

THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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NOTES OF THE WEEK.

Nationalised Armaments.

Mr. Lloyd George thinks that the manufacture of armaments ought to be nationalised. He says that while the industry is in private hands the profit motive will operate to engineer scares about security. He also says that as a private enterprise it is liable to fail under pressure. He gives examples of failures out of his experience as Minister of Munitions in the last war.

This is muddled and superficial chatter. Armament enterprises are nationalised already. They form virtually one ring, and their general policy is as much under the direction of the war departments of State as under that of private individuals. And not only are they nationalised in these senses, but they are internationalised. Krupps were delivering war material to England for some time after the last war broke out; and there is no reason to suppose that England was not reciprocating.

We have often pointed out that preparations for war tend to lessen the risks of war, and if they were extensive enough to absorb unemployment completely they would eliminate those risks. Hence war-scares which stampede Governments into war preparations are a good thing, no matter whether engineered corruptly or in good faith. Mr. Lloyd George complains that some time before the last war the British Government were stampeded, on information afterwards found to be incorrect, into building large battleships, when little ones would have done! Very well, but if only small ones had been built there would have been less trade and employment in the industry, and thus in the country. Presumably Mr. Lloyd George would say that the money saved on armaments could have been left in the pockets of taxpayers or spent on something socially desirable.

That is true in theory, but what happens to the taxpayer as a result of the Government's fiscal policy

depends finally on the bankers' superfiscal policy. Suppose, for example, that a Government contemplate spending a few million pounds on either a battleship or a water-power scheme. It is very probable that if they build the battleship the whole cost will be charged to the taxpayer in the current or subsequent financial year; whereas if they back the power scheme perhaps none of the cost will fall on the taxes, but will be met at first by Ways and Means Advances obtained in the City, and later on be turned into permanent National Debt accepted by the City in lieu of repayment in money. (Note: We are describing the principle, not the method.)

The point we want to establish is that the burdens carried by taxpayers are not lighter or heavier according to the destination of Government expenditure, but according to how the bankers decide that the Government shall account the cost. The moral is that whatever arguments are valid in favour of nationalising the armaments industry apply with multiplied force to nationalising the money industry. If the consequence of nationalisation is intended to give the Government supreme control over policy, then there is no use in nationalising anything at all until after credit is nationalised. The Post Office is nationalised, but the Government are obliged to run it on the same accounting basis as a private enterprise is run. And the same with the Spending Departments of the State. The Government is free to decide within a narrow range of limits what these departments may spend, but it is the bankers who decide at what rate the taxpayer shall be compelled to foot the bill. Millions of pounds are spent which would rank, in private enterprises, as capital expenditure to be recovered (theoretically) over a long term of years, but which, under nationalisation, rank as operating charges to be immediately recovered. Added to that evil, the Government as seller of goods (e.g., as when the Post Office sells a telephone installation on instalment terms) charges the same overhead (depreci-

ation and obsolescence) charges in price as private enterprises do—or endeavour to do. It is suspected that these items are proportionately heavier than those of private enterprise, and with good grounds, since the buyer has to pay the Government's price as a monopoly price.

Nationalisation by itself is nothing: everything hangs on the finance of nationalisation. And so long as the bankers are arbiters of that finance nationalisation of any industry puts it into the hands of the Money Monopoly.

The Money Monopoly is an international combine (having its visible seat and supreme executive at Basle). Hence the nationalising of British armament firms means their de-nationalisation and internationalisation. Pacifists who complain of these firms' lack of patriotism (e.g., supplying arms to Britain's potential enemies) are unwittingly advocating the very thing which will formalise and perpetuate it when they ask for nationalisation. Basle's distant policy is to deprive every national Government of direct control over its armaments and to substitute therefore a collective indirect control of international character. Naturally, in such an event there would be no scandal in British industry's making arms for Japan, or German industry's for France, etc.: on the contrary, this would symbolise the *Entente Cordiale* of the World! What would really happen would be that Basle would now control weapons in the same way as Basle controls credit.

If anybody wants to see in detail what the outcome of that control would be let him expend sixpence on a booklet entitled *The Functions of an International Air Police*, published by "The New Commonwealth"—which calls itself "A Society for the Promotion of International Law and Order." (Its address is Thorney House, Smith Square, Westminster, S.W.1.) Readers may take our word that this publication has to be seen to be believed. Some of the arguments and calculations expressed and explained in the text could not have been bettered by us in these columns if we had wished to compose an imaginary account of the proceedings of a secret conclave of international bankers.

How's this (p. 13)?

"No one suggests that the inhabitants of recalcitrant or defaulting States should be bombed or subjected to any form of violence, unless they themselves resort to violent methods in order to escape diplomatic, financial and economic arrest—in other words international imprisonment."

And this (p. 6):—

"The policing function is redemptive, not punitive." In another passage the authors (a committee) refer to the renouncement by a State of its air arm (in recognition of the idea of an international air police force) as a matter of its "giving hostages for its good behaviour."

These three references will give our readers a hint as to the trend and spirit of the authors' thesis. Those who take our advice and get it will be interested to see the names of some of the people whose writings are sponsored by *The New Commonwealth*. These include Sir Philip Gibbs, Professor Denis Saurat, Mr. Stanley Baldwin, Professor Einstein, Dr. Sigmund Freud, the

Archbishop of York, the Rt. Hon. C. R. Attlee, and Lord Davies. (The pamphlets, etc., written by these people are listed and priced in an appendix.)

