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THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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NOTES OF THE WEEK.

Foreign Policy and Markets.

"Foreign policy," remarked the *Morning Post* on one occasion, "is an extension of domestic policy." It went on to explain that the concrete objective of such policy was to provide or protect "trading opportunities" for domestic industries in the world market. Well, since the term "world market" describes the totality of domestic markets, it follows that every national foreign policy has for its object the preservation of the solvency of its domestic industry at the price of bankrupting other nations' domestic industries. Distance lends enchantment to the view; and this *distant* formula, the "world market" has probably deceived more people than has any other. It has presented to every national group in turn the vision of a sort of commercial no-man's-land—some external area of un-annexed trading opportunities—which has only been waiting to be occupied and developed in order to return a financial profit to enterprising explorers. Every nation could help itself to something more than it had before, and therefore every nation's foreign policy could succeed in its objective at one and the same time. Therefore danger of disputes (leading to war) was not inherent in the "help-yourself" principle of trade expansion; it was a contingency which could be averted by diplomatic negotiations for laying down "play-fair" rules for the staking-out of "help-yourself" trade-claims. Thus armaments were only necessary as instruments to enforce the rules of fair play on greedy nations. It was true that nations possessing a preponderance of armed force might be tempted to lay down rules to suit themselves; hence the modern idea of having a League of Nations make the rules and at the same time bring about an equality of armaments—and (ideally) bring about disarmament.

As students of Social Credit know, this is entirely false concept of the realities. It looks true because it is half true, and because there is no theoretical reason why it should not be true, and cannot come true. More

than that, it *feels* true; and that is because once upon a time it *was* true. Before the bankers rose to power and interposed their wealth-token system like a barbed-wire entanglement between wealth-creators and the wealth they created, there did exist opportunities for nations to pick up a bit more without treading on each other's toes. But to-day those opportunities are suspended. They are not irrevocably destroyed. They will be enjoyed again. But not until the bankers have been put in their place as servants, not masters, of the system of wealth production and distribution. In the meantime, as we say, new trading opportunities for the nations, considered collectively, are suspended. The nations are in an economic deadlock in which Possession is reflected by Dispossession—in which Solvency clashes with Bankruptcy.

Abyssinia.

On the face of it the conquest of Abyssinia would appear to afford evidence to the contrary. It would afford it if the economic problem were simply one of gaining physical access to new physical resources and converting them by physical means to supply physical needs. If that were all, then every nation in the world, including the conquered Ethiopians themselves, could gain possession of a share of the new wealth which is to be found in Abyssinia. Possession would expand without involving Dispossession. Of course in one sense the people of Abyssinia have been dispossessed, but this dispossession is political, not economic in a practical sense, because they were not able to exploit the resources of which they have been deprived. To lose to others what you can't enjoy is not dispossession; and on the other hand it can lead to possession if the new exploiters share out the fruits of the exploitation.

But the whole point here is this: Will there be any fruits of exploitation to share out?

The answer is in the negative. The fundamental reason is that new expenditure on capital development

causes inflation of prices. The banks create the new money, industry borrows and spends it, there is more work about both outside industry (wages, salaries, etc.) and inside industry (business deposits buying materials or replenishing stocks). Everything—from the mineral dug up out of the earth to the bread taken home from the shop—*fetches a better price*. That is another way of saying that *every coin of the realm buys less*. To that part of the community who are investors this is welcomed as an industrial boom; but to the community as a whole (including these investors) it comes as a hold-up of consumable output. For when the price of any article is raised *before* the wage-and-salary remuneration to citizens *for the making of that article* is raised, the increase in the price amounts to the same thing as if wages and salaries had been cut to that amount. And that is what happens in the early stages of the inflation accompanying capital development. In the later stages, wage-and-salary-earners, finding it more difficult to pay their way, may agitate for, and receive, higher wages. But these are now added to the costs which are to enter into future prices. So the hold-up of consumable output is maintained. To use the analogy of the orchard, the planters of extra apple-trees may get more apple-money, but they do not get more apples.

New Houses—Dearer Bread.

To illustrate by reference to recent developments in this country, look at the following new "apple-trees":—

1. New houses.
2. New armaments.
3. New arterial roads.

And now consider the following course of "apple-prices":—

1. Bread up (three weeks ago).
2. Milk to go up as from September 1.

As regards milk the official explanation would be that this was merely the annual "seasonal" change; but what concerns the milk-consumer is not the times when milk is put up or down, but the ratio of the money he has to surrender for milk to the money he receives as income. And it may be pointed out, by the way, that this seasonal change appears to be a movable feast, something like Easter; for earlier in this year when the winter price was due to go down expectant housewives were blandly told that the reduction had been postponed for a month! Needless to say the aggregate amount of money represented by a month's consumption of milk is of substantial dimensions; so it behoves consumers to keep an eye on this tendency for winter seasons to encroach on summer seasons.

