

# THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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## NOTES OF THE WEEK.

### The Attack on Coal.

In *The Observer* of October 4 appeared an article evidently inspired by the interests backing electricity for power, light, and warmth. It was based on facts and arguments disseminated by a body calling itself the Fuel Research Council. Its object was to stir up agitation against the "smoke nuisance," a nuisance created chiefly, so it was held, by the burning of coal on the domestic hearth. And the indictment was worked up to such a degree that one might almost suppose that coal-smoke had suddenly been found to rank amongst the most lethal of the poison-gases known to the chemist, and coal-burning among the most wasteful methods of heating known to the economist.

### The Townsman's Health.

The following are the chief points made by the writer of the article.

1. The townsman dies with grey lungs: the countryman with pink lungs. Reason: the townsman breathes coal-smoke.

Very good; but what else gets into his lungs? (a) Inhaled cigarette-smoke composed of the combustion-products not only of tobacco but also the saltpetre used to bleach and stiffen cigarette paper. (b) Inhaled exhaust-gases from millions of motor cars and other petrol-consuming machines.

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2. Coal fires cause a lot of dirt and give a lot of trouble. The dirt menaces health and involves expense in cleaning out rooms, etc., etc.

Right. But a coal-fire is the best ventilator of a room that you can have. It creates healthy air-currents which waft up the chimney the poisonous exhalations of breathing and draw fresh air into the room. It radiates heat in its most healthgiving form. It also releases volatile products which are certainly innocuous and, probably beneficial. True, most of them go up the

chimney, but so does the carbon-monoxide, the carbon-dioxide, the surplus nitrogen and other detrimental by-products of combustion. Lastly, to sit and look at a coal-fire induces contemplation, and is a mental sedative which contributes as much to health as physical factors.

### Judas And The Ointment.

3. When you burn coal you destroy commercially valuable by-products. (E.g., coal-tar products from which aniline dyes can be made.)

Yes, but they are only valuable if they can be sold. If we save them from destruction, does there exist a corresponding shortage of them guaranteeing their absorption? Does the existing supply fall short of the existing demand? Will additions to the supply bring down prices? Or will they be "pooled" or destroyed to keep up prices? These questions recall Judas Iscariot's suggestion that the ointment with which the woman anointed Christ's feet might have been sold (might!) and the money given to the poor (quite!). Judas was the prototype of the modern banker. Marie Corelli was probably right when she pictured him (in her book *Barabbas*) as an honest, well-intentioned man whose betrayal of Christ was the outcome of zeal in hastening the triumph of his Master—Judas's idea being that if Christ was arrested and arraigned He would be forced to assert and establish His earthly Kingship. When that result failed to happen he returned the thirty pieces of silver in despair and took his own life. So runs the story. Likewise the modern banker finds it hard to tolerate the idea of a King reigning in the hearts of his subjects—government founded on the free initiatives of the subjects of government—or, in the realm of economics, the triumph of co-operative Production built up on multitudinous individual acts of Consumption.

### Health—Or Price?

With this as a background, consider the paradox of economisers trying to stop consumers of coal from

destroying coal-tar products when at the same time they are encouraging producers of cotton, wheat, and coffee to commit acts of abortion and murder on these necessities of human life. Imagine it!—you must not burn coal because you will accidentally destroy the potential constituents of dyes and drugs; but you may burn coffee with the deliberate intention of withholding it from consumption. What is it that we are supposed to want to do? Stabilise health?—or price? We are in a dilemma. We destroy gluts and so put prices beyond the reach of our incomes as consumers, or we create gluts and so bring prices below the level necessary to remunerate ourselves as producers. What we want to do, but apparently cannot do, is something which antecedently we should say was an easy thing to do—namely to destroy “gluts” by taking them home; to consume the consumable waste of production. If there were no such thing as money we should all see that this was what we were able to do and what we ought to do. As it is we peep through the blinkers of bankers' philosophy and policy, and we miss seeing what our powers are and what our purpose is. We accordingly allow ourselves to produce more and consume less, in order to increase our power of producing more and consuming less in order still further to increase our power . . . and so on *ad. inf.* The one thing that we inevitably accomplish along this line of action is to perfect an economic deadlock. It cannot be otherwise.

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So while this system continues, and we must plough our provender into price, let us strangle our gluts at birth. Let us heap the coals on our fires, and as we sit and watch the flames and smoke going up the chimney, let us realise that we are benefactors to the economic system; that we are destroying by-products of coal which would otherwise knock the bottom out of the markets that deal with them.

#### The Turner and Kearney Inventions.

In this connection we can exhibit the anomaly more vividly by reference to what happened to the Turner process for the wet distillation of coal. If the claims he makes for it (and they seem plausible enough to merit the investigation of the Fuel Research Council) are even approximately true it would render obsolete most of the existing plants for treating coal. It was on the point of being tried in Scotland, when obstacles were interposed from Whitehall. The site on which the plant was to have been built was suddenly appropriated by the War Office, for reasons which were not at all convincing. This is only one of several episodes in the story that Mr. Turner told in our hearing some few years ago. Moreover, his story matches that of Mr. Kearney, the inventor of a tube railway in which gravity supplies most of the propulsive power. According to him, his system would make the existing system of the London Transport Board a back number. Whether his claims are true is a matter for independent experts to decide on technical grounds, but he too can tell a story of obstacles interposed to prevent an experimental railway to be built. One was to have been tried by the Soviet Government, but was stopped by high-political wire-pulling initiated in London. As Mr. Gavin Simonds remarked in the House of Lords, most questions of fact have to be decided finally on probabilities; and in this case, however much the layman may discount these inventors' claims as the outcome of *ex parte* optimism, there remains the consideration that the more revolutionary a new invention is and