Peace With Italy.

The British-Italian Bulletin, vol. 2, No. 19, dated May 9 celebrates the conquest of Abyssinia. The headlines on its front page are significant. Here they are:—

No Loss of Prestige.

Friction with Italy to Calm Down.

The Sporting Spirit.

Potential Wealth now available to Civilisation.

The "prestige" referred to is that of the League of Nations. The writer of the leading article condescendingly reassures the League that there is still plenty of useful work for it to do—that it has not been let down by Italy (in spite of "great provocation")—that on the contrary its highest objective, the restoration of peace, has been reached through the might of Italian arms—that its mistake had been in trying to obstruct the exercise of this might—that if the League will now confess its mistake Italy is faithful and just to forgive its mistake and to cleanse it from all unrighteousness.

In that way the "friction" referred to in headline No. 2 can be calmed down. The sanctioning statesmen of Geneva and London must recapture the "sporting spirit" mentioned in headline No. 3. It was not playing the game for the imperialists of the several nations, and particularly those of Britain, the pioneering mother of imperialism, to attempt to change the rules of the game just when Italy looked like scoring. Since the original rules have permitted a British Government of India and a Japanese Government of Manchukuo, why not an Italian Government of Abyssinia?

Lastly, what injury has Italy's conquest done to the other nations? None at all; on the contrary Italy has made an enormous quantity of potential wealth "available to Civilisation" as set forth under headline No. 4. Thus Italy, according to the *British-Italian Bulletin*, has not only brought peace to the world but prosperity too. And in proof of this crowning service that journal exhibits a map of the conquered land of Abyssinia annotated by an inventory of the captured loot. The loot is listed under the categorical heads: Physical features; Natural resources; Flora; Fauna (and, incidentally, Population). Apparently the weather, the soil, the animals that creep on the soil (human and otherwise) the plants that peep out of the soil, and the minerals that sleep under the soil, are present in all the variety and quantity necessary to enrich the world outside with a startling addition to its existing gluts of unsaleable products. Of course, as the compilers of the inventory are careful to point out, this wealth is potential only; and so ranks as a physical asset. It is not yet actual and accessible, and so does not yet rank as a financial liability. Not yet. Hence the "sporting" statesmen of the world may well shake hands in "frictionless" amity, and take their seats round the table where the Abyssinian melon is to be cut up. Later on there will be the little problem of choosing the carver, and when that problem presents itself there will be the little difficulty of reconciling the hoped-for repast with sound principles of carving. For the sound principles involve the same precaution as was enjoined on Shylock. Whereas he had to cut the flesh of his debtor without

spilling blood, the guests at the table will have to cut the flesh of their melon without injuring the rind. They will discover that the rules of sound finance—which are the rules of carving—stand as an effective barrier between potential wealth and actual enjoyment thereof. Potential wealth is wealth with the rind on; and so long as the peoples of the world, rulers and ruled alike, are content to bask in the glory of the virgin fruit, then of course the mere inspection of inventories of the delights which repose under its girdle of chastity will be all that is necessary to ensure the progress of Civilisation.

One or two items in the present inventory attract attention. Under "Natural resources," the pride of place is occupied by Platinum. And deservedly so. Firstly, Platinum is one of those exceptional metals of which the total available supply is hopelessly inadequate to serve the manifold useful purposes—even vital purposes—to which it is applicable in the sciences and arts. In an emergency like war it becomes invaluable. During the Great War it left gold gasping, reaching a price of fifty pounds an ounce—and not at all dear at that either as compared with the inflated prices of other things or as a measure of its emergency use-value. Secondly, the compilers of the inventory say that the deposits of this metal in Abyssinia are claimed to be the "largest in the world." If that be so, then from a certain point of view it was worth a war to capture this one prize alone.

Other prizes enumerated are Gold, Silver, Diamonds and Emeralds; also Copper, Iron, Potash and Coal; also Oil; then Cotton, Tobacco, Maize, etc., etc.—including (Heaven forbid, but it's true) Coffee. We may record the particulars of population. They are given as: Mediterranean Race; Negroid half-breeds; Negroes about a quarter of a million of each, making a total native population of 750,000, which is roughly the same as the population of Alberta.

Presumably this information is entered in with other items of looted assets as an indication to financiers and others of how cheaply labour can be obtained when Abyssinian development begins. And this consideration opens up some sinister possibilities. While it is true that in modern industry the incidence of wage-costs on total costs is becoming almost negligible, nevertheless international competition between nations is so intense that wage-costs might still decide the destination of trade. When a fraction of a farthing a yard of some textile or other decides whether a manufacturer stays in business or clears out, the price of labour remains the same problem for him as ever it did.