* * *

To apply the orchard analogy to the general situation, the development of the orchard diverts energy from apple-picking to tree-planting, and to that extent makes proportionately fewer apples available against the energy expended. That is the physical aspect of the development. It would be unavoidable in circumstances where the whole energy of the orchard-workers were engaged on the two jobs; but not unavoidable where there was an unemployed reserve of energy, for then more workers could be put on to picking *at the same time* as more workers were put on to planting. In that case extra apples would be picked, and these would be used to remunerate pickers and planters alike. But this sensible way of working things is not possible under the rules of the bankers. You might have old trees carrying ripe apples in enormous numbers, and you

might have twice as many orchard-workers as were required to plant the new trees; but the bankers' rules would prevent the overflow from being applied to picking. The consequence is that a large number of available apples remain unpicked, and the price of the picked apples rises to absorb the total earnings of pickers and planters alike. The unpicked apples would rot off the trees and be trodden into the ground. (That is what happens, in another form, to Brazilian coffee, Spanish wines, American cotton, and so on all over the world.)

Pandora's Box of Gluts.

It is fundamentally true to say that the new resources of Abyssinia represent so many potential gluts of wealth, which, if actualised by industrial engineers, would have to be destroyed. Take an inventory of these resources as enumerated from time to time by the Press during the progress of the Italian conquest, and examine the items one by one; and (with the exception of gold and platinum) you will be able to say of each that there is already a glut of it (actual or potential) in some other part of the world. Consider the unexploited reserves of natural resources on the American Continent—resources which have been left untouched precisely because, if converted to consumption uses, they could not be bought by consumers. In fact, the resources already converted have not been wholly bought, as is evidenced by the phenomena of "pools" and "marketing boards."

* * *

We have often referred to the complaint made by an American statesman just after the war that the huge quantity of new capital (factories, machinery, etc.) accumulated in the United States was going to be—as he put it—"a millstone round our necks unless we can get orders from abroad." In other words, this capital could not earn its keep in the country which created it and owned it. Unfortunately for this dollar-capital, the same thing was (and is) true of sterling-capital, marks-capital, francs-capital, and other capital situated in all parts of the European continent. Every factory is a glut factory in its country of origin. And, by the way, if some ingenious rhymster would examine the verses of that popular song: "Love is Everywhere," and would substitute "Gluts" for "Love," he could turn out a parody which would have useful propaganda value among all people with a sense of the ridiculous.

Mussolini's Loan-Jemmy.

And to such people the spectacle of Signor Mussolini's boasting that he has secured for "civilisation" the resources of Abyssinia is a huge joke. (Just one more straw, my dear camel!) The fact is that (omitting barbarities alleged to have been practised in Abyssinia—which are outside the economic frame of reference) the Italian picture inverts the true situation. Abyssinia, under the displaced Government, helped to save "civilisation" by managing to provide her population with a living of sorts without "developing" her resources. She sat tight on her Pandora's box of gluts. Mussolini has now knocked her off the lid, and has been saying: Watch me open the purse of Fortunatus!

And when the box was opened

The gluts began to sing,

Oh, wasn't that a kettle of fish

To set before the King!

Yes; and readers of THE NEW AGE who watched the news last week discerned significant evidence that

"civilisation" is not in a hurry to see Mussolini raise the lid. The Duce is looking round for a jemmy to prise it up. He has discovered that an implement made of *lira* metal won't do the trick. It must be made of hard alloy containing, additionally, pounds sterling, dollars, marks, francs, and other currencies. If only these could be dug up by Italian mining engineers in the conquered territory! Unfortunately they have to be charmed out of the monopolistic control of the Basle Banking Combine. "Pounds sterling," says Montagu Norman, scratching his beard as if he had just heard of such things: "Well, I don't happen to have any myself—but I think that a friend of mine might—on suitable terms—"! And so each of the other Governors of Central Banks. Mussolini had been talking during the campaign as if it were only necessary to pinch the real credit of Abyssinia to clinch a deal in financial credit. The money for development would come as a matter of course. He reminds us of the gentleman who was travelling in a railway compartment along with an old Scot who was a stranger to him. Wanting a smoke, and being without a light, he addressed the Scot:

"Pardon me, sir, but could you oblige me with a match?"

"A match?" repeated the Scot, peering calculatingly over his spectacles: "you want a match? . . . a match. Well . . . yes . . . I think that might be arranged."

The "iron law" of supply and demand at work—what? Yes, and the match of mixed loans which Mussolini requires to light the pipe of Abyssinian peace and progress *might be arranged*. "You want a few pounds?—a few marks?—a few francs?" reply the Central Bankers: "Well we will consult our friends and let you know what they say." In short, Spenlow is charmed by the compliment of the application; but you see, Jorkins is an awkward fellow about securities.

* * *

And that is how the inspired Press have been receiving Italy's proposition for a mixed loan. The British newspapers have been diplomatically sympathetic with the principle of British lending, but pointing out that British loans must be sanctioned by the Foreign Loans Committee, who are rigid upholders of the traditions of the Jorkins dynasty.

Mechanics of Foreign Loans.