the greater the interests who would lose by its adoption, the more probable it is that they would intervene to stop its being tested by experiment on a commercial scale. And the curious experiences narrated by Mr. Turner and Mr. Kearney when negotiating for such experimental tests raise a strong presumption that their claims have a good deal of substance in them. These men have had to face obstacles of the same nature as those which have been placed in the way of an experimental test of the Social Credit invention (which explains why we interested ourselves in their stories). New inventions that will drastically cut costs have to be made safe for old stockholders! They are frequently bought by Combines to be pigeonholed, if not for ever, at least long enough to enable the Combines to unload their potentially obsolescent systems on to the unsuspecting private investor. This was attempted with Mr. Turner, but he refused to sell his invention unless he had a guarantee that the purchaser (in this case a world-famed figure) would proceed without delay to work it on a reasonable commercial scale. Few inventors can afford to stand out against this sort of thing, worse luck. Banks and insurance companies holding large blocks of gas, railway, and chemical shares are not likely to allow people like Turner and Kearney to let loose a process of stock-devaluation. Economies in production, yes, but only at the expense of private incomes, not of gilt-edged capital pledged with the Big Five Pawnbrokers.

#### Price Ramps.

So, while we all render thanks to the fuel economisers for their attempts to promote our health and pockets by abolishing the smoke-nuisance, we can tell them that we would prefer to see a few other nuisances abolished first. For we consumers look at the matter from an angle of our own. When we buy coal we buy a natural product which offers practically no opening for tampering. Coal is wood (and coal-smoke is wood-smoke—But and who says that wood-smoke is poisonous?). When we buy coke, we do not know what we're buying; when we buy coke, we do not know what has been taken out of the original coal, and we do not know what has been put into the porous residue. Four hundredweight of really dry coke becomes five hundredweight of “coke” when judiciously dressed with water.

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Again, we consumers don't get the same sinking feeling on receipt of a coal-bill that accompanies the receipt of a gas-bill or electricity-bill. These latter bills carry with them the same menace as do Court orders. We can't buy gas or electricity where we like, we've got to pay a prescribed price for a prescribed and standardised article. People living near Box Hill were promised current at a halfpenny per unit before the pylons went up: when the pylons had gone up so did the price—to sevenpence-halfpenny per unit. On the other hand we can nose round for the right coal; and although we are probably fleeced in the price the margin between what we pay and what we ought to pay on theoretical estimates is probably nearer 15 per cent. than 1,500 per cent.

\* \* \*

Speaking frankly, we consumers do not like the system of centralised distribution of our heat and light. The power to distribute from a centre is the power to cut off supplies from a centre. While hardly desirous of going back to candles for light, we doubt whether we have gained much from going away from them. And

if we give up coal for our heating, and afterwards gas (which is the next step in the logic of economy) we fancy we shall pay a tall price for the convenience and cleanliness of switching on light and heat. We shall be able to sack our charwoman, but we suspect we shall still pay her wages (and then some) towards the overheads of the grid-system.

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Only a fortnight ago the public were told that the Preston Corporation were being charged for current from the grid system a price based upon the existence of a non-existent plant of their own. Here is a clear proof that a State Board behaves in exactly the same way as have the worst types of private combines. First we are told: “It is waste of money to have a lot of little local power-plants: let us have one big national power-plant.” Very good: we abandon the expensive little plants and go in for the cheap big plant, hoping that the increment of centralisation will be distributed as reductions in charges to consumers. But when we come to the test we find that we are charged the same tall price as we would have paid for current from the “expensive” little plants. Where does the increment of centralisation go to? The answer is that the Central Electricity Board collars it and the Central Bank Combine confiscates it.

#### Fiscal Extortion.

Electricity, we are told, will save the householder the cost of cleaning out grates, whitewashing ceilings, and other operations made necessary by coal-burning. So it will. But we are not told that the few pounds a year we save will be charged us in our bills. Nor are our dismissed servants and disemployed charwomen told that the earnings of which they are thus deprived will be used to repay Ways and Means Advances. And generally, the public are not aware that the machinery of centralised industrial production and distribution becomes the machinery of centralised fiscal extortion. The prices charged are based on the same estimate as taxes levied, namely, on capacity to pay. To the extent that centralisation saves our pockets it increases our capacity to pay. And since we are caught in the toils of a monopoly, our increased capacity to pay becomes our increased liability to pay.

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For these reasons let us resist demands that we transfer our allegiance from the commercial monarchy of coal to the political tyranny of electricity. For we are better off under the whips of the low profiteer than we shall be amid the scorpions of the high financiers. Not only that, but we are doing more good to our neighbour. When we buy forty shillings worth of coal we are providing a miner's family with a good meal and a few pints to wash it down. When we buy forty shillings worth of electric current the benefit to the worker is reduced to the comparative dimensions of a packet of “Woodbines” or “Weights.”

