THE
NEW AGE
INCORPORATING "CREDIT POWER."
A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART
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CONTENTS.

NOTICE.

Owing to the Christmas Holiday, this journal went to press on Friday, December 20.

NOTES OF THE WEEK.

Breach of Privilege.

The resignation of Sir Samuel Hoare from the Foreign Office, announced in the morning papers of December 19, recalls the episode of Mr. Winston Churchill's allegations against him early last year when he was Secretary of State for India. Mr. Churchill charged him and Lord Derby with having committed a breach of Privilege in respect of the preparation of evidence to come before the Joint Committee on the Government of India Bill. The House of Commons consented to the appointment of a Committee of Privileges to examine Mr. Churchill's charges. These centred, it will be remembered, round the evidence prepared by the Manchester Chamber of Commerce, evidence which, after being drawn up by that body, was modified as the consequence of representations privately made to certain members of its Executive on the occasion of a dinner arranged for the purpose by Lord Derby at the instigation of Sir Samuel Hoare. Mr. Churchill objected to these "private contacts." He insinuated that the reason why they were private was that they were established for the purpose of bringing pressure on the aforesaid members of the Manchester Chamber of Commerce to modify the Chamber's original draft of evidence. His submission was that the Joint Committee on the India Bill was a judicial body, and that no one had the right to censor evidence which had been drawn up for its consideration. For this amounted to the tampering with witnesses by parties interested in the final judgment. (For further particulars and comments readers are referred to THE NEW AGE of April 26, 1934.)

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The Committee of Privileges duly met, and eventually acquitted Sir Samuel Hoare and Lord Derby. They found that the Joint Committee was not a judicial body in the strict sense that it comprised adjudicators who were not committeed to broad views on questions of policy. They also found that the private representations made did not involve coercive pressure, but were in the nature of enlightenment as to facts, and therefore were not irregular to a degree sufficient to establish a charge of breach of Privilege. Comments on the Report of the Committee of Privileges will be found in THE NEW AGE of June 14, 1934. In the course of those comments we tried to show how the necessity had arisen for private contacts with the Manchester Chamber of Commerce. If that body's original evidence had been admitted and published, and the Joint Committee had ignored or discounted its weight, they would have been expected to give reasons for so doing in delivering their judgment. So the effect of the "negotiations out of court" which resulted in the modification of the evidence was to spare the Joint Committee the task (and maybe embarrassment) of making public the aforesaid reasons. We suggested that if such reasons were known they would be found to arise from the fact that the key provisions of the new Constitution of India were intended to safeguard the interests of London Finance, and that in so doing they could not safeguard the interests of Manchester Capitalism. We cited passages from *The Times* which supported our suggestion. One passage consisted of an argument which seemed to imply that the Manchester Chamber of Commerce wanted safeguards which, if conceded, would have been incompatible with the maintenance of India's fiscal autonomy. To put the difficulty in another form—and one easily intelligible to students of international financial politics—the success of the Manchester Chamber of Commerce would have deranged the plans of Sir George Schuster, and obstructed the policy of International Finance, of which Sir George was the instrument in India. It is easy to picture the members of the Manchester Chamber of Commerce preparing their original evidence under the illusion that all they had to do was to convince the Judicial Committee that the health of the British cotton industry was essential to the interests of Britain and should therefore be safeguarded. And there is no room for doubt that they were able to build up a convincing case—and probably did so. But the trouble was that the apparently independent Judicial Committee in London was being constrained to adjudicate under terms of reference laid down in Basle. The final Constitution of India had to be dovetailed into the structure of the International Trade-Rationing scheme of co-ordination upon which the secret sovereignty of the world's Money Monopoly rests. Obviously in a world where every nation's solvency depends upon its opportunities for exporting (connoting opportunities to keep out imports) these opportunities must be regulated by a super-national authority, and with such exactitude of measurement that each of these nations will be held poised between the temptation to seek escape from its troubles on the one hand by financial default or on the other by military aggression. Basle is trying to find and fix the centre of gravity of a stable civilisation; and, on the assumption that this achievement is possible (which it is not) it is only possible through the obedient acceptance by every nation of the trade-quota allotted to it by the World Credit Authority at Basle.