In short one more prophecy of THE NEW AGE is demonstrably fulfilled. We have insisted all along that when Mussolini had wrested the Abyssinian estate from its previous owners, Basle would constitute itself Trustee, Executor and Administrator. It had to be so. The eviction of the Emperor of Abyssinia has created an analogous situation to the death of a wealthy testator. The private estate has got to be liquidated at the same pace, and no more, as it can be conveniently absorbed by the market. The analogy is not exact, but it holds true in essentials. We know on technical grounds that a mixed world loan on the security of Abyssinia amounts to an outright purchase of Abyssinia's resources. The money will not come back. It is not expected to come back. In fact, as our learned brothers—by which we mean the Old Guard of the Social Credit Movement—are aware, the money *can't* come back, because it never goes out. "Money does not cross frontiers," declared the Rt. Hon. Reginald McKenna in one of his famous addresses as Chairman of the Midland Bank. (The

present editor of THE NEW AGE elaborated this truth at some length in an article published by *The Realist* of December, 1929, apropos of the loans made by the United States to Great Britain during the Great War.) It is sufficient to say here that when e.g. Britain lends money in such circumstances as we are discussing, all that the borrowing nation gets is goods: the money itself accrues to British industries supplying the goods. The money remains within the frontiers of Britain. In so far as this money is new money (i.e., bank-created money, applied by the banks to direct investment in the loan, or advanced to companies and individuals to enable them to subscribe) it swells the quantity in domestic circulation, inflates domestic prices, and to the marginal extent of the inflation constitutes a tax on British consumers. To revert to our analogy of the orchard, the lending of money in these circumstances is really the paying of money to workers in the British orchard to plant new apple trees in a foreign orchard. Their extra earnings added to those of the apple pickers, constitute an increased money demand for the apples on the old trees, with the result that the price of apples rises proportionately and the workers get no more reward in terms of apples than if the foreign planting had not been undertaken. They might get less; and indeed would obviously do so if the foreign planting called away labour previously applied to picking. But the contingency is only hypothetical in these days when there is surplus labour available for all purposes. However, the main conclusion that is to be drawn from this analysis is: Consumers at home pay for loans abroad.

Quartering Labour on Labour.

It should be comparatively easy for the man-in-the-street to see that when extra workers are hired and remunerated for exporting wealth in these circumstances these extra workers are virtually quartered on the original smaller number. To put it in the form of a homely illustration, it is the same thing as if four persons got an egg each to eat in reward for service, and suddenly an extra person were called into service and the original four were commanded each to cut off the top of his egg and pass it to the newcomer. The five would be eating four-fifths of an egg each if the re-apportionment of rations were mathematically correct. Notice that the *financial* returns of "employment"—and "wages" reflecting the situation would look most healthy—a 25-per-cent. increase in numbers employed and a commensurate increase in wealth produced. (Thank God for the National Government!) But what form was the increased wealth taking?—and where was it going? A fifth egg? No. And supposing it were an egg, it wasn't coming to the table: it was going abroad to be eaten—or rather hatched. So when Henry Dubb next sees glowing references in his paper to the upward trend of employment let him relate it to the upward trend of bread-prices and milk-prices; and, the upward trend of the newly employed, he may lay the gratifying unction to his soul that he is a host of those who are—making room for them at his table, pouring them out milk from his jug, and cutting them off slices from his loaf. The Brotherhood of Interdependence. A beautiful thought which imparts a swimming feeling to the spirit far outweighing the sinking feeling in the stomach.

Risks in Abyssinian "Development."

Now let us leave Signor Mussolini touting round his Abyssinian properties. In due course we shall all learn on what terms of safety the Basle negotiators are able to arrange the delivery of the safety match. This

rotten joke is intentional: it is especially relevant to the grim reality that Mussolini's hurry to open up Abyssinia carries the same potential threat to safety in its widest sense as did his policy and methods of conquering that country. It imposes on the world's bankers an immediate and an ultimate problem. They have immediately to decide whether, and how quickly, Abyssinia shall be developed. Also in what proportions to share the work of development between the various European industrialists who want to participate in it, having in mind, what we have pointed out, that, for each country involved, development abroad means inflation at home, and that these separate internal inflations must be kept in step (as Mr. Keynes would say) because otherwise they would cause a disturbance to the delicate equilibrium of the European exchanges. So much for the immediate problem. The ultimate problem—which must be prepared for long in advance—is that which will arise as soon as Abyssinia is ready to translate her development into benefits to "civilisation," or, in less rhetorical language, as soon as Abyssinia is ready to compete in the world market. Our analogies of the orchard on the one hand, and the egg-eaters have their bearing on this problem. In both illustrations the basic feature was the stricture of collective consumption during developmental work. The workers earned extra money freely, but it did not buy them extra food. But now, the arrival of Abyssinia, would threaten to extinguish the earnings themselves. She couldn't be found a place in the world market without displacing other countries. However, we will not pursue the matter because her arrival is not due for some considerable time to come, and meanwhile there are certain to be drastic alterations in the bankers' principles of running the world's economy.

Schacht's Mission to Paris.

Dr. Schacht's visit to Paris last week will be of special interest for our readers, who will have noticed that in the course of his proposals to the Governor of the Bank of France he brought into play a line of reasoning which THE NEW AGE has persistently emphasised and elucidated in respect of the Armaments Problem. That is, that the manufacture of armaments, financed as it is by bank-credit, does not increase the risk of war, but on the contrary decreases it by lessening the internal scarcity of money which drives industrialists to compete with each other for foreign trade. And now we see Dr. Schacht has been reassuring the French people about German armaments on precisely this ground, and incidentally providing Social-Credit commentators with chapter and verse for the proposition.

Germany's Financing of Armaments.

