox parties are fundamentally one party, and an impotent party, an instrument of the Money Power, many electors might be moved by this destructive criticism to stay away from the poll because they were *unable to appreciate the constructive aspect* of the same criticism. Thus Social Credit would secure only the votes of the more independent and alert electors, but otherwise would achieve the next best object, namely, depriving the orthodox parties of votes. An elector might reasonably say: "These Social Credit candidates, when they say that the old parties can't do me any good, are speaking true words: for these old parties have never done me any good. But when these fellows ask me to believe that their way of doing things will succeed where the old ways have failed, well, that wants a bit of believing." Moreover, this hypothetical elector could continue: "Anyhow, what's the use of voting for this new stunt when there are only three candidates backing it? The new Government is bound to be run by either the Conservatives or the Socialists, for both have hundreds of candidates in the field." Lastly, if, at this point in his reflections, he happened to be presented with a leaflet in which he saw authoritative and seemingly independent and disinterested statements that the new way of doing things was (a) "incomprehensible," (b) "fantastically ineffective," and (c) "hopeless,"

*A Liberal stood in the 1931 election.

less even as a stop-gap," what else could he be expected to do but to "vote orthodox" or not vote at all?

Counter-Propaganda to Social Credit.

Such a leaflet was issued by the Socialists in South Leeds; it contained the above quotations from the findings of the New Zealand Government Monetary Committee on the Douglas Theorem and Proposals. In addition to this attempt to undermine the confidence of the electorate generally in the feasibility of Social Credit, the leaflet played up to the established prejudices of class-conscious Labour. It stated that advocates of Social Credit did not believe in public ownership and control of the means of production, nor in the elimination of class distinctions or in securing equality of opportunities for all, also that they *did* believe that Capitalism is the best possible system. It made play in this context with a quotation from Major Douglas, namely: "Almost the only thing which is not open to destructive criticism about the Banks is their dividends." Possibly similar attacks were made in the other two constituencies, but we have not yet heard anything about the character of the campaigning there.

Absenteeism in the Three Constituencies.

When the combined figures are examined separately it will be noticed that Erdington and North Bradford account for most of the increase in absenteeism. In Erdington absentees numbered 25,000 out of 72,000 as against 15,000 out of 67,000 in 1931; and in North Bradford they numbered 15,000 out of 55,000 as against 9,000 out of 52,000. In South Leeds they numbered 12,000 out of 45,000 as against 10,000 out of 45,500 in 1931. Thus South Leeds polled pretty well as actively as before, while the other two divisions dropped behind badly. The reason for this is probably to be found in the fact that the sitting member, Mr. Whiteside, a Conservative, got a majority of only 725 over Labour in 1931. This fact imported much more interest into the contest than could have been expected in Erdington where the sitting member's last majority had been just under 19,000 and in North Bradford where it had been just over 19,000. Attack and offence would be fiercer in South Leeds, and it seems natural to suppose that with the prospect of a close result before them either way only the most discerning and resolute voter on old party lines would choose this occasion to vote for the Social Credit candidate and risk having to reflect that his single vote had cost his old party the victory. We understand, too that a large part of this constituency is in a state of abject poverty, and if that is so there would be a strong impulse there to turn out the National Government's candidate, if only to take revenge for the Means Test ramp. As the result shows, the votes polled by Mr. Townend were about 3½ times the majority (1,016) by which Mr. Charleton beat Mr. Whiteside and brought off a "Socialist gain." How Mr. Townend's 3,642 supporters would have voted if he had not intervened it is hard to say. Probably both the winning candidate and the runner-up would like to know!

The Combined Social Credit Poll.

In neither Erdington nor North Bradford was the Social Credit vote so large as the majority of the winning candidate. (Mr. Bell's was over one-quarter, while Mr. Kenney's was well over one-half.) Nevertheless, in view of the circumstances, orthodox party leaders will have been provided with something to think about. Combining the three Social Credit polls you get 10,376 votes as against the combined majorities of the three winning candidates of 18,078: that gives an average of 3,458 Social Credit votes against 6,026 majority per constituency—a significant index of the "turning power" inherent in Social Credit educational and agitational activities.

Lost Deposits.