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Now, viewed against this background of real politico-economics, the submissions of the Lancashire cotton interests, for all their cogency, were obviously irrelevant to the issues of which the British statesmen responsible for the drafting of the India Constitution had to take account. But equally obviously it was impossible for any of those statesmen to explain the irrelevancy in public. The only thing to do was what was actually done, namely, to improvise a private dinner, and, amidst the pulling of corks, to pull down the ears of the Manchester guests and whisper just so much enlightenment as was sufficient to persuade them into removing the embarrassing sections of their official statement. Breach of privilege?—yes, in a London-Manchester-Delhi triangle of equity and equilibrium; but in a multilateral figure whose angles of reference included also New York, Paris, Berlin, Tokyo, and the rest, the "breach" was more honourable than the performance if we accept the premise that the first duty of the national statesman is to contribute to the preservation of law and order in the world within the framework of orthodox principles of finance. From this viewpoint the action of Sir Samuel Hoare in conveying his secret warning in the banquet-hall is not far from parallel with the communication which in the Old Testament story, little Samuel made to Eli. The only difference is that whereas God's voice charged Samuel with the transmission of a stern judgment, Basle's voice charged Sir Samuel with that of a friendly warning. It is true that Basle is God upside down—which is a polite way of saying that Basle is the Devil—but it would be unjust to urge this against Sir Samuel Hoare's integrity.

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And now, speaking as we do week by week to so many veteran initiates into the secrets of the money game, we have no need to apologise for recounting at such length an episode which, to outsiders, would appear to have no relation to the Anglo-French Peace Plan except that Sir Samuel Hoare is the star turn in both. As a matter of fact—and as a fact that the majority of our readers will already have appreciated—the nature and implications of the "private contact" with Manchester are precisely those of the private contact in Paris. We write these words an hour or so before the debate in the Commons on the Peace Plan is timed to begin, and Sir Samuel, now a private member, is to defend his action. And we do not hesitate to predict that if he and other statesmen who rise to answer criticism speak with any approach to frankness (and it looks as if they will have to stand up to a third-degree intensity of examination) their disclosures will corroborate the interpretation which, as we say, we have transferred from Manchester 1934 to Paris 1935. The issues are magnified many times, but their import is exactly the same. Mussolini has put his boot through the Basle rationing plan and has done so in such a provocative manner as to jerk the reins of co-ordination out of the hands of the Basle drivers for the time being. Every nation is momentarily wavering between two policies, whether to take independent measures to secure its own safety in case of a general military conflagration, or whether to resume concerted measures under Basle's direction. The Hoare-Laval plan reflects a tentative combination of both policies, and that is doubtless the reason why it is being assailed from all points of the British political compass, as the Government's acceptance of Sir Samuel's resignation attests.

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We may observe parenthetically that since the whole Cabinet is said (by the Press) to have accepted the Plan with the exception of one or two matters of detail, its decision to get rid of only one of their number is an exemplification of the doctrine of "Personal Responsibility for Collective Action." Under the alternative doctrine of "Collective Responsibility for Personal Action" the whole Cabinet should have resigned—a reflection which underlines the question posed in the skit-debate that we published last week, namely, whether the substance of Responsibility resides in either doctrine. Perhaps the debate in the Commons will afford a little light on the puzzle.

Communication.

SIR JOSIAH STAMP ON "SUMMERTIME ENDS."

Sir,—I have derived, and am still deriving, so much pleasure and profit from Mr. Hargraves's great novel "Summertime Ends" that I should not like him to be under any misapprehension as to my attitude towards the problems with which it deals. I stated quite definitely in the Norman Lockyer Lecture: "What 'plenty' really stands for is, in all conscience, serious enough, and I have no desire to debunk it," and at the conclusion I said "I am alive to the importance of the great subjects which are superimposed upon the concept of plenty, but I am pleading *on this occasion* only for a greater discrimination in treatment and some beginning at measurement and common units of thought to clarify our discussion and subsequent analysis." I sincerely hope that Mr. Hargrave does not regard this as an unworthy object for a Science Guild, and particularly for the engineering fraternity. The subject is too important to be left in the field of rhetoric or of social indignation, but I hope that I am taking my share of the opportunities for helping those who deal with the other aspects of the subject, which are of such vital importance to society, and also of dealing with them myself.

Yours faithfully, J. C. Stamp.

Tantallon, Park Hill Road,
Shortlands, Kent.
December 17, 1935.

Cancellation of Dividend.

[The following is an extension of the analysis conducted in articles which appeared in The New Age on November 28, December 5 and 12.]

We have seen that the original question which gave rise to the previous articles cited above resolves itself into this: Will the National Dividend be converted into private profit when collected from consumers, and will that profit accumulate as private deposits against which there are no outstanding bank loans?

To revert to the example previously used:—If Smith (consumers) spends his £5 dividend with the grocer (retailers) who transfers it to Brown (producers) will there be circumstances in which Brown can acquire and store up this money as a private hoard of deposits?

Now, to avoid confusion, let it be noted that money paid to Smith as a dividend means that much less money paid to the grocer to finance price-discounts. For example, if the National Production: Consumption ratio happens to indicate that £5 is the total amount to be distributed to effect the sale of groceries to Smith, and the Government decide to pay the whole sum to Smith as Dividend, then Smith will not have the advantage of a price-discount. Alternatively if the Government decide to distribute the £5 through the grocer as discount, Smith won't get a dividend. It is vital to bear this in mind, for a large amount of criticism advanced against the Social Credit Proposals is founded on the implicit, unwarranted assumption that Smith gets the £5 twice over. Naturally, if that assumption is allowed to pass, it is easy enough to show that the £5 will accumulate as surplus deposits.