With German armaments we must combine the new conscription system. They are one and the same thing from the financial point of view. Speaking of this system Dr. Schacht said that it was not directed against France. It imposes an increase in the period of military service, and therefore enlarges the standing army. But by the same token it employs and pays men who would otherwise be chargeable to industry whether in terms of wages (if employed beyond the real necessity for their services) or in terms of taxes if unemployed. And mark this, that all army expenditure, though probably recorded separately from armaments expenditure, is indirectly backed by new money, the total of which has been computed to have accumulated to £800,000,000 since the beginning of the German military revival. As we might put it in English idiom, the whole expendi-

ture has been provided by Ways and Means Advances. In these circumstances, the question whether the expenditure on army-personnel figures in the Budget as a charge against tax-revenue is of only academic importance. If it is, there is every reason to suppose that it is recoverable, because industry has had the handling of £800,000,000 which has not been called in. But no matter anyway. The great thing is that, in the final analysis, the army and the armaments industry are being nursed by the Reichsbank. There is more money to be earned by industrialists, workers, and soldiers. There is less fear of insolvency, more security of employment, and more inner contentment. Hence less urgent incentive on the part of the industrialists to go out after foreign markets. The Reichsbank has been substituting itself the missing "foreign importer."

Schacht Poses Dilemma for Labeyrie.

But, unless the traditions of central bank finance are to be abandoned, this comparatively happy state of affairs cannot continue. Accordingly Dr. Schacht has been proposing to his French opposite number, M. Labeyrie, Governor of the Bank of France, that they should "combine in an international effort to solve the economic and political problems of the day." (The Times Correspondent in Paris, cabling on August 28). According to accounts in other newspapers he appears to have said in effect:

You need not fear our military strength and armaments development. These have been increased for "technical reasons" and have only been "hastened" [note: not caused. ED.] by military preparations in Russia. We have to look after our nationals. We are willing to call a halt in military policy and expenditure; but if we do we shall require our nationals to be compensated by a trade agreement with you on a new basis.

In blunt language, if France is really scared by German armaments, Germany will be pleased to make something else if France will buy it. So it will be seen by our readers that Dr. Schacht is using THE NEW AGE analysis for the purpose of posing a dilemma for France to resolve. And the humour of the situation lies in the fact that M. Labeyrie, being an official upholder of financial orthodoxy, is unable to convict Dr. Schacht of insincerity. To do that he would have to show Dr. Schacht some way by which the German Government could end the armaments boom without creating an industrial financial vacuum which would require compensation from outside. He cannot say to Dr. Schacht: "Put your Ways and Means Advances into peaceful production for home consumption, and fill the vacuum that way," for he is a member of the Basle Directorate who regard that sort of thing as the worst of financial heresies. Production for Consumption? Not a wild and irresponsible invitation to catastrophe! Nor can M. Labeyrie very well suggest that Britain, or Italy, might be willing to fill the vacuum. The British Government would receive, the next morning, one of those ponderous pronouncements from the Federation of British Industries, who are already aggrieved at the one-sided effect of trade agreements with our own Dominions, let alone tolerating the dumping of goods "made in Germany" into their market. As for Italy—well, Italy will buy, as we have seen earlier, but only on the "Abyssinia" basis where the purchase money is put up by the selling countries, i.e., by the banks of those countries. Naturally the Reichsbank, which seems to want to retrench on loans, is not likely

to fall for the idea. Abyssinia comes back into the picture here; for German industrialists would claim their share of orders if Abyssinia is to be developed, and that would mean that the Reichsbank would have to finance the exports along with other Central Banks similarly drawn in to the development scheme.

The Times Correspondent previously mentioned introduces the following summary of the French attitude:

"... the French do not grow less suspicious of German motives as time goes on. Self-sufficiency and a closed economy, in which trade with neighbours is carried on only through the medium of bilateral agreements, make the political position of Germany in Central Europe so strong that it is difficult to imagine her seeking a change for the good of humanity, unless indeed her internal economic position is becoming unbearable. Frenchmen are, therefore, inclined to see snares in Dr. Schacht's suggestions, both political and economic. The words 'credits' and 'dumping' rise unbidden in an interrogative tone to their lips."

This Correspondent's proneness to employ banker idioms (with which we suspect he has professional acquaintance) does less than justice to our French cousins' well-known competence to express their ideas in plain language. We fancy that what he summarises for readers of THE TIMES is a point of view which the Bank of England hopes to get the French Government to adopt and act upon, or one, at least which THE TIMES recommends as sound to its readers. The French industrialist would not object to a "self-sufficiency and a closed economy" as such: he would wait to see what the results to himself were of the state of affairs alluded to by these fancy expressions. If they mean that Germany won't pay more for foreign goods than she receives from foreigners for her own, the French industrialist would have to admit that he wants his own country to do the same. If they mean that Germany has entered into bilateral agreements ensuring her a favourable balance of trade—an excess of exports over imports—that is another matter, and should be described in plainer language. The only comment we have to make on the subject is that we should be interested to know who are the statesmen nowadays who voluntarily agree to buy more than they sell abroad. They might be coerced into doing so. But if the writer knows that such is the case, why doesn't he say so? For the rest, in so far as Germany wants the better of a bilateral deal, she only wants what every other country wants, whether through a trilateral, multilateral, extra-lateral, superlateral, ultralateral, infralateral, or—most mystic of all—a unilateral deal in which one party signs a blank sheet of paper precipitated from nowhere and volatilised into nowhere, and waits to see what happens. As children we all used to write specifications of toys for Father Christmas to honour. We did not always get those we wanted, because, as we have since learned, that benevolent personage was hampered by considerations of cost due to the fact that he couldn't raise loans indefinitely upon his reindeer. Yet we made a bit on our unilateral deal. But in the economic world of to-day no deal will safeguard a nation against loss unless it is on the basis of exact reciprocity in terms of selling and buying. That being so, bilateral dealing is best.

