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THE
NEW AGE
INCORPORATING "CREDIT POWER."
A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART
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Owing to the editor's incapacitation by a chill during Christmas week-end, there is insufficient matter for publication to fill the usual number of pages of *The New Age* this week.

NOTES OF THE WEEK.

"Other People's Money."

"The prosecution decided to proceed only on the first charge." Some such item as this is familiar in law reports. The reader who sees it probably thinks to himself that since legal proof costs money the prosecution are satisfied to spare the prisoner's feelings about the other charges in order to get him into prison at the cheapest rate. Both parties gain something; the prisoner spends a few weeks less in prison, and the prosecution a few pounds less in fees—so justice is done. But it would be a different proposition altogether supposing that among the dropped charges was one which, if preferred, would establish a presumption of malice on the part of the prosecution in bringing the charge relied upon.

* * *

Now, it is credibly reported from behind the scenes that while the public were being invited to resolve themselves into a jury to hear the case against Edward VIII. in respect of his matrimonial intentions, certain members of the Cabinet were sitting like judges without a jury to try him in camera on an entirely different charge. The report takes this form: that it was pointedly put to Edward VIII. during one of the altercations between him and his Advisers that he had no right to go about promising "other people's money" to the down-and-outs of the derelict areas. Mark the formula: *other people's money,*" for it is vouched for as authentic in that precise form by those who have passed out the information.

* * *

So we get a picture of the verdict, with the penalty of abdication, being procured from the public on the charge that the prisoner wanted to marry "another man's wife," while the public were unaware of a reserved charge that he wanted to give away "other people's money." If the two charges had been announced together on December 3 it is reasonable to assume that there would have been nothing like the universal bewildered acquiescence in the Cabinet's dictatorial attitude towards Edward VIII. which enabled them to banish him before the recess. The popular-front rank-and-filers would have identified the "other people" with Capitalism, and would have regarded the questions of divorce and morganatic marriage as red herrings. They would have attributed the Cabinet's attitude to resentment at Edward VIII.'s implied criticism of their slackness or distrust of their good faith. They might, further, have conceived the lady chosen by Edward VIII. rather as a would-be prompter and helper of him in his high-political mission than as a would-be climber in high society. After all, according to the biographical details of her that have appeared in the Press, there was a period in her life when she experienced something of the financial stringency that characterises the condition of millions of people to-day. There is no reason for supposing that she has been animated by selfish motives to a greater extent than any other human being, while there is room for supposing that her earlier experiences have widened her sympathies. Anyhow, to the popular-front enthusiasts the idea of the King's virtually throwing a challenge to the forces of Capitalism would have crowded out all argument about the propriety of his matrimonial intentions. They would have been able to say that the issue was predominantly, or exclusively, a secular one, and could have invoked Mr. Baldwin's snub to the late Archbishop of Canterbury at the time of the General Strike to remind the present Archbishop that he had no *locus standi* in the field of controversy. It is important to recall that the late Archbishop incurred the displeasure of Mr. Baldwin by putting forward a suggestion that the subsidy to the mining industry should be temporarily restored so as to get the strikers back at work and leave the problem of a permanent settlement to be considered in an atmosphere of comparative peace. Mr. Baldwin's contemptuous rejoinder could be summed up in the formula: Who are you to be proposing to assist the miners with other

people's money? So it will be seen that if the whole of the issues between Edward VIII. and the Cabinet had come to the knowledge of the public the popular front could have put both the Premier and the Primate in an embarrassing situation.

* * *

But, as remarked last week, to bring the King into a major politico-economic struggle as champion of either side would amount to abolishing the Monarchy. Of course, as every reader of THE NEW AGE will realise, that reference to " other people's money " goes down to the root of the whole problem. Unfortunately, very few people know why and how, and these are denied the opportunity of explaining otherwise than in the journals of the Social Credit Movement. From private accounts, Edward VIII. had got hold of the theory that economic recovery depended on the initiative of high-financiers, but he seemed not to have given enough attention to the technical principles which should govern the distribution of money. For example, he is said to have made difficulties about loans to Russia, pointing out in effect that if there was money to spare for that purpose it might better be spared for another—e.g., the distressed areas. Again, he is said to have raised the question of " idle balances " in the banks, asking why it was, that seeing that the money was unemployed it couldn't be used to assist the unemployed. Each of these examples shows that Edward VIII. had got into the room where the thimble was hidden, but hadn't got his face turned towards it. His knowledge of monetary theory would seem to have been derived from conversations with his entourage of intellectuals—well-meaning people, no doubt, but not quite the type to concentrate on the money question from the dull and uninspiring angle of industrial and fiscal accountancy. Readers will see that the bankers could have produced effective criticisms of his suggestions.