#### Petrol and Plant-Life.

We made reference earlier to the effect of exhaust-gases from motors as a factor to be measured as well as coal-smoke when considering the poor health (as was alleged) of the townsman. We revert to it because the Fuel Research pundits are attributing to coal-smoke alone the “corrosion and crumbling” of edifices and the stunted plant-life in the neighbourhood of towns. This provides us with an appropriate opportunity to ask what has caused the complete disappearance from the countryside of the scented musk plant which in the days

before the war was as common as the wallflower. Please don't say “coal smoke.” You can search the remotest regions in the land and you won't find a specimen alive. (Or if you do—for one can never tell—leave it where it is, and wire the Royal Botanical Curator at Kew; and you will hear something to your advantage.) What has killed off this plant? Probably a combination of causes connected with motor traffic—petrol burning, oil leakages, tar road-surfacing. At any rate, our old contributor, R. R., can take anyone along a certain road in an open suburb of London and point out old and well-established bushes and trees whose flourishing-powers have steadily declined since the advent of the motor-boom. He knows; because he watches these things with the same solicitude as do parents their children.

#### Motor-Roads and Soil-Subsidence.

He has another theory. It relates to damage to buildings. Corrosion is not everything: there is such a thing as collapse and subsidence. He connects these risks with the waterproofing of roads for convenience of motor traffic. Rainwater, he points out, which once soaked through the roads, is now carried down the drains. The consequence is that the soil beneath the roads, and the sub-soil on either side, is being deprived of its old proportion of moisture: it is tending to dry out, crumble, and sink. People, he guesses, who have come into occupation of the new “ribbon-building” houses, are in for a rough time later on. In fact, he can show buildings in the road already mentioned whose condition is suggestive of soil subsidence, and whose owners have cleared out on that account. His theory may sound farfetched; nevertheless, when one surveys the feverish boom in new road-construction going on all over the country, his reasoning is not to be derided.

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He has frequently noticed along the Kingston-by-pass a curious phenomenon, which is that whenever there is humidity in the air that roadway is roofed by a canopy of fog which extends in length and breadth just as far as the surfacing does, and no farther: the air on either side being perfectly clear. We offer no inference from this, but record it as something which may have a bearing on the Fuel Research Council's corrosion-allegation against coal-smoke. If it is true that waterproofed roads tend to condense water-vapour, and motor-exhausts pump into the air the products of petrol combustion, there is at least an antecedent probability that corrosion could get along nicely without the assistance of smoke from the malign coal-fire. Human interferences with Nature's balance of processes may seem infinitesimal in extent, but we do not know enough about the design of the balance to foretell whether any interference at all is within or without the “limits of safety.” The little scented musk-plant wafts us a wistful warning from the Beyond where we have sent it. Stunted bushes and sagging buildings echo the warning after their own manner.

#### Natural and Spiritual Law.

“The whole creation groaneth,” wrote the Apostle, “waiting for the manifestation of the Sons of God.” And we may apply these words in our present context and reflect that the whole creation is prompting us to realise that the way in which to repair our mistakes and remove our afflictions has been made manifest in the Social-Credit discovery and in the persons of those who are proclaiming it and explaining it. Professor Henry Drummond once wrote a book called “Natural Law in the Spiritual World.” Another book could be written to-day called: “Spiritual Law in the Natural World.” It is needed.

## Constitutional Proportion.

By James Golder.

For the static or free-mason type of mind the A + B Axiom represents the keystone which crowns, and at the same time locks, the arch, completing its strength. For the dynamic type of mind it is the fulcrum, the centre of gravity, the pivot, the pole, the king-pin, the neutral axis, the entropy line, the point of reference from which all action and re-action is measured, and by which cycles can be completed, ends can be made to meet or radiate, and dynamic balances achieved.

Now, as I see the conflict coming in England it will be a private row between these two types of mind, in which the King will be neutral. The *Dynamics* will claim that we want no dictators here, so long as we have our King and flexible Constitution.

We want *designers*, not *dictators*, and both types must co-operate.

The *Statics* will claim that the King's prerogatives can only be exercised by and on the advice of his ministers. But the King has personal as well as royal prerogatives, and if the King decided to appoint, say, an *Official Giver* to balance the operations in the State of the *Official Receiver*, he would be doing no more than he did when he appointed a trusty henchman (Air Pilot) to be Keeper of the King's Flight.

Tradition must give way to experience, and the King has certain powers no different from the least of his lieges, the power of conscientious selection. If some one having designs on the King's life, persuaded a majority of the Privy Council or Cabinet that Captain So-and-so would be better for the King's pilot (having previously arranged with him to crash) the King would be less than a man if he accepted (if he knew). But if he didn't know, the point is, the King can exercise his personal prerogative of conscientious selection. The Constitution already provides for "conscientious objection" to legal enactments, permitting certain individuals to "contract out" of laws which are detestable to them.

King George is said to have observed to one of his circle since the war, in reference to recurrent State turmoils, "Are these crises never going to end?" May it not be possible for Edward to invoke the law of "Constitutional proportion" BEFORE the Coronation, by asking his advisers to demonstrate to him how it is algebraically possible for A to equal A + B? And make the Chancellor of the Exchequer responsible for broadcasting proofs that the Douglas analysis and proposals with reference to finance and economics are (as *The Times* recently wrote) a tissue of fallacies. After all, Parliament went on strike against a King who was short of money in the seventeenth century. Why shouldn't the King go on strike against Parliament on behalf of his people who are thus chronically embarrassed?