Apart, however, from this, there is a more sinister factor than the automatic displacement of manufacturers by price-differences: it is something which is not, or need not be, connected with commercial profit or loss, but rather with high financial policy. We have just chosen to mention Alberta as having the same number of inhabitants as Abyssinia. Now, supposing (this is hypothetical) that Alberta and Abyssinia were comparable in all other respects as well—that both possessed the same range and quantities of resources. Select any one product to typify potential wealth—say copper. Suppose that the world market could absorb Albertan copper or Abyssinian copper, but not both. Suppose, lastly, that in spite of the fact that white

labour in Alberta was dearer than black labour in Abyssinia the Albertan copper could be exported at a cheaper rate than Abyssinian. In that case Alberta would keep Abyssinia out of the market. Now supposing a time antecedently to this when Alberta's success could have been foreseen, then investors and engineers would not have wasted their money and time in developing Abyssinia's copper resources. In refraining they would have been guided by considerations of commercial profit. For them, there would be not ulterior consequences to consider.

But there could be ulterior consequences for higher interests, namely, the Money Monopolists. Let us refer to their executive (the central bankers of the world) by reference to the name of their headquarters, and call them the Basle Directorate. Suppose the time when neither the Albertan nor Abyssinian copper resources had been developed, and the question arose which of them ought to be developed. By hypothesis Alberta would be the better proposition commercially. But would the Basle Directorate regard it as the better proposition politically? (This hypothesis, by the way, is pretty close to fact—Alberta is, comparatively speaking, an undeveloped country with probably as imposing a reserve of natural resources as the inventory we have been speaking of.)

The Basle Directorate might be imagined to survey the situation in this way. Let us listen in to their President addressing them:

"Gentlemen,—It has been established that Albertan copper can be produced for export at a cheaper price than Abyssinian, and in sufficient quantity to meet the needs of the world market on the present basis. If that were all, the proposition that we finance developments in Alberta and do not do so in Abyssinia would need no discussion.

"But I need hardly remind you that, important as it is for money to be laid out where it will show the best return on investment, there is something which takes precedence over that consideration. It is the preservation of our monopoly of credit, and the perpetuation of our power to decide in what order, and to what extent, the natural resources of the world shall be developed.

"You will realise, I am sure, that while Alberta is the place where our financial assistance can be turned to the best account, the people of Alberta are not the people to whom we can the most safely entrust the prosperity which our assistance would bring them. If, to put it so, we back white people we are backing political consciousness, whereas if we back niggers we are not. Up to now we have not had to attach practical importance to this distinction, because political consciousness has been instructed on a wave-length which did not transmit knowledge of the part we play in shaping economic life.

"But to-day, in Alberta, you have a population who are freely canvassing and criticising financial policies and calculations which have hitherto been, and should still be (if it were possible) treated as State secrets. On the other hand, and in steep contrast, you have in Abyssinia a population of dispirited and tractable niggers who will thankfully accept, without asking questions, any conditions of work that will secure them the means of survival.

"That is the first, and the general reason why

Abyssinia should be developed and Alberta not. The quick political wits of the Albertans more than cancel out their superior functional skill, and leave a balance of ultimate mischief to our position beside which the question of the price of copper is not worth discussion.

"It may be held by some of you that if we make Alberta prosperous we allay discontent, and therefore the incentive of the people to continue their agitating. That consequence might count to some extent, although it has been a matter of observation in the past that it is States of comparative affluence among the people which seem to stimulate them to inquiry into politico-economic theories. But however that may be, the Albertan Government has shown itself in the temper to interpret any return of prosperity on present lines as something that has been conceded by us—and as a sign of our weakness; and is also in the mood to utilise such prosperity as a means of getting control of financial policy. There is no object in our giving prosperity to people who have come to believe that prosperity is in our gift: it would create the opposite impression to that which we want. Let us bestow it on people who will take it as a gift from Providence or the reward of their own virtues."

This imaginary address puts in a crude and extreme form a truth which has to be taken into account when we estimate the consequences of the opening up of Abyssinia. For unless the Basle Bankers are preparing to expand credit universally, the development of Abyssinia must involve the arresting of development elsewhere, not to speak of the threat to existing industries of Abyssinia's ultimate competition in the world markets. And assuming that the Basle Bankers decided to apply a rationing of development in such wise as to defend their political supremacy in places where it was challenged, what better instrument could they have for their purpose than a directly mortgaged, subservient, and localised production system exploiting politically unconscious labour. Abyssinia would furnish a perfect base of operations for such a purpose. Moreover, only a handful of people would suspect, and no people at all could prove, that Basle was behind the policy and responsible for its consequences.

Readers of this journal will agree that Basle has most to fear from English-speaking peoples—more particularly from those in the British Empire—and more particularly still from those in the Dominions, where high-financial secrets are being noised abroad. Logically, then, Basle ought, in self-defence, to turn the balance of development and trade in the world in favour of non-British countries. Without pretending to suggest that Basle has any such intention, or is indeed in a position to carry out any intention at all of this profound character, we nevertheless think it important to notice that Italy's capture of the Abyssinian development-base fulfils Basle's logical requirement. The event is undisguisedly being regarded as a threat to the existing European balance of power, military and economic. Britain is most closely concerned with the preservation of the balance. Nominally, Mr. Montagu Norman stands for Britain's interests in the counsels at Basle. Insofar as he presses these interests he will now have to deal with a situation in which he will be faced by the Governor of the Bank of Italy with demands (for Basle's assistance) which may adversely affect British interests. The Italian victory is worthless unless consolidated, and con-

solidation is impossible without finance. Basle has the last word on finance. If the Bank of England dominates the counsels at Basle well and good so far: the Bank of Italy must present demands compatible with Britain's security. But if not the British Central Bank will have to make concessions to the Italian Central Bank, and to the extent rendered necessary by the attitudes of the other central bankers concerned. A lot depends upon what Mussolini's demands are and how far he will run risks of war to enforce them. The Basle Bankers are intensely averse from another war in Europe, and will go a long way to meet the views of a bellicose Dictator who means business.