What Is Fascism?

In a letter elsewhere Mr. Raven Thomson protests against our publishing one-sided (as he alleges) extracts

from Einzig's book, *Economic Foundations of Fascism*, and he quotes other extracts to show that ours did not fairly represent Einzig's views. His protest is mistimed. The book is two years old, and no reader of THE NEW AGE would take our extracts as constituting an "impartial" view of it. We freely grant—or, better, claim—that they are one-sided; for they are, so to speak, a collection of cats which Einzig has let out of the bag. We do not need to be told that there are other sorts of cats left in the bag. That is, in fact, one of our chief complaints about not only Fascism, but Socialism and Communism, namely, that the more deeply you examine the things respectively so labelled the more they seem to be the same thing.

We recommend to the attention of our correspondent an aphorism of THE TIMES: "When philosophies differ, but actions are the same, the difference between the philosophies has nothing more than academic interest." So when a writer comes along and offers to show why Fascism is superior to other philosophies (whether ostensibly democratic or autocratic) we are entitled to demand evidence of its superiority by reference to what has been done in its name. Our difficulty is to make out whether we are expected to approve the Fascist philosophy because of the philosophy. Einzig does not seem to know which line to take, for he puts his money on both. The extracts from his book which we have been publishing bear this criticism out. And the mere fact that Mr. Raven Thomson is able to produce other extracts which, in his view, cancel out the significance of ours, bears out the criticism some more. We can understand a man who asks us to approve of apple trees because we approve of apple trees; but we cannot understand a man who exhibits an unidentifiable fruit as proof that apple trees are the thing, or exhibits an unidentifiable tree as proof that apples are the thing. We understand that he may honestly believe in this sort of proof, but we honestly do not understand the proof. To us, Fascism is what it does. Einzig's mode of argument amounts to this, that if we don't like what Fascism is doing we must bear in mind that Fascism is not yet what it will be—if Fascism is bringing forth thistles, no matter: Fascism may yet turn out to be a grape-vine. We must pin our faith to metabolic metamorphosis!

Thus, in one of the extracts we published, Einzig asks his readers to approve (or condone) the imposition of the will of the Dictator on the people on the ground that in course of time they will (or may?) "like doing that in course of time they will (or may?)" whereupon, be what they've got to do in any case," whereupon, be what they've got to do in any case, and Fascism is hold, the will of the people prevails, and Fascism is retransfigured into pure Democracy. Passing by the rejoinder that this "will" is better described as a conditioned reflex, and being such would have to be maintained by the continuance of the dictatorial conditioning factor, we ask why this line of reasoning is not just as valid in favour of Communism, Socialism, and even "Democracy" as she works under the Money Monopoly. If we accept Mussolini on this line we must accept Hitler, Stalin, Baldwin, and every other figure representing the types of government by which the peoples of the world are afflicted. From him that hath not shall be taken even that which he hath. And that is true of the will of the people. The idea that its ultimate fulfilment is to be achieved through its immediate surrender is a mischievous myth.

Again the process recommended by Einzig of getting the people to adopt the attitude to their Dictators summed up in Tennyson's lines—

"Our wills are ours, we know not how

Our wills are ours to make them Thine"

can apply higher up—yes, even to the Dictators themselves. Look round at them. Stalin has recently fixed up a loan. Mussolini is touting round for a loan. Hitler is tentatively angling for "credits" (see *The Times* on Schacht's visit to the Bank of France). Are these dictators borrowing or attempting to do so of their own free will? Or against their will? It does not matter which. If they will to mortgage their subjects, then they will to become agents of the Basle Dictatorship, which is no respecter of the national interests which those three Dictators are expressly claiming to protect. If they borrow against their will, then they are subjecting themselves to the process of having their reflexes conditioned, with the result (on Einzig's reasoning) that they will eventually "like to do what they've got to do in any case."

All it comes to in the end is that these dictatorial Protectors of Military Nationalisms are vesting their Trusts in the Promoters of Monetary Internationalism, under whom the subjects of Mussolini, Hitler, Stalin, Baldwin and the like will fare on equal terms for the scraps of macaroni dropped to sniffing lazzaroni from the tables of the Basle Money Monopoly.

The Waterlow Case.

Mr. Gavin Simonds's arguments before the House of Lords (1931).

XII.

Lord ATKIN: Supposing the notice was: If there is a breach of this contract and notes printed by you in breach of the contract get into circulation, we will take reasonable steps for the protection of the Bank's credit and the currency, would that not be in the ordinary course of things?

Mr. GAVIN SIMONDS: If I was advising the printer if it was put in that way in such a contract, I should certainly reasonably advise them to be more specific on the point.

Lord ATKIN: Nobody has suggested this so-called notice to include *Hadley v. Baxendale* has to be in the contract.

Mr. GAVIN SIMONDS: No, my Lord.