* * *

Nevertheless, their doing so might have had one of two alternative effects. Their initial answers might have depressed him, or they might have stimulated him. It would depend on his physical and mental energy, and likewise upon the state of development of his faculty of " continuity," as the phrenologists describe it. And this consideration brings the lady back into the case. For once postulate that Edward VIII. had set his heart on having her constant companionship on a basis consistent with his concept of what her status ought to be, then to cheat him of this desire could be counted on with little less than certainty to lower his spirits to a degree where he would be helpless to hold his own in debates on the technical merits of financial policy. Nietzsche spoke apt words in this connection when he condemned the so-called virtue of sacrificing yourself for your neighbour, saying that when you help your neighbour let it be out of the overspill of your own power. Substitute, for " power," " happiness," and his injunction retains its force. Happiness is the right of the individual, not of the group. If any individual likes to make a sacrifice for another by reason of the love and affection which he bears towards him, that is good, for the kick he gets out of the sacrifice is to him a dividend of happiness. But, broadly speaking, to make sacrifices for unknown " others " a rule of life is, in most cases to-day, to offer one's self up for exploitation by all manner of crooks, temporal or spiritual. So, insofar as these reflections are applied to Edward VIII. he was quite right from every point of view to " think of himself first." Whatever his capacity for public service was before, it will be better later on. It is unfortunate that in order to improve his capacity he had to renounce the office in which he could have applied it with the greatest effect. But where there's a will there's a way, and Edward VIII. may pull his best weight as a Shadow Monarch.

* * *

In Anatole France's story, *The Revolt of the Angels*, the final scene shows the victory of the insurgents. God is hurled out of heaven down to earth, and the Devil climbs on the throne. But he no sooner gets comfortably seated than he begins to get the fidgets, wondering what on earth God is getting up to on the earth. And here the author closes down the story leaving the Devil fidgeting. So let us all wish the bankers an Anxious New Year.

* * *

Lord Nuffield's gift of £2,000,000 for the distressed areas serves to put him in the place of Edward VIII. as shepherd of lost sheep. Really it puts him in a higher place, for whereas Edward VIII. was going to help the poor with " other people's " money, Lord Nuffield has helped them with his own. This generous gift, and particularly the vociferous publicity accorded to it, has come most opportunely for the Archbishop of Canterbury, who seems to have become anxious, since the abdication, to share the credit for bringing it about—for that is what is suggested by the belated entry of the Archbishop of York on the scene in support of the Primate. Why mourn Edward VIII. when we have Lord Nuffield? Why sigh for justice when charity is offered?

* * *

Of course it remains to be seen who will be the ultimate gainers by the gift. As *The Observer* points out, the dispensing of the gift will be in the hands of a committee. And, though that paper does not say so, it will be pretty well understood that this committee will work in close consultation with the Cabinet, Treasury, and Bank, with the object of ensuring that the money is spent in accordance with the moral laws of the Work State. Then there is the technical problem of converting the gift into a consumable form. Lord Nuffield has not parted with money, but with shares. Two million pounds worth of shares cannot be suddenly liquidated for cash without upsetting the stock market, unless the Money Monopolists decide to buy them with new credit—that is with " other people's money," really money belonging to the public—*our* money.

NOTICE.

" International Government."
" Social Credit in Summary."

A specimen copy (unfolded) of each of these reprinted pamphlets is inset in this week's number of *The New Age*. Special quantity-rates will be quoted as soon as the cost of this edition is known.

It is hoped that every reader will make a point of keeping a few copies always on hand. It will be found that by marking certain passages in one or the other they will serve as a commentary on almost any event or controversy that is likely to arise.

Readers, who take up our suggestion about the "adopting" of Members of Parliament should realise that there is a cumulative force in sending the adopted Member *the same pamphlet* from time to time marked in *different places* according to changes of crisis!

An A + B + C Theorem.