John Pym invoked the doctrine of "Constitutional proportion" against a man who, after all, considered that it was the duty of the King to govern and defend his people, believing that if he made his power absolute at home his people would be formidable abroad.

King Edward can to-day make his people formidable abroad, but by enabling his people to purchase up to their requirements the products of their mechanical processes first at home and then by sending abroad the surplus goods in payment of debts incurred in goods. If creditors will not specify the goods, and/or refuse to accept them in any other form but money on obsolete principles, His Majesty's Board of Trade could specify

them and deliver them under a convoy of H.M. Navy to the edge of the three-mile limit; and if not claimed within a specified time they could be dumped into the sea at the three-mile limit and the debt discharged.

The doctrine of constitutional proportion and balance is one which must necessarily begin at home. British statesmen, whose nationals gave to the world that great instrument of the intelligence, the differential and integral calculus, cannot conscientiously presume to go abroad and take the mote of misery, unemployment, and poverty out of the eyes of other nations, while such a beam of similar distresses and bad balances afflicts her own organs of vision and perception.

The King's Chancellor now says the people are to be made health-conscious. Having failed to bring home to the people what even a nation of savage warriors would expect from their leaders, viz., the fruits of victory, it is now proposed to regiment or rhythm them out of their victorious poverty into good health, Napoleon's armies were said to march on their stomachs. It is the dubious distinction of modern statesmen that they bring their armies home, then dance on their stomachs for the good of their souls.

So, as the Social Credit Movement emerges into its militant phase, it must identify itself with the King in defence of the personal prerogatives of constitutional proportion and balance, *resisting demands* from administrative departments which contradict those principles on the one hand; and *demanding results* from the Parliamentary machine in defence of the constitutional right of Eminent Domain vested in the representatives of the British people in the British Parliament, on the other hand.

## The Waterlow Case.

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

XVIII.

Lord WARRINGTON: You say that the total of £488,000 ought to be deducted simply from whatever sum we may think is the damage sustained.

Mr. GAVIN SIMONDS: No, my Lord, I am not putting it as high as that; I should like to, but I cannot. What I am saying is this. They claim that there were two hundred thousand notes of £5 in each in respect of which they suffered loss. Now, in fact, that loss has been reduced because they have recovered part of the booty. It has been reduced to £600,000. Therefore, the true view, as presented before this Court upon all those assumptions, is that they have suffered a loss of £3 per note. The result of that would be, if your Lordships thought that of the 200,000 notes 100,000 ought to be charged against us, the damage is £300,000.

Lord WARRINGTON: Yes, I see.

Mr. GAVIN SIMONDS: It works, I humbly submit, the correct view in law of the position.

Lord RUSSELL: Is your salvage contention contained in your Case anywhere.

Mr. GAVIN SIMONDS: It is not set out in the way I am putting it, my Lord.

Lord MACMILLAN: I think the critical fence, which I observed you took most gallantly, was the fence where you said that the loss was £3 per note.

Mr. GAVIN SIMONDS: Yes, my Lord.

Lord MACMILLAN: It is difficult to see that. Is not the loss £5 per note, and in respect of the damage of £5 per note, multiplied by the number of notes, you have received so much by way of booty?

Mr. GAVIN SIMONDS: No, my Lord, with

great respect. At the moment when they come before this Court the loss is not £5 per note.

Lord MACMILLAN: The remaining loss is not £5 per note?

Mr. GAVIN SIMONDS: At the moment when they come before the Court they have not suffered a loss of £5.

Lord ATKIN: They have suffered a total loss. When they make their claim they have in fact lost a million pounds. They make a claim for a million pounds and they receive compensation for the wrongdoer of £400,000. That leaves £600,000. The compensation was not paid per note and was not received per note; it was received in reduction of their total claim.

Mr. GAVIN SIMONDS: Yes, my Lord.

Lord ATKIN: Is not that right?

Mr. GAVIN SIMONDS: Yes, that is right, my Lord.

Now let me alter the chronological order just a little bit. Supposing the proposition was that before action was brought they had recovered £400,000. What could their claim be for? For £600,000. That would be the loss resulting to them from the breach of contract, and they would not be able to prove any other loss than that.

Lord RUSSELL: That is on the footing that you start with £5 per note?

Mr. GAVIN SIMONDS: Yes, my Lord, always starting from that. I do not like this discussion at all, my Lord, but it is upon the footing of £5 per note.

Lord RUSSELL: It is all without prejudice.

Mr. GAVIN SIMONDS: All without prejudice, yes, my Lord. That would surely be the position. If they had recovered a certain sum their loss would be so much less in respect of the breach of contract. It is just the same as the case which I put—

Lord RUSSELL: That sounds to me like what Lord Warrington said to you just now and you would not have, namely, the full amount of what they have recovered has to be deducted.

Mr. GAVIN SIMONDS: No, my Lord, because they have still got a loss. They have still suffered £600,000 loss in respect of 200,000 notes.

Lord WARRINGTON: But perhaps the amount of damages which they recover does not cover the full extent of the loss they have suffered by the printing of these notes, and then the amount they recover in Angola must be apportioned between the loss for which they do recover and the loss for which they do not.

Mr. GAVIN SIMONDS: Yes, my Lord.