Lord ATKIN: The circumstances must be brought within the contemplation of the parties by something outside the actual contract?

Mr. GAVIN SIMONDS: As your Lordship observed I remember much earlier in the case, there are two things, there is, first of all, the usual course, and if there is something special it should be something that should be brought to the notice of the contractors and accepted by them, which notice is not sufficient unless you can infer that they accepted the special conditions. The way I was venturing to put it was this, that it is not in the usual course, I start with that, for a Bank to honour forged notes.

Lord MACMILLAN: That was agreed by Mr. Bevan.

Mr. GAVIN SIMONDS: Yes, my Lord.

Lord WARRINGTON: Then you do admit that it may be in the ordinary course for the Bank of issue to call in the whole of a series of notes?

Mr. GAVIN SIMONDS: I do, my Lord.

Lord WARRINGTON: Whether some of them may be forged or not?

Mr. GAVIN SIMONDS: Yes, my Lord, and it may be necessary before the distinction to decide to

honour false or true, I accept that; I do not think I have ever departed from that at all.

Lord RUSSELL: You will deal at some time or other with the point that struck me as important on this part of the case, that is, that many notes had been for some considerable time in circulation, impossible to detect until you were supplied with the means of testing them, and the Bank in all probability had themselves re-issued a considerable number of the forged notes?

Mr. GAVIN SIMONDS: Yes, my Lord, that is a point I will deal with; that is a point which no doubt will weigh with your Lordships. The course which the Bank took on the Sunday, December 6th, was one which for good and all put an end to the possibility of that course which, in my submission, is the usual course, and the course which would be contemplated by the printers. I referred to many of the passages in the evidence which indicated that they meant then to pay all; they did not know then, of course, all that they knew afterwards, but they meant to pay everything. Now if that is so, I ventured to say a long time ago, that one really is rather beating the air to consider what would have happened if they had taken a different course, a course which we suggest they should have taken if their mind had been bent on this and ascertaining whether there was any method of identification, whether there was any method of identifying the and, ascertaining that method, applying it. The whole course of things might well have been wholly different. Without for a moment going into any detail it is quite inconsistent with what the Bank did throughout the whole of their conduct of this matter, to suggest that they were in the least bit interested in whether there was a distinguishing mark or not. If I am right in what I said before, that was their duty; that was their job from the point of view of the contract which the printers thought they had entered into; that was the job of the Bank, not to say: We will pay all notes, it was their business, the usual course of business, as we submit, which the printers would contemplate they would follow, to say: We will do all we can to discover whether there is a way of distinguishing, and distinguishing it apply it. If that is so, it really, in my submission, falls far short of what the Bank has to do to say: Oh, but Messrs. Waterlow did not with the materials that they had, give us all the help that they might for the purpose of distinguishing these notes. It was the business of the Bank to take every step they could to distinguish, to keep as clearly as possible before Messrs. Waterlow that they wanted to distinguish and that having got a means of distinguishing, they would apply it. They did nothing of the kind. Your Lordships will appreciate I am making no attack in any way upon the Bank of Portugal; they did, I have no doubt, what they thought right, and as my Lord said, it would require cogent evidence to satisfy any Court in this country that such an Institution did not act reasonably. I do not suggest they did not act reasonably, but what I suggest in regard to this part of the case is this, that they acted reasonably because there were circumstances which made it reasonable so to act not brought to our notice, not in the usual course of things, not within the *Hadley v. Baxendale* clause. That is the whole point.

should be extremely sorry if anything I said was interpreted as in any way to be a reflection upon the conduct of the distinguished Board of the Bank of Portugal, I do not mean it to be. What I am saying is they acted reasonably in circumstances which were not known to us and could not be known to us, following a tradition which it is not suggested was known to us, and following a tradition which in my humble submission a printer could not be expected to contemplate, that the Bank would honour forged obligations.

(To be continued.)

LETTERS TO THE EDITOR.

"PRICE" AND "COST."

Sir,—Mr. J. E. Humphries, quoting Douglas, begins with using price in the sense of value based on cost calculations. "One unit of money can finance two or more units of production cost or price." Continuing, he quotes Durbin: "If, then, they spend all that they receive, they will make the price of the finished product just equal to its cost of production." Here, price is the amount of money paid for goods bought by a consumer. Price is not synonymous with cost of production.

When Mr. J. E. Humphries says that "the economists have been accustomed to assume the equality of incomes and prices," what reader can guess whether price, in this context, carries the meaning it has within the frame of reference of the Douglas analysis, i.e., production cost, or that which it has in the Sale of Goods Act, i.e., the money consideration paid in return for the transfer of the property in goods, or agreed to be paid; eventually, whether he does not attach to it a meaning of his own.

Costs are beset with the same ambiguity. In the Douglas analysis costs are limited to payments—A costs as well as B costs. Mr. J. E. Humphries, speaking of the hypothetical system of Mr. Durbin, points out that it is a system that cannot expand. An expanding system such as the present industrial system has, accordingly, costs of expansion, in addition to current operating costs and costs of maintenance. But while operating costs and maintenance costs occur in the form of payments, expansion costs do not: in their case, the concern does not pay out, but expects consumers to pay in into its reserves for accruals and provisions. Within the Douglas frame of reference divergence of views cannot arise: the elements of his analysis are bilateral transactions—payments, whether cash or non-cash. Not all payments a firm makes are income to the recipients. All payments a firm makes are accounted by it as costs. If proceeds from sales counterveil costs, capital is replenished to original level; if not, insolvency ensues; if incoming payments are in excess of outgoing, capital increases. Examinations of any firm may show any one of these three cases to prevail. However, in the aggregate, proceeds from sales (i.e., prices) will be within the limits of current incomes, and current incomes are only one category of current costs; therefore less than total costs. The implication is simple.