The moral effect of this demonstration of our growing influence has cost some material damage. It is not pleasant to think that all our three candidates lost their deposits. One does not grudge money spent on the campaigns themselves: it does some good to printers and others: but one does grudge this tax on the testing of public opinion, particularly when it is realised that the proceeds (as of all taxation) accrue to the Money Monopoly in terms of political power—a far worse thing than if it were in terms of distributable profit. It is almost the same as if the bankers fined you for asking people what they think about the bankers! The defence put forward for this deposit ramp is that "frivolous candidatures" must be discouraged. What is a *frivolous* candidature? Presumably it can be as well termed a "fantastic" candidature—an adjective which we have just quoted as applied by New Zealand financial experts to the Social Credit Theorem and Proposals. The proposition that anything which fails to detach one eighth of a polling electorate from causes incessantly inspired and boomed by all the powers of centralised finance, journalism, wireless, and so on is to be deemed frivolous and punished therefor, verges on to insolence. In practice it imposes a handicap on new ideas which can hardly be overcome unless they win at least some measure of tolerance from "Authority"—which means the Bank and the Treasury. Suppose that the Social Credit Movement had run a sufficient number of candidates to constitute a majority in the House; it would have been obliged to put down between £50,000 and £60,000; and for what? —for permission to spend another three or four times that sum in trying to put its candidates in. Of course, we are aware that the Insurance Combine will cover a candidate's risk for a moderate premium—something like ten per cent. But there are two observations to be made on this. One is that the premium is low at present because there are few "frivolous" candidatures. The other, and more important is that when you consider the Insurance Combine as an integral part of the Banking Super-Combine there is no risk to cover. If the candidate saves his deposit the Super-Combine is in pocket by the premium. If he loses his deposit the Super-Combine receives it at one desk and returns it at another, still retaining the premium. The whole thing is a bookmaking ramp. To be fair, we will agree that a candidate gets one privilege, however "frivolous" his programme, and that is the free service of the Post Office for the distribution of his election address, etc. What that service actually costs is another question—one which the postman could tell you seeing that he performs practically all the service and pockets the remuneration, if any.

Candidates' Comparative Successes.

We will record the fortunes of the three candidates for purposes of record. Mr. Kenney, at North Bradford, did best. By scoring 4,684 votes as against 4,986 needed to save his deposit he was almost exactly 300 short. Mr. Townend, at South Leeds, scored 3,642, against 4,134, or nearly 500 short. Mr. Bell, at Erd-

ington, scored 2,050, against 5,940, or just about 3,900 short. These results show the Birmingham area to be much more refractory than the Leeds and Bradford area. But there is the time factor to be considered. Mr. Townend was in the field by October 10, Mr. Kenney by October 24, and Mr. Bell by October 31. Other things equal, one expects that the chances of a candidate's success increase in some ratio—and an ascending one—to the time during which he appeals to the electors. If therefore we take the time factor as the sole test Mr. Kenney comes out on top with 4,684 votes in three weeks, Mr. Townend scoring 3,642 in over four weeks. Against these figures Mr. Bell's 2,050 in two weeks is quite good going. In fact, if you like to divide votes by weeks the average rates of scoring per week come out in this order: Mr. Kenney 1,561, Mr. Bell 1,025, and Mr. Townend, say, 900, or a little under.

The Influence of the Electoral Campaign.

But inferences from these figures are misleading, because in any constituency where the electorate have been most actively canvassed for pledges to vote on the "Dividends" question the candidate for "Dividends" would start his election campaign with the best chance of success. The only figures that we know of were those we reported for North Bradford recently, which were said to be 8,000 pledges signed. We were told last week by a correspondent that this figure relates to Bradford as a whole, and that the figure for North Bradford was 5,000. (Neither figure is official, and so needs verification.) We suggest that it would be a good thing if the three candidates could meet somewhere soon to exchange experiences with the view of getting fresh light on the problem of policy with regard to the electorate. It is surely of fundamental importance to ascertain if possible to what extent the canvassing of the people *between* elections affects their voting *at* elections, to all those who believe that (a) Social Credit must be put over by the electorate and (b) that this has to be done within the next four years. And it is hard to believe that a frank interchange of view between the candidates and their organisers would not elicit information on which at least an interim conclusion should be possible.

Future Policy.

We take it for granted by all sections of the Movement that it has been worth while "testing the temperature" of the electorate on this occasion. No-one could know without trying the experiment what the electors would do. Not a few workers in the constituencies were optimistic enough to think that the Social Credit candidates would get in; and a host of supporters throughout the country would have laid long odds against all three losing their deposits. No doubt each of the candidates will testify that to all outward appearance our ideas were finding sufficient favour to justify optimism. But there it is; that is just the way with elections—and particularly General Elections.