The way out of the difficulty in the financial sense would be for the Basle Bankers to come to an agreement, after the model of naval-ratio agreements, that is, to allot to each central bank a certain share in an international loan to develop Abyssinia. Two conditions would be necessary to make this feasible, namely, (1) that each banker could persuade his respective Government to be content with the quota allotted, and (2) that the issue of credit by each central banker for Abyssinia did not entail his withdrawal of credit from purposes being pursued by his "nationals." It will be seen that both conditions are interlocked; for no Government could reasonably entertain the proposition that national purposes should be starved in order to feed the Abyssinian enterprise. The Italian Government might do so, because it would be getting a *quid pro quo* for the sacrifice, or at least could pitch a plausible yarn to that effect for the reassurance of its nationals. No; not only provided that the concerted Basle Loan was a net addition to all loans for other purposes would this central-bankers' concordat go through without friction.

In any case, there will be friction ahead, though involving perhaps less important people than financial directorates and political dictators. The Abyssinian loan might float for a bit, but would soon be funded in long-term securities which would compete with older ones in the investment market without being reflected by corresponding credit in circulation. Also, the issue of the loan would symbolise the allaying of political tension, and might be the signal for another League-of-Nations' crusade for a slackening in re-armament. If successful the little investor in armament enterprises would have to get out quickly and into (shall we say?) wouldn't it be nice! Fixed Investment Trust Certificates in Abyssinian Properties.

Final Conclusions.

Basle can stave off war by permitting universal credit-expansion (despite the attendant inflation inevitable under the present system). Remember Keynes's dictum that credit can be expanded indefinitely if the central bankers "keep in step."

Unless Mussolini is prepared to give orders to the Bank of Italy, and to enforce them, he will have to take orders from Basle.

If he takes orders from Basle he will find himself in the position of a general manager administering Abyssinia on behalf of a consortium of central bankers. He will have to develop the country in the way he is told; and will have to accept such share of the benefits of development as is allotted to him. It may be (we do not know—and it does not matter) that he will be allowed to "annex" Abyssinia and appoint his "Viceroy," but, if so, he will not be allowed to acquire real power (economic or military) corresponding to the nominal power thus granted to him.

Mussolini has made himself a political outlaw. He can only go forward by making himself a financial outlaw. If he lacks the courage to do it, or the knowledge how to do it effectively, Basle will whistle him back to the heel of the European Constitution.

"Taxation is Robbery."

On May 6 at Leeds Assizes Mr. Justice Rigby Smith spoke in a contemptuous tone of the practice of the Inland Revenue to encourage the sending of anonymous letters by citizens giving away the secrets of their neighbours. An Inland Revenue inspector had been called to give evidence regarding anonymous communications, but when there, produced an official statement by his department that it was *not in the public interest* to divulge such information. The Judge said to counsel: "I think it a lot of rubbish; but I am not prepared to overrule the department." Turning to the witness, he said: "You need not remain if you would rather go and read your anonymous letters . . . or perform any other of your interesting duties."

While it is true that this valedictory remark was unjust to the inspector, who couldn't help what his department did, the tone of it was entirely justified. The poor inspector had done his best to improvise a defence of the anonymous-letter traffic on behalf of the department, but he could do no better than say: "Most of them [the letters] are more trouble than they are worth." Yes, but the rest—are they not of more worth than the trouble of reading all the lot? Otherwise why not ignore the lot? Business is business; and the business of Somerset House is to make money, not to save souls—although in the eyes of High Finance the confiscation of man's earthly treasures helps him to direct his aspirations towards heavenly ones.

The inspector's defence—or plea in mitigation—of the department's practice affords the hint of an opportunity for the adoption of the familiar tip to Social Creditors: "The next best way of obstructing the obnoxious policy of the bankers is to push behind it." In this case the pushing behind would consist in sending bogus anonymous letters to the taxing authorities—and plenty of them. It would widen the area of groundless suspicion up above, and provide employment for intelligence officers!

One wishes that the Judge could have seen his way to make some resistance to this "privilege" ramp of the department. The late Mr. Justice Avory did it not long before he died; and so have others. And what was the outcome? Nothing—unless it were fitters in Court at the empty mare's nest. Of course this is not to say that withheld information is always valueless. The probable truth is that the valuable information is a secret behind a secret, and the reluctance of the bureaucrats to tell the little secrets is due to their calculation that these afford clues to the nature of the big secrets or else what public interest, and direct public attention towards the master-secret of all—the fact that the taxation-system is an implement of unnecessary confiscation of purchasing power—briefly, that "all taxation is robbery" (Douglas).