Douglas has advanced no plan according to which business as a whole can secure for all times an excess of incoming payments over outgoing. He has merely shown that current incomes are a part of current costs.

F. R. M.
Heidelberg.

REFLECTIONS ON SOCIAL CREDIT POLICIES.

Sir,—I am sorry that, in my attitude, as expressed in my recent letters on the above subject, I appear to be "supercilious and disdainful."

You remark, in your very fair and able analysis of the claims of rival groups of "actionists"; "each believer will act in the way that suits him best," or words to that effect. Any impatience expressed by me was very far from being directed towards the long and able fight put up by

THE NEW AGE
My opinion, expressed many years ago at a meeting of the M.M. Club, at which Mr. Golder was present, has remained unchanged; that many earnest people believe that they are taking part in constructive action, when they are merely "splashing about." These are the very words I used, and I believe they were quoted from an article of your own in an earlier number of THE NEW AGE. Again, I suggested at one of Hargrave's first meetings that Major Douglas's essential work was completed with the publication of his first book. All writing and speaking since, including the work done by you (which has no more sincere admirer than I) has been, and must be, in my opinion, an attempt to advertise, as widely as possible, the marvellous possibilities which would flow from the correction of the flaw in cost accountancy. By all means let those who are able discuss the intricacies of accountancy: the fact remains that every borrower of a bank loan must earn the

money to repay the loan, plus interest, plus profit, if he is to remain solvent. And as the sum of such loans is the sum of financial credit, it simply can't be done.

I have always believed, and still believe, that the attitude adopted by Major Douglas and yourself, and held by the movement generally up to the Buxton meeting, was, and is, the correct one. I have no objection to the electoral campaign as an advertisement, but I believe that its value as a means of getting Social Credit adopted is just nothing at all. Years ago, in Fleet Street, I joined in many a forlorn hope to get the people to interest themselves in an idea. And I saw "great hearts wither and high hopes fade." To anyone who knows much of the means of forming public opinion, and the resources at the command of those who direct the means, it is astonishing that any hope can be placed in the efforts, gallant and well-intentioned though they may be, of those who are conducting the electoral campaign.

The leading bankers of the world know that the Douglas analysis is correct. As Mr. Golder so finely puts it in his articles on "Entropy and Social Dynamics": "We have no enemies—only resistances." But one could say that of a mouse trying to push an elephant out of his path. I believe that bankers, like ourselves, are humane men, whose hearts ache at the sorrow of the world. They believe that the world is not yet ready for Social Credit as we see it. We think they are wrong—and they think that we are "well-meaning" cranks who "know nothing of human nature." It may be that the crash of civilisation, of which the first shattering explosions are in our ears, may cause them to realise that the economic world has found its saviour. If not, we shall still work, "each in his own way," until the end—but the end is sure.

T. H. PEDDIE.

WHO OWES WHOM?

Sir,—I am merely a learner who would like to be able to support Social Credit. The letter by "Stourbridge," in reply to critic Franklin, does not help.

On the subject of debt, I understand Mr. Franklin's point to be that the community does not owe anything to any individual or body outside itself. Debt payments by some individuals are inevitably made to other individuals. They are a mere transference of purchasing power within the system.

In answer to this, "Stourbridge" argues that the community is in debt because "we" are still paying for the Napoleonic Wars. Very well. But to whom are we paying? Unless "Stourbridge" can show that such payments are not made to some individuals among "us," he leaves Mr. Franklin's point untouched. The same is true of the other statements in his letter.

H. R.

NOTICE. NEW GROUP.

Sir,—Arrangements are proceeding for the formation of a North London Social Credit Association. It is hoped to hold an inaugural meeting in the near future, and if any of your North London readers are interested we shall be glad of their support.

A postcard to me will ensure that they receive due notification of subsequent meetings.

ERNEST TYSALL.

46, Beechdale, Winchmore Hill, N.21.

"WHAT IS FASCISM?"

"Extracts from the *Economic Foundations of Fascism*, by Dr. Paul Einzig."

Sir,—I am extremely shocked that a reputable periodical such as yours, for which I have always had a high regard, should publish under the above heading a few isolated extracts from Dr. Einzig's book torn from their context and edited in such a way as to convey not only a bad impression of Fascism but a complete travesty of Dr. Einzig's argument. May I be permitted to submit a further list of quotations so that your readers may learn the other side of the picture?

Intro. p. 2: "Ten years ago, to the major part of the British public, Communism meant murder, robbery, the de-

secration of churches, tortures, and executions." (Spain would seem to have revived this belief.)

Intro. p. 4: "Notwithstanding the highly inadequate knowledge of Fascism outside Italy, there are unmistakable signs that the present trend of evolution is towards an economic system which in substance, if not in form, is likely to be very near that of Fascism."