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As we said recently, it is a pity that Social Credit candidates should have stood for constituencies so near together as South Leeds and North Bradford. If one or the other had been concentrated upon it seems reasonable to suppose that the chosen candidate would have saved the £150 deposit, whereas now (barring insurance) £300 has been lost apart from other expenditure. And apart from the money question, the moral effect of saving the deposit would have been valuable. But there are

compensations. We do know what has been (and the minimum of what can be) accomplished by our divided forces in that area of Yorkshire. And, adding in Birmingham, we may say that we have separately tested three widely differing classes of electors. This gives us a balanced idea of our influence under different sets of conditions. We are better able than otherwise to calculate our chances in any given constituency in future.

Future Prospects.

Normally, of course, the new Government can deny the electorate another General Election until 1940, which is beyond the time limit in which a catastrophe may take place. But there are possibilities of by-elections, and in these some of the handicaps we mentioned earlier as affecting "independent" candidates may not be so heavy. The gain or loss of one seat cannot affect the complexion of the House. Again, Providence decides when the seat shall fall vacant, not the bankers. Hence the latter cannot frame up events and issues to synchronise with polling day. People will not be so easily hypnotised into international-mindedness, nor will party followers be so averse from doing some experimental voting. Of course the enemy can concentrate on educating the electors just as we can; but it suits us best when we can confront the Biggest Noises among the ruling hierarchy of Ministers and ex-Ministers. They attract publicity, with the consequence that what is argued about gets into the Press generally. Then again we should have the option of deciding whether to fight for any vacated seat or not, depending on whether the venue was suitable or the events of the time propitious. However, this matter is one for those to consider who think it important to plant a Social Credit "cell" in the House.

Alberta Notes.

The Depleted Treasury.

The *United Farmer* (Alberta), of October 25, contains references to Mr. Aberhart's problems. An article by R. M. McCool describes how the Treasury became depleted at the time of the election last August. All Provinces are, he says, denied access to the money markets of the world, and can only borrow from the Dominion Government. Ex-Premier Reid could only borrow sufficient to tide Alberta over until the election was over. During the election campaign people began to sell their Savings Certificates. The sales came to about 800,000 dollars. This involved expenditure not provided for in the Dominion loan, and the Reid Government had to raise this sum by "short-term" loans from the banks. Immediately the election results were known sales leapt up, and the Government had to borrow or ask for another 1,000,000 dollars. Eventually it had to suspend buying; and Premier Aberhart was left with the task of dealing with the problem.

Montreal Actuary Visits Alberta.

Premier Aberhart is said to have engaged the services of one B. J. Magor to confer with him on (1) staff changes; (2) economies. Under (1) it is reported that discontent has been caused by Mr. Aberhart's dismissal of his officials, and his replacement of them by members of his own Party. Under (2) no particulars are given, but the opinion in Edmonton is that Magor will be Aberhart's "contact man" to "induce" the Canadian banks to provide the odd sixteen million dollars or so that he failed to bring back on his September visit to Ottawa.

Magor, it should be noted, was concerned as an expert in the Newfoundland affair—a sinister omen for Alberta. It is acknowledged that he is a gold-standard man and is representative of Canadian banking interests. Premier Aberhart's attitude on the immediate problem is reported as follows:—

"Our whole policy is one of balancing the budget, as we have no thought of repudiating debts. It is all a matter of adjustment, and we hope to satisfactorily adjust the affairs with which we were confronted when we took office."

Mr. Magor's job will be to advise on ways and means of adjusting the position.

Open Diplomacy.

The only card which Mr. Aberhart can play—if he has the courage to play it—is to disclose to the public the advice which is given him. Even this may not be feasible, for Mr. Magor and the banks may make it a condition of negotiating at all that the negotiations be confidential, and even that the fact of his agreeing to regard them as confidential is also confidential. Already Mr. Magor's engagement is reported in the Press as if it were a voluntary act on Mr. Aberhart's part. Obviously it is, in some respects. Mr. Aberhart needs money and wants to negotiate with the interests who can provide the money: it is no use his seeking advice from any other quarters. Nevertheless a frank disclosure of the situation would be a Press announcement of this kind: "The new Government's *retention of office* depends upon its *coming to terms with the banks*." This would eliminate the apparent incongruity arising from such a statement as that a confessedly *Social Credit* Government's *whole policy* was to balance the budget. If it has a *whole policy* we should say that it was to stick in office as long as possible in the hope of using its powers to overcome obstacles to the promised Dividends. If that were to be the declared policy, and it could be shown that the only alternative to the balancing of the budget would be the immediate bankruptcy and dismissal of the Government, the above incongruity would be eliminated. Of course Social Credit advocates would require to see signs later on that the Government were not sticking to office for the sake of doing so, or for any other purpose than to distribute the Dividend.