For this reason we shall continue the analysis on the assumption that there is no price-discount. We shall assume that Smith's earnings, plus £5, amount to a sum equivalent to the full commercial cost of the groceries available to be purchased. Let us suppose this cost to be £10 (although any figure above £5 would serve the purpose of the analysis).

The grocer's profit is not included, because he (representing retailers generally) is a customer for his own goods, and we can clear him out of the way by supposing him to spend his profit that way, which means that he takes his profit in groceries and not in money. In that way he is able to sell the balance of stock at the same price as that at which he has bought the lot. In terms of our figures he can charge Smith £10 and pay it to Brown.

So now the inquiry becomes centred on the question of how Brown can justify (in an accounting sense) the charge of £10 to the grocer.

How will Brown allocate this £10 of revenue when received? Broadly, the allocation will be to two main categories of cost, which can be designated respectively Past and Prospective disbursement-accounts. In the "Past" category will fall all disbursements of money belonging to the groceries delivered, disbursements which Brown requires to be replaced in order to re-employ them in financing a subsequent lot of groceries. In the "Prospective" category will fall charges made in order to acquire money for disbursement later. The latter would comprise "reserve funds" for "depreciation," "renewals and replacements," etc., etc. But even then they would only fall in this category insofar as the charge was a pure book-keeping entry not reflecting an actual disbursement of money. If Brown has been paying out money to maintain his factory and equipment, and (as may be supposed) will continue to do so in subsequent operations, the charge obviously falls into the "Past" category. Thus, under the "Past" category there will be a continuous outflow and inflow of money to equivalent amounts, while, under the "Prospective" category will be a one-way inflow of money piling up for later spending. (Brown might refer to it as money he was collecting to save up to buy a new factory or new machinery.)

Now, if it is to pile up in the sense in which the criticism we are discussing has been made, it is necessary to suppose that the Prospective charges are not reflected by outstanding bank-loans. For if they were, the money collected against them could not be saved up by Brown, or, if he did not owe it to a bank and could save it up, someone else in the "Brown" class, say Jackson, would default on his debt to the bank. As one might put it, Brown's *plus* deposit would be offset by Jackson's *minus* deposit. Hence regarding Brown and Jackson as together representing productive enterprise in general, there could not be a *collective* accumulation of deposits in excess of collective outstanding bank loans as envisaged in the criticism.

So if there is to be an excess accumulation it would have to arise from Brown's making a charge in respect of something whose cost had been financed by credit which had been cancelled by the banks before the commencement of the financing of the hypothetical lot of groceries under consideration.

And here we come to the essential element in the criticism, which is ultimately based on the fact that there exists to-day an enormous mass of capital values (measured, on paper, in units of thousands of millions of pounds) theoretically chargeable to the consumer. The money representing it does not exist; it has been cancelled at various times in the past, dating back perhaps to the beginning of the industrial revolution. Now, if we suppose Brown to be the owner of some of this frozen capital, and suppose him to make a charge of £5 to the grocer, then it is clear that Smith's Dividend would have liquidated that amount of Brown's capital, and in subsequent periods would enable Brown to liquidate all he held. To generalise, it is possible to conceive of consumers' Dividends cumulatively providing capitalists with unmortgaged deposits to the whole astronomic paper value of existing capital.

But in practice this kind of liquidation has never been attempted. Investors have always been content to hold frozen capital provided that it supplied them with an income. True, in individual cases, they can sell their securities or that in an emergency they can sell their securities or borrow upon them; but generally and normally investors do not want their capital back; and industrial managements never try to get it back while they are able to run their business profitably. What they *do* try to do, however, is to make sure of liquidating all the capital in the event of the winding up of the business. They try to build up reserves, and would like to get into the position of certain banks which hold reserves to an amount equal to their subscribed capital. Even so the motive is not wholly, or even mainly, to pay out shareholders in full when business stops; on the contrary it is to preserve their borrowing powers so as to keep business going. A little reflection on this policy will show that industry's charges (which consumers must pay) on account of frozen capital (as defined above) are made with the object of insuring that capital against failure to earn income for investors, and not with the object of converting it back into money.

Now under a Social Credit system the risk of failure will virtually be eliminated from industry considered as a whole. So there will be no need for charges to be made other than those necessary to effect the replacement and re-employment of capital for current production, including current repairs and maintenance costs. Apply this to our hypothetical case, Smith's Dividend of £5 will be actually required for use again by Brown. Whether you suppose Brown to pay it back to some bank and re-borrow it, or to plough it back directly, makes no difference to the fact that the Dividend will be re-employed on recovery time and time again.