P. 13: "If the Fascist economic system were to do no more than provide a means of mitigating crisis, it would amply justify its existence. In reality, its functions are equally important in normal conditions and during prosperous periods. It is able to secure the utilisation of technical and other improvements to the best advantage of mankind."

P. 26: "Fascism has much bolder ambitions in the economic sphere than merely ending class war and industrial strife. It aims at the reorganisation of production and distribution on the basis of economic planning."

P. 45: "The beneficial effects of free competition are retained, and if a manufacturer succeeds in improving his methods there is nothing to prevent him from enjoying the benefit of his success. The Government will, however, always be ready to intervene in cases of cut-throat competition."

P. 47: "Signor Mussolini has the interests of the working classes at heart to a greater extent than those of any other class. . . ."

I have not combed the book for quotations particularly favourable to my argument, but have deliberately chosen passages from the same or adjacent pages to those quoted in your extract.

A. RAVEN THOMSON.

Director of Policy for the British Union of Fascists and National Socialists.

Movement Notes.

New Social Credit Party in Alberta.

According to *The Western Farm Leader* (Calgary) of August 7, a "Social Credit Party" is being formed "under the leadership" of Major Douglas. A Mr. Fred R. Whitby is the organiser in Edmonton. The new Party is to act "in opposition to that led by Premier Aberhart." A Dr. W. S. Hall, M.P., who is apparently connected with this Party, states that he "has received a letter from Major Douglas promising to come to Alberta 'when Premier Aberhart has failed.'"

Notice to Readers.

CAPTAIN RUSHWORTH AT THE CENTRAL HALL.

Will everyone willing to take a hand in getting the best possible attendance for this important meeting communicate with Miss J. Mickle, Joint Treasurer of the London Social Credit Club, 48, Baldry Gardens, Streatham, S.W.18? Correspondents are invited to state (1) how many tickets (at 2s. 6d. and/or 1s.) they can sell, (2) how many free seats they can fill, (3) how many posters they can get exhibited, (4) how many hand-bills they can distribute.

Forthcoming Meeting.

THE SOCIAL CREDIT FEDERATION (SOUTHERN AREA).

The next meeting will be held at the Wilton Hotel, Victoria Station, S.W.1, on Saturday, September 19, 1936, at 6 p.m. Douglas Social Credit groups and clubs, not already in touch, are invited to send representatives. Inquiries should be sent to the Acting Secretary, Dr. Joyce Mitchell, 2, Bromley Common, Kent.

London Social Credit Club.

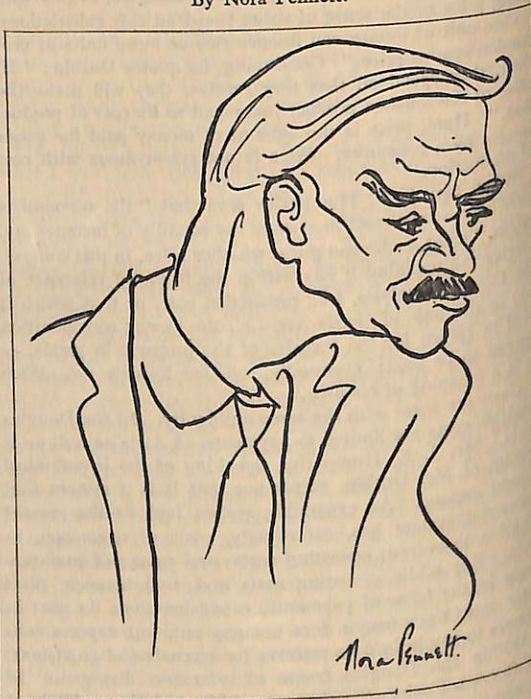
Public meetings at Blewcoat Room, Caxton Street, S.W.1:—

September 4, 7.45 p.m.—"Russia and Social Credit," by Mr. Sidney Hillyard, of California.

September 11, 7.45 p.m.—"Social Credit or Civil War," by Mr. Peter J. Hand.

Captain Rushworth.

An Impressionist Sketch made at "The New Age" Club.
By Nora Pennett.



PUBLIC MEETING.
Captain H. M. RUSHWORTH, M.P.
(New Zealand House of Representatives)
ON
SOCIAL CREDIT
IN THE ANTIPODES
AT THE
Central Hall, Westminster
ON
THURSDAY, SEPTEMBER 24, 1936
at 8 p.m.
Chairman: Mr. J. Ewart Purves, F.R.C.S.
ADMISSION FREE. Reserved Seats 1s. & 2s. 6d.
COLLECTION.

Tickets may be obtained from Miss Ann Page, Dorland House, 14 Lower Regent Street (Whitehall 3258); "The New Age" Office, 70, High Holborn, W.C.; "The New English Weekly" Office, 38, Cursitor Street, E.C.4; Petition Club, 23, Grosvenor Place, S.W.1; Central Hall; Miss J. Mickle, 48, Baldry Gardens, S.W.18; Dr. Joyce C. B. Mitchell, 2, Bromley Common, Kent (Ravensbourne 2871).

Meeting organised by the London Social Credit Club, Headquarters, Blewcoat Room, Caxton Street, S.W.1 (Friday nights 6-10 p.m.), Hon. Sec., Dr. Joyce C. B. Mitchell, 2, Bromley Common, Kent.

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