Banking Diplomacy.

Apropos of this, one newspaper comment on Mr. Magor's appointment is curiously worded: it hints that this appointment reflects the desire of the banks to "protect their interests *if and when* the Alberta Government begins to pay out Dividends." This can be construed to mean that the banks accept the principle, and are only concerned to see that it is applied in a way which does not prejudice the interests of their shareholders or depositors. On the other hand it may be a camouflaged hint that on Aberhart's attempt to distribute Dividends the banks will resort to reprisals to protect their monopoly rights. Readers of THE NEW AGE need no priming with information about what reprisals are possible after the object lesson provided in New South Wales and the Australian Commonwealth.

Conversion of Public Debt.

Since writing the foregoing the following report has been sent to us. It is a cutting from an unnamed newspaper (the typography suggests *The Times*):

Edmonton (Alta.), November 7.—The Premier of Alberta, Mr. Aberhart, has announced that he will propose a $200,000,000 refunding operation on behalf of Alberta when

the Province makes its application for financial aid from the Dominion Government, probably at the end of the month. The intention is to convert the whole of the Provincial public debt, approximately $155,000,000, and also the debts of Edmonton and Calgary, totalling $32,000,000 and $25,000,000 respectively. The plan proposes an average reduction in the interest rate of 5 to 3 per cent. Conversion will be voluntary and will require a joint Dominion and Provincial guarantee. In view of this latter point the Premier stated that certain Provincial revenues might be earmarked to liquidate the indebtedness to the Dominion. If the issue is wholly successful it would mean an annual interest saving to the Province of $3,000,000, with another $1,000,000 saved for the two cities. Federal consent and co-operation will be necessary.

It is stated that the Government have evolved the plan in consultation with Mr. R. J. Magor, a Montreal engineer and financial authority, whose engagement for a six months' period has also just been announced. The details of this contract are not stated, but it is understood that Mr. Magor will be given wide powers to rehabilitate Alberta finances. A belief persists in usually well-informed circles here that Mr. Magor has been engaged at the instance of the banks or even of the Federal Government.

Edmonton is asking Mr. Aberhart to apply to Ottawa for a $500,000 loan on behalf of the city because of the increasing relief burden.

Election Notes.

Social Credit Polling Percentages.

In North Bradford Mr. Kenney's poll was 11.8 per cent. of the total poll, and 8.5 per cent. of the whole electorate. In South Leeds Mr. Townend's was 11.0 per cent., and 8.1 per cent. In Erdington Mr. Bell's was 4.3 per cent. and 2.8 per cent.

Other statistical information will be found in the "Notes" elsewhere.

The Polls of "Independents."

A correspondent suggests that despite the failure of Social Credit candidates to save their deposits (through failing to poll up to one-eighth of the total votes cast) they have made a better show than did some of the candidates run by Mosley's New Party. Moreover, reviewing the fortunes of "independent" candidates generally, there have been numerous cases where their figures were not more than a few hundreds. In short, it may be fairly claimed that for the earliest pioneers of any new idea in the electoral field to get one-eighth of the votes is a promising achievement.

A. P. Herbert, M.P.

Mr. A. P. Herbert may be congratulated on his success in winning a seat in Parliament, but it is to be hoped that he won't spend too much time there, or, at least, won't let political preoccupations interfere with his higher function of entertaining and amusing the public. After all, *Punch* has his victories no less than *Hansard*. However, perhaps he may be able to frame his speeches suitably for publication in both works.

The Decline and Fall of MacDonald.

The defeat of Mr. Ramsay MacDonald by 20,000 votes was the high light of the election. The pity of it is that the exuberant supporters of Mr. Shinwell will be quite content with punishing the defection (as they see it) of their one-time leader, and will remain lost to the lesson that so long as Socialists insist on their own methods of realising their ideals and accept without challenge the financial system within which such methods must be worked or attempted, they will al-

ways be let down by any leaders whom they elevate to the responsibilities of Ministerial rank. The "responsible" revolutionary inevitably becomes a reactionary. Mr. MacDonald's mistake (or was it misfortune?) was that he allowed the Press photographers to advertise the fact too frequently and forcibly.