The instinct of the taxpayer to avoid taxation is a healthy one. Unfortunately it is popularly taken to be unhealthy, because of the wide-spread notion that if taxpayer A underpays, taxpayer B overpays. But though that may be the consequence, it is not the necessary consequence, and need not be the consequence. If every taxpayer under-paid there would be a deficit on the Budget estimates, but the bankers would be able to make it good. That is what they have been doing in a disguised and indirect form for generations. The National Debt plus the Floating Debt registers and measures past

Budget deficits which have been made invisible to the public by being converted into loans. True the interest on Debt is a serious burden, as we all know; yet it is really the interest owing by taxpayers on arrears of taxes. It is the price of our being allowed to pay short.

These arrears are, however, in respect of taxes which were never legitimately chargeable: therefore the interest we owe on Debt is being illegitimately charged. This conclusion will be developed in further articles.

A. B.

Investments and Prices.

TO THE EDITOR OF "THE NEW AGE."

Sir,—your note on my letter printed in your issue of May 7th, 1936, raises technical points bearing on the question as to whether the prime cost of capital assets enters into prices against consumers. It is to be hoped that others will enter this controversial field because herein unquestionably lies the vital distinction between the Social Credit view of the financing of industry and that of all economists.

Hoping first to see other contributions, I will not myself now comment on your own illustrations which, needless to say, I think are wholly mistaken. But I must say that I have again and again put the point at issue to accountants, and in every case, without any exception whatever, they have rejected the Social Credit case. One I know who is very well up in Social Credit theory wrote me, "The suggestion that they (Social Creditors) are the only people who know anything about accountancy gets me on the raw. It so happens that I get my living by accountancy work, and I am also a co-auditor of a staff-superannuation fund with three and a half millions of money in it. If I could not do a bit of cost accounting better than Douglas appears able to, I should deserve to lose my job."

If we want the public testimony of an accountant we can take that of F. J. Docker, who is an Associate of the Institute of Chartered Accountants in Australia. He says that after his study of Social Credit "the conclusion was forced upon me that Douglas was ignorant of the most ordinary process of credit and prices systems." He also says, "We do wish that Douglas were acquainted with even the elementary principles of double-entry book-keeping."

No one denies that consumers have to pay depreciation charges in respect to capital assets; those charges are for a second set of those assets; they are in no way a repayment of the original cost of the first set; moreover, they are equated by payments to the consumers for making the replacements. What is not true is that consumers also have to repay to the capitalists, entrepreneurs, investors, call them what you like, both depreciation charges and a sum representing the original cost of the asset. If they did indeed do so, then investors would find themselves with both their undepreciated assets plus the money they originally gave for them. Every accountant knows that such is not the state of affairs.

Yours, etc.

J. A. FRANKLIN.

[It does not follow that, because investors haven't received their money back consumers have not parted with it. What we say is that they are forced to part with it in prices, but the banker intercepts and cancels it.—Ed.]

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Enquiries, and other correspondence, are invited.

The Crime Problem.

BOYS WHO MAY BECOME CRIMINALS OR STATESMEN!

By James Golder, M.I.Mech.E.

It is most profoundly to be hoped that Dr. Alfred Adler is misrepresented by the *Evening News* in quotations published in that paper on Friday, May 8th, on the above subject.

If he is not, and the doctor (now Professor of Medical Psychology in New York) will stand by the quotations, then the Social Credit Movement owes a debt of gratitude to the present editor of THE NEW AGE in that he saved it from the strong Adlerian influences which threatened its early days and that he kept it steadily head-on to the bankers' bookkeeping error as "the focal point of every discontent,"* individual and collective, moral and social.

It is reported he is in England for a month, lecturing. Here are some of the paragraphs from the Viennese professor who appears now to have "gone American," and who certainly has a good publicity agent (since the headlines spread right across the whole page, accompanied by a picture showing the professor looking very wise and very comfortable). The quotation begins:—

"Crime costs America eighteen billion dollars a year," he said to me, "and so, in a manner of speaking, America has a vested interest in it.

"What would become of the police, the lawyers, and so on if there were no crime? All the same, I do not think this will stop America trying to solve the crime problem."

It is not known where the speaker gets his figures from, but translated into English, even at five dollars to the pound, it exceeds £3,500,000,000! It would be interesting to see how the amount is allocated. How much to the police, how much to the lawyers, and how much to the "so on's."

Another paragraph:—

"We cannot truthfully say that crime is caused by either opportunity or environment; criminals come from the best homes as well as from the worst. What we can say is that there is a certain type of person who, if things go wrong, may become a delinquent." Here is a sample of the wordy superficialities that pass for profundity and erudition. Surely a doctor must know that though heredity is strong, environment is stronger, and if the "things" that "go wrong" (as can now be proved) are in the main due to a concealed error in the legal environment which enmeshes individuals from before the cradle to beyond the grave, it is poisonous nonsense to impute criminality to the victims of that error and punish them in the name of Law.

It is equally poisonous nonsense to impute virtue to those who happen to be socially so well adjusted as to become great statesmen, etc. See the next paragraph:—

"You will perceive, of course, that the criminal is made out of some of the best raw material in the world, not out of the poorest. It is only because he has become socially maladjusted that he has not developed into the great statesman, the great captain of industry, the great leader."