Lord WARRINGTON: And the only way of doing that is to do it in the way you suggest, namely, to reduce the amount of damages in these proceedings of £5 per note by so much.

Mr. GAVIN SIMONDS: Yes. My learned friend is quite logical in regard to this matter. He says that it is a matter of grace, and he has always said it. My Lord, let me test it in that way.

Supposing that at the moment this action was brought the full million pounds had been recovered by the proceeds of the Angola liquidation. My learned friend, if he is right, would still be able to bring an action against us for damages for breach of contract for one million pounds. But I submit he would not, as he could not prove his loss, and it would be no answer to say that his action against us was in breach of contract and his claim in another matter was for tort.

Lord ATKIN: But that does not matter, does it. I rather agree that he is obliged to give credit for the actual amount, but supposing he is obliged to give credit, he still says: Owing to your wrongdoing I have suffered loss to the extent of £600,000. You say if as a matter of fact I could only be sued for half the total amount of the loss that I suffered

before I got any compensation you can only recover half the loss.

Mr. GAVIN SIMONDS: My Lord, assume that the position is that he has recovered £400,000 and, upon the assumption which I am entitled to make, that he is not entitled to claim a million against us without bringing it into credit. The question is, how is it to be brought into credit? I am suggesting to your Lordships this that he comes before the Court having suffered a damage of £600,000. That is the position as between himself and his contractor whom he is suing for breach of contract; he has suffered a loss of £600,000.

Lord ATKIN: He says he has; he agrees that.

Mr. GAVIN SIMONDS: But £600,000 in respect of what? In respect of the issue imposed upon him of 200,000 notes. Now that means that he has suffered a loss of £600,000, £3 on each note?

Lord ATKIN: That is how you put it.

Lord MACMILLAN: That is just what I said.

Mr. GAVIN SIMONDS: Yes, your Lordship has indicated the fence.

Lord ATKIN: It is the fallacy of that other case, by saying that he had suffered a loss of so much per ton.

Lord MACMILLAN: Or you might take the booty and reckon it at £2 per note.

Lord ATKIN: Yes, that is how it is put.

## Points About Social Credit.

II.

THE A + B THEOREM.

The A + B Theorem consists of a statement and a conclusion. The statement, in common language, is that every producer buys from other producers in addition to paying out wages and salaries to his employees. The money he pays to other producers is referred to in the Theorem as "B" and the wages, etc., "A." His total cost, and therefore his minimum price, is A + B for any given week's production; but the money he pays and his employees receive for their week's work is only A. If we add all the producers together and call them Industry, and all the employees together and call them Consumers, then we can say that Industry, every week, is incurring costs faster than Consumers are able to repay them in prices.

This statement is self-evidently true when you add together all the accounts of Industry for any given week—accounts relating (mark this carefully) to the same week for every producing firm comprised in Industry.

NOTE.

An objection has been raised that although a single producer adds to his cost when he buys from another, the other recovers his costs, and therefore reduces them, by the same amount. Combine the two and the addition to cost is cancelled by the subtraction, and therefore "Industry" has not incurred any cost by the transaction. But this argument implicitly takes liberties with the statement. It brings into the question of what happens simultaneously in any given week's accounts the question of what happens when one week's accounts are combined with some other week's accounts. Take a case. During a week ending, we will suppose, on December 31, Brown buys material from Robinson worth £10. But the material Robinson supplies is not being made in this week; it was made in a previous week—let us say "last week," the week ending December 24. The costs he incurred in making them belong to the accounts of the week ending December 24. The point is: What is Robinson doing in the same week as Brown pays him the £10—i.e., in the week ending December 31? Had Robinson gone out of business on selling the material?

If so the objector's argument could be sustained. But he does not. The mere fact that he has disposed of his material encourages him to replace it. He will (assuming he does not owe the £10 to his banker) spend the £10 on the replacement, and he will pay part of it to his employees and part to other producers. So, in the week ending December 31, Robinson is "incurring costs at a faster rate than consumers are able to pay them with their earnings of that week." The fact, therefore, that producers receive money from other producers within Industry does not alter the fact that in any given week Industry's continual accounts of that week show a higher sum of costs incurred than the sum of wages received by employees, or of incomes received by consumers.

The statement is not responsibly denied. What is denied is that this lag between costs and incomes leaves consumers with insufficient money to buy as much as can be put into the shops. Objectors say that consumers don't need to receive enough to buy total production week by week because, as is commonly agreed, only a part of the production of any week gets into the shops at the week-end or at any time later; in fact, as they go on to point out, a good deal of it is not meant to be consumed, but is meant to be retained by Industry in the form of capital.

They picture Industry like this: products are made, say 4,000 tons costing say £4,000. Assume that only a quarter of them can be put in the shops at the week-end the employees, or consumers, won't need more than £1,000 to pay their cost. In that case, they say, it wouldn't matter if every producing firm paid out £1 in wages for every £4 worth of products. The consumers would not want the other £3. They would get their 1,000 tons of products for their £1,000, and Industry would retain the other 3,000 tons costing £3,000. And if 1,000 tons represented a satisfactory standard of living the same process could be repeated week after week: if not satisfactory, the total production could be raised to 5,000, or 6,000 tons, and a quarter of it put in the shops as before.