In the A + B theorem, B payments are defined as " payments to other organisations." But when working out conclusions from the theorem they are made to include, in addition, sums allocated for various purposes —profits, reserves for depreciation, reserves for extensions, etc.

Now these allocated sums are not strictly " payments to other organisations." They represent sums which may possibly, but not certainly, figure as payments to other organisations in the near or distant future, but at the time of their allocation they are certainly not " payments to other organisations." It may, therefore, serve to clarify the problems which arise from the theorem if we allot a separate symbol, say C, to these allocations, and keep the symbol B for direct payments to other organisations, pure and simple.

All prices will now be composed of A, B and C costs, and if we follow any B cost backward in time we shall find it represented by earlier A, B and C costs. In other words, both A and C costs are always in process of becoming B costs with the forward passage of time.

Now these direct B costs can be progressively reduced in any industrial community by the amalgamation of separate business concerns into a single business; so that the magnitude of the B costs is dependent on the nature of the administrative organisation of industry at any time. Not so, however, with the C costs. Whatever may happen to the profits and the optional reserves, the main and compulsory element in C costs, viz., the depreciation charges, remain; and if two businesses combine, the C and the A costs of each are added together, while the B payments which were previously made between them disappear as costs of the combine.

If, then, we take a bird's eye view of industry as a whole, we shall see the B payments simply as inter-business transfers which do not affect the consumer, and our interest will concentrate upon the A and C elements of costs and prices.

In terms of the symbols, the rate of generation of prices by every business concern will be proportional to A + B + C. But since every B payment made by one business simultaneously cancels a price of equal amount generated by some other business, the net rate of generation of *new* prices in industry as a whole will be proportional to $(A + B + C) - B = A + C$.

Against this, the rate of distribution of new income will be proportional to $A + C^1$, where C^1 represents whatever portion of C is being returned to consumers as income in the course of the replacement of worn-out capital assets.

Now, as C^1 is paid out of C, C^1 can never be greater than C, though it may perhaps equal it. If C^1 can be maintained equal to C we shall get a self-liquidating economy which can, in theory, proceed upon an even keel indefinitely. But as any *new* business concern incorporates C costs in its prices from the start, but does not distribute C^1 incomes until its capital plant is at least obsolescent, the condition represented by the equation $C^1 = C$ must be one in which there is no industrial growth or expansion. It must be a condition in which existing capital assets are fully maintained, but no more.

Here we may pause a moment to view these A and C costs from the point of view of the consumer. A payments form his direct income in the form of wages and salaries; we will leave dividends for the moment. C allocations, on the other hand, represent *abstractions from* his income, at one or more removes.

This distinction between groups A and C is of fundamental importance. The A elements of any price represent money which has already been paid out to consumers, while the C elements represent money which they have never received. So far as A elements are concerned, the producer first accredits the consumer (in return for his labour or other services) and later debits him with the amount in prices. But, as regards the C element in prices, the consumer has first to accredit the producer—a complete reversal of the normal alternating rhythm.

Many people are under the impression that all the costs in prices represent sums which have been paid out at some time or other to consumers, and they cannot see why, so long as industrial operations are continuous, there should be any aggregate shortage of purchasing power. Reasoning in this way, it is no matter for surprise that they attribute the shortage they see to the profit factor in prices, with its accompanying maldistribution of income; and they turn to Socialism for the remedy.

Unfortunately, all the costs in prices do *not* represent sums paid out to consumers in the past.

It was pointed out in an earlier article that these C costs—these debits against consumer income unrepresented by any previous credits—represent sums which are never retained for long by producers in the form of money. They are invested at short intervals in securities. There is thus a flow of C money on to the Stock Market. Simultaneously, certain producers who require money for the renewal of their capital assets are disinvesting, or selling securities, and causing a flow of money off the Stock Market for the payment of wages and other expenses in connection with these renewals. It is this latter flow which we have called C^1.

So the problem arises as to whether, or to what extent, the C^1 flow can reach consumers and balance the C flow abstracted from them; and the centre of interest for the time being shifts from industrial markets to the Stock Market.

If industry is expanding there will be an increase in the C flow, and, unless C^1 can be simultaneously increased, there will result a piling up of money on the Stock Market. This is not to say that the money will be inactive. Conditions there may be " buoyant," in which case the money may have considerable " transactional velocity," as the economists say; but so far as industrial markets are concerned it is frozen, and trade depression must result unless the C^1 flow can be increased sufficiently.