And, it might be added, the great psychologist! Note the italics in the paragraph which follows. They register the emphasis of the present writer:—

"When a child is wrongly adjusted to *society*, so that instead of co-operating he begins to feel in opposi-

tion to the *world*, he begins to lie, to bully, to steal, to develop, in fact, the criminal's attitude towards *life*." Note the three phases of the individual's environment. The first two are undefined generic abstractions. All three are comprehended in one word, *Law*. All that a man has is his life, by no means an abstraction.

If the law by which he is compassed about be itself out of order, an imitation, the very reverse of every reasonable sequence of priority, how great is the darkness in the law, and the disorderliness of a mentally dishevelled world which asks a man to shuffle through an impecunious existence, and "imputes his fall to crime." The shortage of money is the root of all crime: indeed, it is accepted in the law courts as a motive for crime!

No doubt the professor will have a good box-office during his lecture tour, since his cure for the ills of the world is the long-distance one of educating babies into lawful adjustment to a lawless environment.

The Films.

"Wife versus Secretary." Directed by Clarence Brown. "Mr. Cohen Takes a Walk." Directed by William Beaudine. Empire.

There is at least one thing to be said for the star system as practised by American producers: now and again it enables a real actress to emerge from the chrysalis of a mere box-office attraction. That development has taken place in the case of Jean Harlow and Myrna Loy, who are excellently contrasted in this picture. Neither has done anything better; both achieve their effects by subdued methods, and each is admirably naturalistic. The subdued Miss Harlow is not necessarily preferable to her more familiar flamboyance, but it is a proof of her versatility—and her recent improvement—that she can keep the soft pedal down through-out a role. Clarence Brown is to be congratulated on this and many other aspects of his direction, and the picture is full of the neatest touches; if you think you can guess the story from the title you have guessed wrong. Clark Gable has the principal masculine part; his *élan* is a trifle too machine-made.

"Mr. Cohen Takes a Walk" is one of those pictures made by American producers for quota purposes. It is much better than the average "quota quickie," has a not unoriginal plot, and is diversified by refreshing glimpses of the English countryside. But what a much better job Clarence Brown could have made out of it!

"Ourselves Alone." Directed by Walter Summers and Brian Desmond-Hurst.

Both the English and the American film industry occasionally make an unpretentious picture that is far superior to their lavish and much-advertised productions. "Ourselves Alone," which has not yet been shown to the public, but is, I understand, shortly going to the Regal, is one of these agreeable surprises, and is worth half a dozen of Elstree's spectacular "musicals." It is good to come across an English film that is not only so fast-moving and dramatic, and so well directed and edited, but that also deals with such realities as the war between the Irish Republican Army and the Black and Tans. Here is something of the history of our own times on the screen, even if in the superficial form in which "The Troubles" must be depicted if the result is to pass the Censorship. An outstanding performance is given by John Lodge as the County Inspector, and I am glad to learn that Mr. Lodge has been given the principal role in "The Tenth Man" on the strength of it. My only adverse criticism is that an excess of comic relief, in the traditions of Surreyside melodrama, is provided by Jerry Verno, whose methods are incidentally more suited to the variety theatre than to the cinema.

DAVID OCKHAM.

The Cancellation Problem.

The case for the issue of Dividends rests on the fact that the credits used in production are diminished by cancellation during the time covered by the operations.

The Dividends are thus required to compensate *interim diminutions* of credit by a *final expansion* of credit.

If, as critics of the Social Credit Analysis assert, there are no interim diminutions, there need be no final expansion. No compensation, no Dividend.

As an illustration take a saucepan priced at 1s. in the shop. Let it consist of six items of cost, each 2d. The history of the cost-building will cover a long range of years dating back to the earliest operation on natural resources (e.g., the cost of coal and iron appearing in the price of the saucepan).

Now, if each of the six items was a new twopence at the time when laid out as a cost, and if nothing transpired that diminished it during the cumulative cost-building processes, somebody or other would have the shilling to buy the saucepan.

But suppose that during the time there was diminution amounting in this case to, let us say, twopence, the shilling saucepan could fetch only tenpence. A Dividend of twopence would be required to compensate the deficit.

Let us arbitrarily suppose that the saucepan is owned by six persons in the sense that each has laid out twopence (or, if you like, has inherited the title to claim twopence from his father or grandfather, who laid it out and didn't get it back), then we may put the situation in this way: that the person (or persons) with the twopence can pay only five creditors, leaving the sixth unpaid.

In that case we can say that the Dividend is required to pay out the sixth creditor (whether directly—thus enabling the buyer to get the saucepan for tenpence, or through the buyer, enabling him to pay the shilling).

Now the assertion that the Dividend is not necessary—is superfluous—would have to be cancelled—and so on, when related to this illustration, amounts to the proposition that (a) there is no such a person as creditor No. 6, or (b) if there is he does not require the twopence.

There is a sense in which either of these propositions is true. Let us put it this way. Here is a saucepan on offer for which six twopences are demanded. Now, suppose we parade the six creditors. We are going to assert that the five who collectively demand the twopence available are real creditors—persons who could prove loss if unpaid; but the creditor No. 6 is not a real creditor—that he is a pretended trustee for imaginary creditors. No. 6 is the banker.

If this assertion is true, the Dividend of twopence will accrue to the banker. What will he do with it? No person claims it of him, so he will have to hold it, and that means that he will have to post it to the credit of his Profit and Loss Account.