Now let us compare this theory of what certainly could happen with what is actually happening. Two major facts stare us in the face. Consumers are not getting a satisfactory quantity of goods from the shops. Producers are not making as much as they can make with the factories, machines, and labour at their disposal. And this is after a long period of development in productive capacity. During the last century Industry has been accumulating products unbought by consumers, and to such an extent that if the same proportion of total products made (e.g., one-quarter) that was put in the shops at the beginning were put there to-day, consumers would obtain, not merely more than, but a multiple of the quantity they got then or are getting now. Consumption has not kept proportional pace with productive-capacity. To use the token figures in our illustration Industry, which once supplied consumers with 1,000 tons per week on the basis of a 4,000-ton production-capacity, is supplying them with very little more on the basis of, let us say, a 40,000-ton capacity.

A constantly diminishing fraction of Industry's growing production-capacity has been brought into the service of consumers during the above long period of development. This is a fact on which there will be no disagreement.

The question now arises: Has this fact got anything to do with the A + B Theorem? The contention of the Social-Credit advocate is that it has.

## "Quack, Sir"—"Quite, Sir."

By D. JACKSON.

(Customer talks to shopman.)

C.—That's the difficulty; if we had the cash there would be no difficulty about the price.

S.—Quite so, sir.

C.—It's a terrible situation; you want to sell the goods, we want to buy them, but the purse won't fit the price.

S.—I quite agree, sir.

C.—If only this wretched business of the shortage of money were cured, it would solve every other problem. You know money is only a kind of ticket. It has no value in itself. Money is costless to make, so why don't we have more of it?

S.—Of course, sir, I quite agree.

C.—Just imagine this is really the most prosperous time the world has ever known. Every sort of goods can be made faster than ever before. Instead of having more of them, we go without just because we can't lay our hands on a costless ticket called money. Madness, isn't it?

S.—Yes, sir, indeed, sir.

C.—Now, I believe in Social Credit; you've no doubt heard the name?

S.—Oh, yes, sir, often, sir, yes, sir.

(Customer is now beginning to suspect that the shopman is merely a mechanical "Yesman." He applies a test.)

C.—Look at the muddle: when the price of bacon rose coal dropped a point. You see what I mean?

S.—Decidedly, sir. Certainly, sir. I follow you.

C.—It was all on account of a Government of boneheads. Instead of meeting the situation with vigorous quotas, they allowed the medical spellbinders to step in and bulldoze the entire outfit.

S.—Just so, sir, exactly.

(Customer's suspicions are confirmed.)

C.—These fellows should be put in their place. I won't say they are a lot of grafters, but they come very near it. The State should assert itself, even if it means martial law. Instead of that, they act like a lot of Jeremiahs, falling for that kind of poppycock.

S.—Precisely. Just so, sir.

C.—Of course, the legal stuffedshirts had to poke their noses in. What with their beastly union, they soon put a kibosh on the whole caboodle. They brought about a miraculous metamorphosis. The concrete became the abstract. The whole thing ended in a schlemmle. And look where we are now?

S.—I quite agree, sir.

C.—As an old friend used to say, what we need is to blow up all cities with dynamite, put the folks back on the land, abolish machinery and aristocracy, do away with mobocracy, hypocrisy, plutocracy, and poverty, put a wall round Britain, build the wall thicker than it is high, so that if it falls over it will be higher still. Away with all this stinking machinery. Learn to milk a cow.

S.—Quite so, quite so, sir.

C.—If we don't, we are jolly well going to commit bigamy with trouble. You take my word for it. I'm all for the people, damn 'em, but I wouldn't educate 'em, blast 'em.

S.—Exactly, so, sir.

C.—Take the shipping industry. Look at it. Building large fleets of boats. The Queen Mary and all that. What do we want these things for? Is it any use to you or me. Not a bit of it. It all comes from allowing foreigners to poke their noses in our affairs. Blue ribands, who want the damn things? And just look at the fuss. Unemployment means nothing to me. It's just a name. Take my word for it, it's just a name. As the French say, name of a dog. The thing to do is to give the people what they don't want. They want employment. Well, give the blighters leisure. Make them have it. Force it on them. That's the way to make the blighters work. Money! That's the stuff! (moving to door). Give 'em Hell!

S.—It has certainly been a most interesting chat, sir. You have opened my eyes. You must certainly come in again, sir.

## Cancellation-Accounting.

[NOTE.—The author of this article is a loyal supporter of Major Douglas and the Secretariat. He submits it to the attention of readers with a knowledge of accountancy in the hope that they will examine it for "errors and omissions."—ED.]

It is very difficult for anyone, who is not accustomed to handling accounts, to see exactly how the Credit, which will be created and issued under the Social Credit plan to the community, will be cancelled and withdrawn, unless some form of taxation is adopted, or perhaps some special form of "money" is created.

Many letters and arguments have appeared in the Social Credit Press upon the subject, yet the matter still puzzles many earnest Social Creditors, who find it difficult to convince enquirers because they themselves are not clear upon the subject.

It is quite possible, and even easy, for a system to be devised on existing accounting lines, whereby the cancellation of credit will be automatically carried out through prices, as will be seen by the following suggestions, which put forward a scheme based upon Social Credit principles, and can be followed without any deep knowledge of Accounting.

1. All financial operations of creation and cancellation of Credit will be carried out by the Banks on behalf of the State, for which they will be remunerated by a service charge.