This being so the total dimensions of the collective National Dividend, however big, cannot be superfluous. The proper way to look at the problem is from the industrial end and, instead of asking: Can we risk paying out £1,000 millions a year (or whatever the figure is) in Dividends? to ask: Can industry run up a bill of legitimate costs of dimensions large enough to require to recover this £1,000 millions in addition to the consumers' other earnings?

Two observations may be made here. The first is that under Social Credit industry's costings will be subject to supervision, and further, that competition within the industrial system will tend to eliminate illegitimate charges (i.e., charges which, if defrayed, might pile up in useless hoards of surplus deposits). The second observation has to do with the estimates put forward as to the probable size of the Dividend. Take such an estimate as £300 a year per family. What does this mean precisely? It means that industrial capacity is capable of delivering a quantity of extra goods to consumers of that value as measured by current price-levels. It does not *necessarily* mean that these extra goods must always cost £300. We cannot explore this now, but it is clear that the essence of the Social Credit remedy does not reside in any given sum of money being distributed, but in a given quantity of things being distributed, by means of the money. What the quantity of money may be as the Social Credit policy proceeds is a matter of speculation. We may witness a voluntary elimination of illegitimate costs; and if that happens, the excess margin of industrial prices over consumers' earnings may be only a fraction of the present margin on which Social Credit exponents base their estimates of the initial Dividend.

The Social Credit Movement.

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

Land - Lore and Social Credit Politics.

It has before now been noted in THE NEW AGE that language, spoken or written, is put an imperfect means to convey thought; nevertheless, the thoughts that went through my mind at the Albert Hall meeting will bear referring to with the object of stimulating a little more intensive application to the politics of Social Credit. I was reminded of what a gentleman farmer once said to me. " Do you forget there are three distinct classes in this country, between any two of which there exists no bond of sympathy, the landed gentleman, the city snob, and the labourer. They may be said to speak three different languages. I know what I am talking about, because I have been all three."

This came forcibly to mind when listening to the Marquis of Tavistock. I came into the hall fresh from reading the latest Commonwealth report, which depicts the farmers of Australia mortgaged to the tune of £151,000,000, nearly all to the banks, and the total value of their land, stock, and machinery standing at £136,000,000. During the period of the Labour Government my friend said " the only theory of government known is to impoverish its own supporters," but when, at a later date, I introduced Social Credit and showed him a portrait of Major Douglas, the remark was " anyone can see he is a gentleman, by the look of his face his father must have owned 500 acres." Now, just contrast the gentleman's appeal of the noble marquis and the snobs' orgy set out in the figures above—pocket picking in excelsis. The impoverishment of the basic strata of Australian society is not to be confused with the impoverishment of a class, the attack on those producing the materials that keep the Australian people from dying from starvation (not only that much, but a considerable surplus for export) is an attack on civilisation itself. If those responsible for this particular evil had been present at the Albert Hall they would not have understood the speeches that were made there; the language was a strange tongue.

The point I wish to make is this; that, from the purely political aspect of Social Credit, Major Douglas has one decided limitation—he is a gentleman; and, according to what I imagine to be the case, the British population is spoiling for a fight. It is a commonplace of the railway train, or the London luncheon table, that politicians and leader writers are equally contemptible, and that the financial hierarchy is a group of swindlers. The embryo of political consciousness shows itself in the hatred of an individual leader or a class, even if it be a nebulous one as " the capitalists." Let us get at the machinations of the starvers, such as exemplified in the Australian mortgage business, get going on that and drop the useless talk about burning wheat and the like. Take that wretched Yankee contraption, the Exchange Equalisation Fund, selling its " bear " of francs and buying its " bull " of gold when the dollar goes dear. Still worse is its support of the franc to bolster up the French gold standard even if it does drive the French peasantry to ruin. A resolution embodying these points passed at a large meeting and sent to the opponents of M. Laval is the kind of cunning required by the sergeants and rank and file of the Social Credit attack on the financial stronghold. We have an unscrupulous, cunning, and lying enemy to defeat, and our weapons must be whetted to wound him at his work. With a proper technical

knowledge the case for the wholesaler, the retailer, the salaried class, the wage-earner, the farmer, and last, but not least, the woman, must be put separately as a personal message, pointing the line of action with ample opportunities for all those who wish to heave a brick and thus escape ths drab monotony of existence in this age of economic insecurity. The hand-bills of the Social Credit Club indicate the style of literature I want to carry in my bag to distribute under the headings indicated.

Now, just a word in respect of the attendance at the Albert Hall, every member of which had been engaged during the day in directly or indirectly putting props against the tottering edifice of finance. The meeting was a couple of hours respite from uninteresting and sordid occupations, the audience floated in an atmosphere of gentlemanly exposition. This is very nice as far as it goes, the time has arrived when this meeting policy must take another form.