So let us verify our assertion. Who are our five real creditors? They are persons who lay out their money with the intention of getting it back again and employing it again, and so on, in the conduct of productive operations. Who are the imaginary creditors on whose behalf the banker demands money back? They are persons who are not asking for their money back—persons who surrender their money irrecoverably in exchange for a claim on an income (if available!). Mostly they are investors in ordinary shares.

The implication of this distinction can be clearly elucidated by considering for a moment the accounting of the bankers' own business. As is well known, a large proportion of their annual profits is placed to reserves. Let us arbitrarily say, one-third. Then in every sixpence the bankers charge for their services, twopence is claimed, not to pay to their shareholders as dividends (the dividends come out of the fourpence), but to return (in theory) their shareholders' capital. The public, other than bank shareholders, are being levied on to repay the shareholders' capital, but the public, including the shareholders, do not touch the money. In the last analysis it disappears out of circulation. The token twopence represents a cancellation of purchasing power, and here the bank, in charging the twopence, is clearly posing as a trustee for imaginary creditors in the sense in which we have used the definition.

Now, in describing the process in the banking business we are describing the process in the saucepan business. The only difference is that the bankers claim the twopence indirectly (i.e., via industrial costing-processes generally) and on behalf of investors generally.

Reviews.

The Code of Laws on Marriage, Family and Guardianship of the Russian Socialist Federated Soviet Republic. Translated by Hsinwoo Chao (Sweet and Maxwell, Ltd. 5s. net.)

The Labour Correction Code of the R.S.F.S.R. Translated by Hsinwoo Chao (Sweet and Maxwell, Ltd. 5s. net.)

Instead of relying for your information about the R.S.F.S.R.—i.e., Soviet Russia—upon bits and scraps read in daily newspapers, you can now read the exact wording of the actual Soviet Laws relating to marriage, family, and guardianship, and the Soviet Penal Code. And, moreover—and thank goodness!—there is no chat about these laws. The several clauses (1), (2), (3), (a), (b), (c), are set out as enacted and enforced. No comments. No propaganda. If you want to know what the law of the land is—here it is in its legal form. It shows a Communal Work State at work.

These two little books, setting forth the facts, are worth dozens of weighty tomes on Soviet Russia as it is to-day. Moreover, the bare legal enactments make far more interesting and informative reading than all the "I Spent Three Weeks in Leningrad" chitter-chatter put together. S. R.

Our "Rational Moral Nature."

The Ta Hio* is the first of the Four Shu (or books) of the Confucian Classics, the first section of which is ascribed to Confucius, and the remainder to one of his disciples, Tseng-Tseu.

After the first section comes the "Explanation of Tseng-Tseu (or, as we should say, the 'annotations')" in ten short chapters. Here are the headings:—

- I. On the duty of developing and restoring to its primitive clarity the bright principle of our reason.
- II. On the duty of renovating or of enlightening the people.
- III. On the duty of aiming definitely at perfection, the sovereign good.
- IV. On the duty of knowing and of not confusing causes and effects.
- V. On the duty of perfecting one's knowledge in the matter of morals, and in penetrating the motivation of action.
- VI. On the duty of clarifying and making one's own intentions sincere.
- VII. On the duty of perfecting oneself by permeating one's soul with probity and directness.
- VIII. On the duty of keeping order in one's family by correcting oneself. (Pound has a footnote to this heading: "The rub is in the preposition, hence my italics. Confucius will always annoy theoreticians, and lecturers, because he does not leave these things open to theorising.—E. P.")
- IX. On the duty of a prince to govern well, by keeping order in his own family (family, that is, meaning the court as well as his relatives).
- X. On the duty of maintaining the peace and harmony of the world by good internal government of the country. (This final chapter, says Pound, "is an heteroclitite mass of addenda.")

At the end of the first section of the Ta Hio, we read:—"One should meditate on it for a long time, and one will never succeed in exhausting its sense." To which Pound adds this note: "The italics are mine. Despite the apparent simplicity of the text, the commentator is perfectly justified.—E. P."

Says Tseng-Tseu, in his first chapter of "annotations":—

"(4) These examples show that one should cultivate one's rational moral nature."

Maybe it does, or they do. But the fact is we have long since succeeded in exhausting our common sense, and so, however long we meditate on the Great Learning, we shall "never succeed in exhausting its sense"—for it will all appear to us (i.e., to Rt. Hon. Stanley Baldwin *en bloc*) to be exactly what we are and what we do. Do we not "develop and restore" the "bright principle of our reason"? Certainly. Buy British! Do we not "renovate and enlighten the people"? Of course

* Ta Hio, The Great Learning: Newly rendered into the American Language by Ezra Pound. (Ideogramic Series, edited by Ezra Pound). Published by Stanley Nott. 2s. net.

*Douglas.

we do. B.B.C. Sunday programmes—and Occupational Centres for the Unemployed.

Do we not "aim definitely at perfection—the sovereign good"? Who says we don't? What about the "Queen Mary"?

Do we not "know causes and effects"—and do we "confuse" them? As that splendid periodical *Time and Tide* has just lately explained, "Money brings us to wealth, wealth to goods, and goods to food." How's that, Confucius?