They will maintain the accounts, debiting and crediting the National Wealth Account on receipt of evidence of sales, etc., as shown below.

2. The State will estimate the financial credit of the nation for the coming year, based upon the past year's actual figures of production and consumption, as presented by Trade Returns, audited accounts of producers, etc., etc.

This will not create any money.

From these figures the Price Factor will be calculated and also the rate of the National Dividend and Discount.

Money will only be actually created and issued in the form of credit when the goods are actually sold for consumption.

3. Capital for building machinery and factory will be subscribed by the public, as now.

4. Production Loans will be made by the State, without interest. They will be issued by and returned to the Banks.

5. It must be remembered that money will not be a commodity. It will solely represent goods and services actually in existence. A Production Loan will be, therefore, an issue of tokens in anticipation of the creation of goods.

6. The factory and machinery, being Capital Wealth, are national assets. When completed, the State will record the fact by taking credit in the national accounts.

7. We will take the factory as costing £100,000, and depreciation at 10 per cent. per annum.

Now, for simplicity, let us imagine four participants only, namely, the State, one Bank, one producer, and one purchaser, who buys the whole output.

The Producer borrows £10,000 Production Loan. The price of his output is, therefore:—

Production costs .....	£10,000
Depreciation .....	10,000
Profit .....	1,000
Sale price of output .....	£21,000

We will take the Price Factor as 1 : 3. The National Accounts then stand thus:—

Dr. Nil.	NATIONAL CAPITAL ACCOUNT.	Cr. Factory built .....	£100,000.
Dr. Nil.	NATIONAL LOAN ACCOUNT.	Cr. Production loan created	£10,000.

Now the purchaser buys the whole output. He pays £7,000 out of his pocket to the Producer.

The Bank, on receiving evidence of sale, immediately credits the Producer's Account with £14,000 under the Just Price Factor. This, with the £7,000 paid by the Purchaser, makes up the £21,000 value of goods sold.

At the same time the Bank posts up the National Wealth Account on both sides, thus:

Dr.	NATIONAL WEALTH ACCOUNT.	Cr.	
Goods produced. £21,000		Paid as Just Price Discount £14,000	
		Supplied by community, per purchaser .....	7,000
	£21,000		£21,000

NOTE.—Out of the £14,000 thus paid, £10,000 will be transferred from the Capital Account, which will then show that the factory has depreciated by that sum.

The Producer, having sold his goods, will debit himself with £21,000 received. He will then pay off his Production Loan, replace the worn machinery and factory with the £10,000 and retain his own £1,000 profit.

These two sums of £10,000 and £1,000, when spent, will appear in the accounts of some other producer under the head "Supplied by community, per purchaser," as in the above case, and will thus be extinguished.

All the relevant accounts will then appear as follows, from which it will be seen that the whole of the money created is exactly cancelled by means of prices, without having recourse to taxation, and without the issue of any special form of money other than that to which we are accustomed.

Dr.	NATIONAL CAPITAL ACCOUNT.	Cr.
Depreciation .... £10,000	Factory .....	£100,000
Value of factory next year .....	Replaced by repair .....	10,000
		£110,000

Dr.	NATIONAL LOAN ACCOUNT.	Cr.
Production Loan repaid .....	Loan created and issued ....	£10,000
		£10,000

Dr.	NATIONAL WEALTH ACCOUNT.	Cr.
(Posted by Bank on receipt of evidence of sale of goods.)		
Goods produced. £21,000	Just Price payment .....	£14,000
	Supplied by community, per purchaser .....	7,000
		£21,000

Dr.	PRODUCER'S ACCOUNT.	Cr.
Goods sold .....	Production Loan repaid .....	£10,000
	Depreciation made good ....	10,000
	Profit .....	1,000
		£21,000

It only remains to add that if the Producer decides not to replace the wear and tear of the factory and machinery, he will be the possessor of a £90,000 factory, at which figure it will stand in the National Accounts, and the sum of £10,000 can be returned to the investors, from whom it came originally.

It will be seen from the above that, as money will only represent facts of production and consumption, and will come into existence with the goods and be cancelled as they are consumed, there is no fear of "inflation," such as can only occur when money is a commodity, as it is to-day.

FEROX.

## Reviews.

**Nearing The Abyss.** By Lord Davies. (Constable and Co., Ltd. 3s. 6d. net.)

If his lordship's logic were as impeccable as the lucidity and the ordered arrangement of his matter (complete with foot notes, references, and marginal heads), this book would be well worth buying at the price.