I now exhort my readers to get well acquainted with the agricultural position. If you have a rotten government or finance the outstanding symptom of their iniquity is the ruin of the cultivator of the land. The Australian is forced to export his wheat, and we are forced to import it to the desired end—the ruin of the producer in both countries. There is a little book, " Reflections of an Owner-Occupier," by Blewitt, published in Chelmsford, price 2s. 6d., that is worth reading twice over. The Journal of the Ministry of Agriculture, costing 6d. a month, contains a quantity of matter interesting to believers in Social Credit. Recently a census of milk consumption was published showing (leaving out decimals): middle class 4, working class 3, poor working class 2 pints per head per week. Earlier this year the principal of one of the agricultural colleges held the analyses of chemical manures up to ridicule, and in the same number the Viscount Lymington said some of the most misleading stuff foisted on farmers was the analysis of foods with their jargon about starch content, proteins, food calories, and vitamins. He said the only reliable judge of the values of your pig food was youi stockman; so just please think that once you had found an efficient stockman what a priceless advantage it would be it he could not read or write; his mind would be stored with real knowledge, most of which he would have had to evacuate before absorbing some of the junk. Furthermore, your stockman will be a Britisher, for we must always remember that our financial system is an anti-British concoction aimed at bankrupting the British countryside. Another point to keep in mind is that the soil of a country is not only man-made, but is hand-made to boot. Two hundred years ago Jersey could only feed half her population; now she can feed three or four times that number. Now what fact secured that result? Just this, the creditors of the farmers were denied the right to distrain. On a visit this summer to Germany I was distinctly told thai Hitler had done the same for German farmers, or, as my informant put it, he had destroyed their credit so that not even the banks would lend on the deeds. In Denmark, farm mortgagees are not allowed to foreclose.

My business takes me into Income Tax offices and banks. Here our so-called financial and political experts are referred to in terms too opprobrious to publish, and, although perhaps not so vocally, these experts are still more thoroughly despised by farmers. From their viewpoint, as soon as men become incapable of going on the land and finding their own food, they become either slaves or snobs, and are fundamentally unfitted to govern either politically or financially. Nature has her own revenge—the slave-holding ant has developed a mandible that will not reach its own mouth; and we are in the same plight. The full functions of the brain are in use in gaining knowledge along the tortuous path of finding out for oneself and putting that knowledge to some practical use. Once men get immersed in theory or take orders from New York, the import of which is not understood, they are obviously unfitted for control, and I, for one, would not dream of asking them to abolish poverty, let alone expect them to manage National dividends or to be capable of either. They do not know anything of the fundamentals of existence any more than knowing the difference between a weasel and a pregnant duck without looking up some book about it.

V.I.90.

"Credit Institutes" in Germany

[The following outline of the German Law regulating banking has been sent us by a correspondent. It came into force at the beginning of this year.—ED.]

Part I. defines the term Credit Institute so as to include all banks, savings banks, clearing banks, but excluding insurance business, pawnbroking, and building societies, which come under special legislation. The law does not apply to the Reichsbank, Gold Discount Bank, or the postal authorities. A Reichskommissar decides in cases of doubt.

Part II. provides for permits to carry on banking business, and for public registration of banking firms

Part III. lays down that all changes in the management and all changes of registered capital must be reported to the Reichskommissar, who must be also informed of individual credits exceeding one million Reichsmarks a month. A Supervisory Board for Credits may admit exceptions.

Part IV. provides for the protection of the designations " Bank " and " Savings Bank."

Part V. limits the total liabilities of a Credit Institute arising from (a) moneys deposited withdrawable by cheque or at notice, (b) savings deposits. (c) credit balances on current account, (d) customers' credits taken from third parties, (e) nostro obligations, (f) acceptances, or issue of drafts and promissory notes, to a certain multiple o. the institute's own capital, for ascertaining which definite rules are laid down. The total liabilities may reach the five-fold of the capital thus ascertained. Beyond this, the Reichskommissar must be notified. As credits are to be regarded all kinds, including those based on bills of exchange, sureties, and guarantees, and any other liability to the debit of the institute, the measure of the credits are the amounts credited. As credits are further to be regarded participations, the measure of these are the balance-sheet values. Institutes have to keep a cash reserve, consisting of cash in hand and credit balances with the Reichsbank and the Post Offices; a certain percentage of their obligations must be safeguarded by trade bills and securities.

Part VI. deals with the balance-sheets to be submitted by Credit Institutes and the monthly returns.

Part VII. demands that deposits on savings accounts shall be kept distinct from other deposits, that they shall be used only for investments and not for payments, and that amounts raised through credits on other accounts must not be paid into savings bank accounts.

Part VIII. authorises the Supervisory Board to regulate the inter-bank clearing and transfers.