Who Wins What for What?

It is a curious twist of idiom that exhibits itself in election reporting to say that: Mr. So-and-So wins Some Place for Socialism or Conservatism, and so on. It ought to be: Socialists win Some Place for Mr. So-and-So. Successful candidates do pay some tribute to the realities behind their success when they thank their constituents for services rendered, but this does not bring the truth into sufficient prominence. The deeper truth never appears, namely, that the Banks win All Places for the mouthpieces of political orthodoxy. The all-in political advertising of the League of Nations, Peace, Armistice memories, and all that, is the same in principle as the commercial advertising "Eat more This or That," and so on. Both mean at bottom something like: "Swallow more dope," and bring business to all sorts and conditions of dope-merchants, whether Conservative, Liberal, or Socialist.

The A + B Theorem

By A. W. Joseph, M.A., B.Sc., A.I.A.

III.

The interpretation of the A + B Theorem discussed above is the one where A means the payments made to individuals in all stages of production, semi-finished goods as well as finished goods, and B means the payments made to institutions in all stages of production. That A is less than A + B is a direct arithmetical inequality. It has been shown that A plus B is added to costs in a form that will emerge later in the prices of final consumable goods. An actual deficiency of purchasing power may be masked by the issue in advance of the marketing of the goods of A payments for new production. If for any reason the new production is stopped or slowed up the deficiency of purchasing power must be revealed.

Now though all this is unquestionably true and is the way in which Major Douglas first perceived the A + B Theorem (some Social Crediters would say that no-one has any right to place any other meaning on the theorem), it is open to a critic to contend that although a deficiency may be inherent it will never emerge unless new production is stopped, and we have no right to assume that such will happen. Indeed, in a perfectly steady state of self repeating movement, new production most certainly will not be stopped. The critic goes on to say that the A + B Theorem, to be of any importance, must compare A payments distributed in a period with the A + B costs of final consumable goods distributed in that period. It is untrue to say here that A is less than A + B as a direct arithmetical inequality. If we turn to the diagram we see that in every period from e onwards the A payments distributed, namely five payments of 200, are equal to the A + B costs, namely 1,000, of the final consumable goods emerging in the period.

Now this is really not surprising since the diagram was evolved with the object of giving that result. We cannot, however, leave the diagram any longer in its elementary form. Let us bring it more into touch with reality by allocating in each stage a B cost which is not simply the cost of the preceding operations. Let us assume that a cost of 10 is charged to reserves in each stage, which reserve may be accumulated to provide for unfortunate contingencies or may later on be crystallised into capital.

Gaitskell's diagram takes the form:—
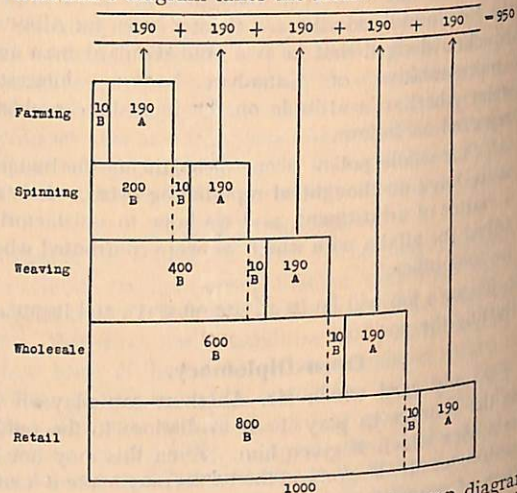
Now if this were extended into an Adamson diagram just as it stands, there would be a deficiency of 50 in each period. But we will go further and see what form the diagram must take in order that the A payments distributed during each period shall equal the costs of consumable goods emerging in that period. The ratios between the A and B payments will be kept the same for all periods, namely equal to 19/1 for the farmer, 19/1 for the spinner, etc., but the amounts will not necessarily be the same in each period.