The League has failed badly, as his lordship's story of Italy and Abyssinia clearly shows. That means the League is not powerful enough. It needs a judge and a policeman. Let the judge be an equity tribunal; the policeman, an international police force (preferably a choice assortment of bombing 'planes!). Isn't it easy? With the judge and police in control we can then form a federal union of States of the world like the United States of America. Beautiful thoughts, nobly expressed, but in action, how hopeless. Has the rule of man's civil law ever prevented crime, however well armed the policeman, under the financiers' overriding economic "laws" which set one man against another, family against family, nation against nation? In the (theoretically) well-ordered Federal States of America, has there ever been lasting peace and contentment? By enlarging the bounds of the rule of law do all the inherent troubles disappear? For the financiers, whose economic "laws" are much more powerful than his lordship's "equity," he has nothing but contempt. "The banking fraternity," he says, "cannot be trusted to do sound business, because, as we know, they have already lent vast sums to Mussolini, and have helped to finance the rearmament of Germany." Yes, and these boobs are helping his lordship and his fellow "thinkers" to attain their beautiful world State with "equity" and scientific bombers complete. We shall all be numbered, put in our little stables, fed, and watered, if we obey the League's judge, and scientifically obliterated if we disobey. Delightful prospect—for Lord Davies! Will he ever learn that the peace of a nation is only ensured by the economic contentment of the individuals composing that nation; that under present economic "laws" such contentment is quite impossible; that, in fact, discontent, the father of strife, is bred by the very economic system he supports by his loyalty to an abstract ideal? We are in the very abyss his lordship hopes to avoid. The military outbreak, which he thinks is the beginning of the plunge, is the crash when we land at the bottom! The difference between what Lord Davies thinks is peace, and armed conflict, is one of degree, not of kind. By ensuring economic peace, armed conflict will disappear as an anachronism; at present it is the fine flower of an inherently false philosophy.—H. E. B.

## LETTERS TO THE EDITOR.

### PARLOUR ENTERTAINMENT.

Sir,—At any Social Credit party a good time can be had by all if someone will announce that he has completely destroyed a bank-note, and ask whether the Bank of England (a) gains, (b) loses, (c) remains unaffected. Prize to the one who not only gives the correct answer, but also the answer to the dozens of incorrect answers. A knowledge of the Waterlow case is an advantage. No better method of combining instruction with entertainment could be devised.

J. A. FRANKLIN.

### BONDHOLDERS AND USURY.

Sir,—On behalf of a number of other seekers after the light, permit me to express regret that you did not mean what your words implied concerning the public illusion of property-rights in money. With the Douglas exhortation before us to insist that finance shall reflect physical facts, it is difficult to understand the academic separation of bankers' property-rights in money from those of the bondholder. As this bit of special pleading is the chief cause of Douglasism's seventeen years of failure to impinge upon the other, more powerful, progressive movements, it is worth consideration.

You say the Bank has no property right in money because it creates it, but that a citizen has such rights because he

gives either labour or "equivalent value" in exchange for it. When that citizen does either of these things he functions as a *tenant* of the banker's money and not as an owner of money-property. (If the money were State-money his position would be equitable.) But when he becomes a bondholder he acquires money (interest) for which he has given neither labour nor "equivalent value." His accretion of paper sandwiches results from his abstinence in the consumer-market. His defections in consuming have had the result of limiting production (and decreasing credit), and his charges for his loan have simultaneously created injurious and deplorable costs to be franked by consumers. Thus the bondholder's property-right in money is precisely as illegal as the banker's. He restricts production and reduces real credit in order to give a fictitious value to the paper tokens he has the power to lend. Like the banker, he has the same power to extract private usury upon the security of the communal credit. Therefore, the bondholder not only precipitates the price-income gap as effectively as the banker, but just as completely precludes the political realisation of Social Credit.

Without daring to infringe the monopoly of common sense held by the pure Douglasite, it is difficult for some of us to understand your assurance that neither Douglas nor Mr. Coleman meant what they said either. Mr. Coleman's advocacy of a graduated income-tax was specifically applied to an inter-communal debt arrangement *outside* the banking system. This fact induced me to cite Douglas's dictum that taxation is robbery. For under any system that taxation is robbery—but not because, as you assert, "the richer classes must pay the bulk of it." In physical fact, distinct from financial fiction, the richer classes do *not* pay the bulk of the aggregate taxation levied. It is the consumer who pays all taxes, in rent and prices. The consumer, in bulk, is the poorer classes. That very fact is the whole S.C. case against the futility of raising wages to pay the taxes that are the cost of raising wages, and it is the whole case against taxation.

The only system which could abolish the robbery of taxation is a State-money system, where centralised spending (and any contingent deflation) is upon the State's responsibility for the communal credit. The National Debt could be extinguished without personal hardship in precisely the same way that property rights in money and land could be extinguished, and the citizen's present precarious *tenancy* of money be turned into a lease for life. Taxation, like property-rights in money, land, and women, is bankruptcy without mitigation. Under a State-money system a unit of purchasing-power would reflect real credit and not a lying "law of supply and demand," as it does now. Your last sentence is profoundly true, sir, that hiding behind the bondholder is the banker, and it is amply demonstrated in world events now rattling round us that we shall never excavate the banker from behind the bondholders until we have isolated him and his satellites, and rescued the incidental investor into the security of a State-money system.

GLADYS BING.

## London Social Credit Club.

Blewcoat Room, Caxton St., S.W.

NEXT PUBLIC MEETING.

October 16, Friday, at 8 p.m. "Social Credit on the Blackboard," by Mr. K. P. Brown.

### Meeting Fixtures.

October 14 (Wednesday).—The New Age Club. 6 p.m.  
 October 16 (Friday).—London Social Credit Club. Mr. K. P. Brown. 8 p.m.  
 October 21 (Wednesday).—The New Age Club. 6 p.m.  
 October 23 (Friday).—London Social Credit Club. 8 p.m.  
 October 28 (Wednesday).—The New Age Club. 6 p.m.  
 October 30 (Friday).—London Social Credit Club. 8 p.m.  
 October 30 (Friday).—Major Douglas at Central Hall, Liverpool.

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