Parts IX., X., XI., and XII. provide for the composition of the Supervisory Board and its functions, powers, and rights, etc.

Of especial interest is Article 29, which provides that " The creation of new institutions for the transaction of non-cash payments requires the permission of the Reichskommissar."

The scope allowed banks under the Goldsborough Bill (U.S.A.) is to all intents and purposes that allowed the savings banks under the German Credit Bill.

The Case for Social Credit.

[Reprint of Press report of a section of Major Douglas's speech at Wellington (N.Z.) during his tour, 1934, which has not been hitherto published.]

ADDRESS AT THE TOWN HALL.

Some Existing Fallacies.

There was no cure merely on the lines of hard work and thrift. The limits of these factors had been tried, and it had been found that the harder the work and the greater the thrift the greater the calamity. That was not to deprecate hard work, but it could be as deadly and insidious as laziness, especially at the present time.

Another erroneous idea was that our troubles arose from the fact that rich men existed and that the poor were poor because the rich were rich. If this were true a steeply graduated income tax would be the obvious cure for the disease, and when the tax was at its highest prosperity would be at its greatest. In fact, however, taxation had never been so high, and never was the position so bad.

Appreciation of Facts Needed.

The primary need was an appreciation of the facts and the right sort of culture to apply to that appreciation. What was wanted was not so much a meticulous discussion of details, but to see whether it were possible to put forward a sound and indisputable indictment of the present system so that we could see where the defects were and get the indictment accepted. To discuss the symptoms of a disease when those in control of the patient said he was perfectly well was a waste of time.

So long as it was true that, in its crisis, the world was in the control of certain forces and bodies of men, so long was it true that we had either to get those people to admit they were wrong—in which case they would be told how to put things right—or get them to admit that they did not want to put things right.

The best way to approach the present problems was to realise there were two sides to the economic system. One was the production side, which was nothing but the transmutation of one thing to another. There was no such thing, scientifically, as the creation of anything. The change or transmutation required power or energy, and it had to be recognised that we lived in a period in which something had replaced human labour, or energy. It was really the energy of the sun in various forms and it released us from the further necessity for slavery.

The other side, and quite a separate one, was the financial system. Most people thought that, in some mysterious way, when wealth was produced money was produced. On the contrary, we could produce real wealth of every kind until we were black in the face and we would not produce one penny of purchasing power. This separation of the economic system into a production system and a financial system was the first step toward an understanding of the situation.

Evolution of Banking.

Major Douglas traced the evolution of the banking system, from the time when goldsmiths issued receipts for moneys deposited with them. It came to be the habit for people to use these receipts for the purchase of things; these receipts were the lineal ancestors of the modern banknotes. It was the name of the goldsmith on the receipt, rather than the name of the owner of the wealth, so that the making of money in the literal sense passed from the owners of wealth to the custodians of wealth. That process went on with the goldsmiths' receipts passing freely from hand to hand.

It then happened that some goldsmiths found that they could issue several receipts against one piece of gold. That was the convention understood by banks up to the time of the Great War. It was always understood that there was some tangible form of wealth held by the banks against the banknotes issued. On the outbreak of the war every bank in England, including the Bank of England, was bankrupt through people withdrawing their deposits in gold. It was admitted in the United States for every gold dollar the banks held they were in the habit of creating nine dollars in credit, which acted in exactly the same way as the original gold dollar.

There was a physical production system on the one side, which was capable of producing reasonable wealth for every man, woman and child in the land, he continued. That statement was quite irrefutable, and apart from the wealth that was actually produced and was wasted and destroyed, there was evidence of an immense potential production of wealth in what was called the "unemployment problem," and in the fact that works, fields and factories were only half used. Therefore, he believed that no person with ordinary common sense could fail to see that real physical wealth was waiting at our very doors.

Separate Financial System.

On the other side there was a financial system which worked by itself. It was a separate system. What was it that this financial system provided, and what was the nature of it? First of all he would give a perfectly orthodox definition of money, that of professor Walker's. "Money," Professor Walker said, "is anything . . . that no one will refuse to exchange for his goods if he is a willing seller." It would be seen that money was nothing whatever to do with wealth itself. Money was not wealth, but it was an effective demand for wealth in someone else's custody.

Supposing there was on the one side a production system and on the other side a financial system, it would be clear that the monopoly of producing goods lay with those who controlled the effective demand for wealth. It would be seen that the effective demand, no matter of what it was made, was claimed by the system as its property and was only lent and never given. Then every production of wealth, which was produced from the agency of money, created a debt. In other words, where there was a "wealth" system on the one side, and a "financial" system separated in other ownership on the other side, to use money as payment for the production of goods inevitably produced a debt to the value of the goods produced. That was inevitable.

Poverty Amid Plenty.