The following diagram gives a possible sequence of operations:—

[For those who are mathematically inclined it may be stated that each diagonal column running from left to right is formed by multiplying the preceding diagonal column by 1.0256494, the root of the equation
$$190 (1 + x + x^2 + x^3 + x^4) = 1,000.]$$

While the above diagram does not claim to do anything more than give an indication of the kind of thing that must happen in each period if A payments distributed are to be equal to the costs of consumable goods, it does bring out the important fact that in order that the economic system should be kept working it is essential that goods in the earlier stages of production (or, alternatively, capital goods) more advanced forms of production, should be produced in ever-increasing quantity. As soon as the creation of capital goods slackens, costs exceed money distributed, i.e., the consumer is unable to purchase the consumable goods coming on the market.

Note that this second form of the A + B Theorem does not state in so many words that in every period money distributed cannot be equal to the costs of goods coming on the market; it merely gives the conditions necessary for such to happen. But we are immediately faced with two questions: 1. Is it really necessary

desirable that before we can consume what we can produce we must heap up a mountain of capital goods which may or may not be required later on? 2. Can the Banks be depended on to finance this constant increase of capital goods? The answer to both these questions is NO!, and as regards the second question in particular, whilst the Banks maintain their present practice of determining the upper limit of their advances to industry by the following rules: (a) Deposits shall not exceed ten times cash, and (b) Direct loans to Industry shall not exceed 50 per cent. of deposits, then their possible advances are limited by the amount of gold in the vaults of the Bank of England (assuming the fiduciary issue is not altered).

It should be noticed how neatly the two forms of the A + B Theorem fit in with one another. The first shows that there is an inherent deficiency of money in the industrial system which deficiency is only prevented from coming to light by reason of the wages and salaries distributed by new production in advance of the marketing of the new goods. The second form shows how it is increasingly difficult to mask Industry's bankruptcy in this manner.

Now let us take Mr. Gaitskell's five interpretations of the A + B Theorem in detail. They are (*What Everybody Wants to Know About Money*, p. 368):

1. Understanding prices to mean the prices of consumption goods, A to mean total A payments, A + B to mean total A plus total B payments, the statement 'A is less than A + B' is clearly true. Nevertheless, this is unimportant, since we should not expect consumers to have to pay to the retailer the aggregate of all costs, but only the aggregate of the retailer's costs.

2. The simple argument that A is less than A + B is not self-evident as soon as we realise that A (standing alone) represents total A payments and that A standing with B represents only the retailer's A payments.

3. The argument that, while the retailer's costs are made up of A payments made in the past, these A payments are not available at the time when the commodity is ready for sale is seen to be untrue so long as production is continuous and there is not on balance a constant tendency for the volume of bank credit to diminish.

4. If costs are understood to mean the costs of *all* goods, including semi-manufactured goods and raw materials, then it is true that consumers' incomes—A payments—will not cover them. But at the same time it is not necessary that they should. For in the demand for *all* goods we can include all B as well as A payments. To say that the possibility of continuing these payments depends on the existence of Bank Loans is true, but does not indicate any 'deficiency.'

5. If the formula be abandoned in favour of a statement to the effect that 'deficiency' arises out of depreciation charges, it will be seen that even this is not true providing that workers are employed in replacing the machinery and receive A payments equivalent to the B depreciation charges. Nevertheless, constant capital accumulation makes a certain tendency to deficiency probable. For at any moment the depreciation charges made by industry will tend to exceed the actual sums spent on 'replacement' machinery to the extent that there are new machines against which depreciation is charged but which are not yet being replaced. This appears to be the only case out of all those cited by Major Douglas in which a tendency to 'deficiency' may actually be said to exist. It is one of many factors which have to be considered in any examination of the velocity of circulation of money."

1. and 4. are really different ways of expressing the same idea. A and B refer to all goods produced, and A is less than A + B. Gaitskell considers it unimportant that A + B actually is added to costs in the period of time considered. The whole matter has been dealt with in detail earlier as the first form of the A + B Theorem.

2. has been dealt with fully as the second form of the A + B Theorem.

3. What Gaitskell means is that A payments of the past are made good by an equivalent amount of A payments of the present for fresh production. This is, however no answer to the contention that the past A payments were absorbed in making good savings, reserves and accumulation of capital. The A payments for new production merely mask the underlying deficiency.

5. Gaitskell here grants one of the points made in this note, namely, that the accumulation of capital causes a deficiency of purchasing power.