Do we not "perfect" our "knowledge in the matter of morals"—and do we not "penetrate the motivation of action"? Look how promptly we investigated the leakage of Budget "secrets"—we "know" what "motivated" (1) the leakage itself, and (2) the "investigation" of it.

Do we not "clarify" and "make our own intentions sincere"? Look how we've stood by the Covenant of the League all this time. Are we not re-arming in order to keep the Peace of the World? Do we not "make" our intentions "sincere," even when they are utterly insincere (to begin with)? I'll say we do!

Do we not "perfect" ourselves by "permeating our soul(s) with probity and directness"? What did Rt. Hon. Neville Chamberlain say? He said—"We are determined to build up an Air Force of such terrific striking power, power to inflict such terrific damage on the enemy . . ." Isn't that "direct" enough to gain top marks in a Ta Hio exam?

Do we not "keep order" in our own families "by correcting" our own selves, each one of us? Look how Strube's Little Man lives in his nice little home, "Elm View," Balham—and look how we cheer when the B.B.C. says "Now, all together, little ones!—hip, hip—"

(Sure, it leaves nothing "open to theorising." It's a case of Pavlov's conditioned dogs. "The (dirty) dogs bark, but the caravan passes on . . .")

Does not our "prince" (of Parliaments) "govern well" by "keeping order" (each M.P. in his "own family")? Why, their "family life" is "above reproach"; and that is why, when they all get together, they govern so well. 'Tiz, reely!

And—finally—do we not "maintain the peace and harmony of the world by good internal government" of Great Britain? I could bring an enormous "heteroclit mass of addenda" (culled from speeches delivered in Parliament and at the Long Pumpkin Flower Show and Fete each year) to prove that, but for the British Navy that "polices" the world . . . together with our support of the League, but especially the example we set to all other nations of "good internal government" (despite the fact that half the population is underfed, slum-housed, and going about in old bits of cloth and worn-out cardboard-and-leather on its feet) . . . by the way, there's a dance and whist drive at the local Conservative Club on Thursday—like to buy a ticket? must keep the old flag flying, you know.

Damme, I don't see what these Ta Hio fellows can teach the British, do you? And, anyhow, look at the state of China at the present time! Bit of their own Ta Hio wouldn't do 'em any harm, what? Meantime, a gunboat up the Yangtze isn't a bad notion—in case there's a spot of trouble—bandits—war lords—kidnapping and what-not—protect British interests—don't you agree?

So, ta-ta Ta Hio! It takes no account of The Unteachable—and is only fit for men who already have the Great Learning without having to learn it.

What we need is not Ta Hio—but a Kick in the Pants.
We shall get it. S. R.

LETTERS TO THE EDITOR.

A + B.

Sir,—I think your correspondent of April 30 misunderstands the nature of the case where it is admitted that "in a State in which consumption and production are equal . . . any additional "National Dividend" would have to be retired by taxation." His contention, therefore, that this admission constitutes a denial of the A + B theorem is erroneous. It can be shown that a state of equilibrium between consumption and production can take place without entailing any contradiction between that state and A + B, although any additional "National Dividend" would have to be retired by so-called, but not in any real sense, taxation. It can arrive in two ways: one, in a period in which intensive capital production is taking place, though in a

state of incompleteness, and therefore not entering into costs. This is always advanced by "Douglasites" as one of the ways by which the inherent "flaw" in the system is hidden; a way disastrous in its ultimate consequence if the "flaw" is not recognised, since a decline in capital production at a later period when the new capital is being used, and is therefore appearing in prices, will cause a shortage of purchasing power.

The second way in which equilibrium could be reached is if all existing capital costs (including reserves) had been recovered, and no new capital costs—at the moment—were being incurred. This state could only take place under a Social Credit regime where profits were controlled, and consequently no redundant capital costs could be charged. It would also only be temporary, since a time would arrive when plant would have to be replaced or renewed; or, owing to new inventions, existing capital plant scrapped and new plant established. It is unlikely that in a state of continuous production, and in a state in which new inventions received encouragement, this state would occur; but it is theoretically possible. Both cases, however, corroborate, and in no sense deny, A + B.

In either of the above cases there would be no fund on which to base a Dividend, as there would be no deficiency. A Dividend would still be needed, though, as the output of wealth would be more than those engaged in operating the machine could possibly consume, or could possibly be said to earn. But an arbitrary increase in prices, or price-tax, could form the basis for a Dividend. The "tax," or increase, would be retired through prices, and returned, afterwards, to the National Credit Office for cancellation. Since, however, the price "tax," or increase, would not have entered into costs, such retirement and cancellation could not—as already stated—be regarded in any real sense of the word, as being in the nature of "taxation."

If, on the other hand, a Dividend was based on a direct taxation of incomes (a possible, although awkward, and less "realistic" way), then retirement of the Dividend would take place, effectively, through costs, or prices.

B. C. Best.

Forthcoming Meetings.

London Social Credit Club.

Blewcoat Room, Caxton Street, S.W.

May 15, 7-45 p.m. Mr. H. E. Baker will speak.

May 22, 7-45 p.m. "New Economics," by Mr. Ewart Purves.

May 29, 7-45 p.m. "What is Wrong with Social Crediters," by Mr. M. B. Reckitt.

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