There were many symptoms accompanying the present crisis. One, and a tragic one, was the widespread poverty amid plenty. Others were the struggle for overseas markets that was the primary cause of modern war, the failure and bankruptcy of people trying to provide goods and services, the amalgamation of businesses not because these were better amalgamated, but because they could not stand alone, the driving down of wages, and the so-called unemployment problem. Each of these symptoms had been hailed in turn as the disease itself, but all were but symptoms. All, however, had a common factor, which was lack or failure of purchasing power.

There were two aspects of this failure. The one most frequently dilated upon, though it was of the least importance, was the concentration of too much wealth in a few hands. The other, and the most important, was that the total purchasing power was insufficient to buy the goods available at the prices at which they had to be sold. Another factor was the transfer of the producing task from men to machines, which brought about the unemployment problem. This problem was the direct result of the genius of scientists, administrators and engineers in providing men with leisure. To enjoy that leisure they had also to be given purchasing power.

It was not primarily the business of the general population, among whom the speaker numbered himself, to tell those in power how to put things right. What the people were justified in saying was, "We will have this thing put right." And if the people knew how to put things right, they were justified—and he said this in a perfectly detached and dispassionate way—in removing those responsible for the existing state of affairs and in putting things right for themselves. He was not going to waste time in explaining how we should put things right. . . .

A voice: That's the main part of the address.

. . . because at present we had not got the power to put things right. . . .

The voice: How do we get the power? That's the main part of the address.

Major Douglas: Perhaps the gentleman will make the address.

Province of Bankers.

Continuing, Major Douglas said that bankers could not be allowed to be controllers and arbiters of the world's industry. Our legacy of wealth was our knowledge of power and machinery, which created wealth. That was our cultural heritage. If we went back to the original idea that the owners of wealth were the owners of money, then the general population were the owners of the money to-day, and that right could not be a monopoly of the financial system, but must be, in the truest sense, public property.

Major Douglas said if all the banks were nationalised and run on their present system the same position as at present would obtain. Their policy had to be altered. Furthermore, there must be a cessation of the power of money in creating and perverting the public mind. There was a remarkably good Press in New Zealand. He did not think that it had misrepresented anything he had said. That was

probably due to the high tradition of the Press itself, and not because of the influences which were brought to bear upon it.

If action were taken on the lines suggested, he believed that the banks should still be run by bankers and not by uninformed persons. He did not think the British banking system was dishonest; it was simply unworkable. If those in charge did not take some heed of the changes taking place, he believed that the present system would be swept away by a wave of popular wrath which would probably engulf many good things among the bad, and whatever might remain out of the present social, industrial, and business organisation, the existing bankers would not.

Lack of Purchasing Power.

There must never, at any time, be any substantial holding up of goods which have been produced for the want of that something called purchasing power. That meant a very important thing indeed—that the financial system must follow the productive system, and not the productive system follow the financial system.

His second point, and probably one which would be more important than the previous one in the future, was that men would have to recognise that to call the present situation an unemployment problem was to misunderstand it. It was not the business or function of industry to provide employment. It was the function of industry and the economic system to provide goods, and the most efficient economic system would be that which provided goods with no employment at all. That was a simple statement of fact. The truth of the matter was that if the world were got back into employment it would be blaspheming against the brilliance of the geniuses of both the present and the past. They had been trying to deliver the world from economic slavery and it would not be delivered.

Furthermore, the transfer of the economic load from the backs of men on to the backs of machines must be accompanied by a distribution of purchasing power. That was, by a dividend. If there was a dividend of tickets, which corresponded to the amount of goods divisible, then the goods could be divided.

The final point he would make was there must be control of the natural facilities used by man. At present man was so obsessed by the desirability of work, production, and so forth. that it was imagined that nothing must stand in the way of a man who wanted to put up, say, a new factory on the most beautiful view in Wellington. "We can produce what we want in this area of plenty without ruining this beautiful world," Major Douglas said, "and it is obvious that some form of control will have to be decided upon.

Principles Summarised.

"If these principles are kept in mind—the principle that you must always have sufficient purchasing power, so that those who need goods can take them away; that if you do not need people to work in the productive system, you do not leave them without power to draw from the system; and that you must have some control over the building of productive factories and so forth so that you do not spoil your land—anyone of common sense could draw up a plan for New Zealand," he said.

The awful danger of the present situation lay in the fact that we had got to the point of economic freedom, and because of a misunderstanding of it we were in danger of committing ourselves to various forms of tyranny greater than before. One form existed in Russia which was supposed to be a dictatorship by the proletariat, whereas it was a dictatorship over the proletariat ——

A voice: Rubbish.

Major Douglas: The gentleman seems to have an affection for Russia.

The Russian problem was a production problem. Russia was a very poor country. When asked by the Soviet Embassy in London for his assistance in solving the problem of the Soviets he had pointed out that no financial system could produce something that did not exist. He also told the embassy that in twenty years' time Russia would perhaps be in the condition that Britain and the United States were in to-day; that was, that they might have a surplus. The point was that we did not require a dictatorship to give us plenty—we had it now. The trouble was that we could not get hold of it.