It would be impossible to study Mr. Gaitskell's articles without realising that he has appreciated and considered many of the points made in this note. Although I come to the conclusion that the A + B Theorem is accurate and is a useful aid to the proper understanding of what is happening in the world to-day, whereas Mr. Gaitskell comes to the opposite opinion, yet I realise that the difference between us is largely psychological and depends more on the goal to which we are consciously or unconsciously aiming than on the aspects of the subjects we are examining. Thus Mr. Gaitskell sees more harm in the maldistribution of incomes (*vide* his "Nobody can help observing the grave social consequences which may follow continual attempts to lower money wages") than in any possible total deficiency that may arise, whereas I see the reverse. The truth is that both views are important. There are individuals in receipt of incomes higher than any to which they can justly claim to deserve. Such individuals are forced to save, and are thereby a cause of deficiency of buying ability. But saving by a relatively few rich individuals is only a minor cause of deficiency of purchasing power. I could almost subscribe to the maldistribution theory if the hidden resources of institutions were reckoned the major part of the money badly distributed, but I should still question whether even under that theory the true remedy is to raid all those hidden stores of credit; it may be better to make good the deficiency out of new credits. The danger, and a very serious one, of measures such as high and discriminatory taxation designed only to level out the existing incomes of private individuals is that by ignoring the main cause of the trouble they may only serve to enslave the few who are still free of the Money Power without appreciably improving the lot of the others. But a "levelling" remedy such as the National Dividend which also makes good the total deficiency of personal incomes is in an altogether higher class. It is my hope that the foregoing note will enable opponents of Social Credit to perceive the truth of the muchmaligned A + B Theorem.

Reviews.

Selected Essays and Writings. By A. R. Orage. (Nott. 10s. 6d.)

This is an excellent selection made by Mr. Herbert Read and Professor Denis Saurat, nicely printed and bound; only it would be the better for an index and some dates. It is no service to Orage's memory to exaggerate his powers as a writer. This is a stimulating and attractive book, but there is nothing *great* about it; the critical side is by far the stronger, and the essays on Love and Religion are indifferent stuff. The book is valuable as a memorial of a great editor—great editors are rare—and of the man who had the wit and, more important still, the courage to grasp the importance of Douglas's discovery and back it for all he was worth. Orage was constantly reminding his readers that literature is a substitute for speech, and, whether or not he carried this too far as a principle of criticism, he applied it to journalism with remarkable results. He was never, I think, quite so happy on paper as in talk; but he was so excellent a talker that it is high praise to say that his comments had always something of the direct appeal of his conversation. His own description of Cobbett's style may justly be applied to his own: "His style is as near an approach to good spoken English as any writer is ever likely to make. Not to English as spoken by the educated classes; still less to English as spoken by the uneducated. It has neither class distinction nor distinction of dialect; but it is what we call plain English."

M. J.

LETTERS TO THE EDITOR.

SOUTH LEEDS ELECTION.

Sir,—I would like to thank all your readers who helped in any way in the fight for Social Credit in South Leeds. All donations to our fighting fund have been, or will be, acknowledged individually.

It might be of interest to your readers to know that I received letters expressing good wishes for my success signed by :—

Lord Tavistock.
Miss Maude Royden.
Miss Sybil Thorndike.
Mr. Vincent C. Vickers.
Professor Frederick Soddy.

We put up a good fight, and we are not discouraged by the result. Already we have considered plans for (1) Consolidating the position we have won; (2) Renewing the attack.

We shall go forward and win.   W. TOWNEND.

SILVER AS LEGAL TENDER.

Sir,—Your comments on the action of Mr. Townend seem to imply that the mayor would have conducted the business illegally if he had accepted the deposit in silver coin. May I ask why you think so? What law would have been infringed?   S. S. BULLOCK.

[Not having examined the material clauses of the Act we do not know whether the acceptance of non-legal tender (like silver above 40s. value) is optional *in all circumstances.* Our implication was therefore speculative, and our purpose in referring to the question was to remind candidates of the possibility of a snag. Some of these Acts are like insurance policies, which no-one examines in all their detail until too late.—ED.]

HIGH FINANCE AND HIGH SOCIETY.

"The new chairman of the B.B.C. Board of Control became related by marriage to the Royal Family by yesterday's wedding. Mr. R. C. Norman, who was appointed to this position at the B.B.C. only last month, is married to the youngest sister of the Earl of Bradford, and he is, therefore, uncle of the newly wed Duchess of Gloucester, whose mother is another sister of the Earl of Bradford. He is also brother of Montagu Norman, director of the Bank of England."—*Evening Standard,* November 7.

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