Prolonged applause marked the close of Major Douglas's address, and a vote of thanks, proposed by Mr. H. Atmore, M.P., was carried by cheers and acclamation.

Lunacy at Large.

A report has been issued showing that a very large percentage of the annual entrants to lunatic asylums were once brilliant scholars. In a world where lunacy reigns supreme this is not surprising. Those who have fallen by the wayside are the weakest lunatics; the strongest survive to become our rulers—the financiers. Thus we have a perversion of Darwin's survival theory functioning in a demented world. The chief trouble with a lunatic is that he insists that he alone is sane, and that his pet theories, however daft, are the only right ones. The teaching of our own prize lunatics has been absorbed by the people, simply because the said loonies refuse to allow the teaching of any real truths which contradict their own perversions. The unhappy state of affairs all over this "prosperous" world is proof enough of the falsity of the financiers' teaching. It will have been noticed that all references to prosperity are made to refer to a future state. There is a reason for this futurist view which is quite consistent with their idiotic ideas on economics.

The truth of Social Credit teaching rests, ultimately, on the laws of Nature. Nature's first law, self-preservation, imposes on man a certain sequence of action. He is forced to consume in the present the productions of the past, in order that he may gain strength to produce in the future. As all scientists who work in accordance with Nature's laws know, the penalty for disregarding a natural law is always the same—destruction. Consider the trouble that would follow an attempt to build a steel bridge without allowing for the expansion of steel! It is only when we turn to economics that we find the experts defying a law of Nature, and expecting good results from their defiance. In their "expert" brains the first law of Nature is twisted to become the first law of finance. From self-preservation it is changed to self-destruction. They contend that man must *produce* in the present that he may *consume* in the *future* the products of the *past*. Notice the curious twist given to the enunciation of the true law, and the insistence of futurity, in this, the financiers' first law. This insane principle is implemented daily in the industrial world by the wage system. When a man draws his weekly wage, he receives it *after* he has done the week's work. He regards himself, primarily, as a worker and lastly as a living man. Quite logically, by the end of a man's first week of work he should be dead unless he can live on fresh air, for finance allows him nothing until he has worked for it. Thus is operated the law of self-destruction as formulated by our "sound" financiers. The dilemma caused by trying to make an un-natural law function in the face of an immutable Natural law, has given rise to Debt. This is but a fancy name for slavery. By means of Debt the deluded workers may live in the present (in accordance with the real law) only if they surrender their liberty of action to the financiers. Debt is the financiers' reprieve from death to servitude for life. The great task of Social Credit advocates is to teach the Workers that they are firstly Men who live in order to work, not Workers who work in order to live. When the workers regard themselves as men in accordance with Nature's law, they will claim their birthright, the National Dividend. As "Workers" they will die sooner than claim it. As Men they would die sooner than surrender it.

H. E. B.

Notice.

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"The Other Side."

PUBLICATIONS CRITICISING THE DOUGLAS CREDIT SCHEME.

(List Assembled by Mr. Sandys Urquhart.)

PAMPHLETS, Etc.

Belshaw, Prof. K. F. "The Douglas Fallacy." Whitcombe and Tombe. 1s.

Copland, Prof. D. B. "Facts and Fallacies of Douglas Credit." Ox. Univ. Press. 1s.

Docker, F. J. "Douglas Credits." Angus and Robertson. 4s. 6d

McConnell, V. K. "Douglas Credit Scheme." Sidney Univ. 1s.

Ross, Lloyd. "Tickets Without Goods." Univ. of Otago. 1s.

Waites, T. "Report on Douglas S.C. System." N.S.W. Govt. 2s.

Nash, J. A. (Chairman). "Report of Monetary Committee." N.Z. Govt. 1s. 9d.

Labour Party Committee. "Labour and Social Credit." Labour Party. 3d.

Durbin, E. F. M. "Socialist Credit Policy." New Fabian Research. 1s.

Gaitskell, H. N. *"Four Monetary Heretics." Gollancz. 5s.

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Biddulph, Geoffrey. "The Monopoly of Credit. "Economic Journal," June, 1932. "Premises of Social Credit." "Economic Forum," Spring, 1934. "The Major Douglas Delusions." "Commonweal," March, 1934. "Economics and Architecture." "Architects Jnl.," Sept.-Nov., 1934.

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Robbins, Prof. Lionel. "Underconsumption and Trade Cycle." "Economica," Nov. 1932.

Robertson, D. H. Debate with C. H. Douglas. "Listener."

* Contained in "What Everyone wants to know about Money."

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"Les crimes collectifs n'engagent personne."
Napoleon on the Convention.

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