Now the money can only be got off the Stock Market and back into industry in return for shares, and if there are not enough existing shares for this purpose, additional ones must be provided; that is to say, there must be industrial expansion. The money received for the additional shares will be used partly to purchase new plant and partly to provide new working capital; and in this way a large proportion of it may possibly get back into consumers' hands.

But there is this point to note concerning the C allocations. Before this money was abstracted from consumer income—while it was still in consumers' hands—there must have been costs of that amount outstanding somewhere in the industrial system. Consequently, if, in the course of its return to consumers' hands, it creates any new costs, the ratio of costs to incomes will be increased

by that amount. Disregarding the time-lag and all that it involves, can this money be got back again into consumers' hands without creating new costs?

No. If it is used (a) as working capital, the portion spent as wages must create a direct new cost of that amount. The portion spent on materials, etc., takes an A + B + C price, converts it into a B cost, and passes it along one stage nearer its final market. But the replacement of those materials by new ones will create new costs represented by the A payments involved and that portion of the C allocations unbalanced by any C^1 return to consumers.

If, again, it is used (b) to purchase new plant and equipment, the A payments made in the process will invariably be accompanied by C allocations, and these will come back to the stock market. In other words, every time money is taken off the stock market and spent on new capital production, a portion of the sum, represented by the excess of the C flow over the C^1 flow at the time will be left upon the stock market. This stranded sum must be used in the same way, viz., spent on new capital production, which will send a similar proportion back again, and so on indefinitely. The process can never "catch up."

There is a partial boomerang effect. Every time money is flung off the stock market a proportion of it returns. And the proportion increases with every fling. The ratio of C to A is always increasing in prices, so that not only must the C^1 flow continually increase, but the proportion of it flung back becomes larger and larger.

Orthodox critics say that this process does not increase costs relatively to incomes. Provided that the new shares issued for removing the money from the stock market are of the Ordinary or Preference type, involving no obligation for the ultimate repayment of the capital sum to the shareholders, that is true. This particular process does not increase the ratio of direct costs to incomes. But it accomplishes something worse; it imposes on the community a liability to expand its capital assets on a scale which must ultimately become a physical impossibility.

Finally, the net profits.

If we disregard the time-lag, we have simply sums of money abstracted from consumers in general and subsequently distributed amongst shareholders with no new costs attached.

Insofar as the shareholders are individual consumers, there results only a redistribution of income, which may or may not spell maldistribution but will leave the total unaltered.

Insofar as the shareholders are business firms, the dividends paid to them become business revenue. As such it may, in the case of prosperous firms, form an addition to net profits and be distributed yet again to other shareholders. Or, in the case of less prosperous firms, it may form in effect a subsidy in aid of prices, which may be regarded as equivalent to an income distribution to consumers. Or, again, the firms may invest these dividends—a process which, we have seen, will increase costs and liabilities.

But insofar as the shareholders are banks, the situation is altered. When money is paid to a bank as a dividend upon a bank investment, it becomes bank revenue. As such it ceases to be either "currency in circulation among the public" or "a deposit drawable by cheque"; in other words, it ceases to exist as money, as defined by our leading banker. Only if the bank issues the sum again as a dividend to shareholders who are consumers will it avoid causing a deficiency of purchasing power.

A. W. COLEMAN.

News Notes.

INSURING AGAINST SHARE LOSSES.

The *Evening Standard* of December 22 makes reference to a firm of "underwriters" (unnamed) who have announced the inauguration of a "Securities Indemnity Department." The company claims that by means of this "it is possible for the investor to avoid the risk of a slump in prices by covering the risk of a falling market by payment of a relatively small premium." Thus, according to an examplary quotation, the holder of 1,000 John Brown Ordinary at 36s. can cover for six months the risk of a loss of £300 through a fall to 30s. by payment of a premium of £37 10s.

The *Evening Standard* comments that "the risk of a fall in John Brown, or any other share for that matter, cannot be actuarially assessed." The underwriters would not be able to cover themselves. The premium asked in respect of John Brown holdings amounts to only 9d. per share, whereas the present quotation on the Stock Exchange for a put option on John Brown Ordinary for three months is 2s. 9d. The commentator says that the company gives a very unfavourable forecast of the future of markets, saying that present prices are "top heavy." If this be so, he suggests that it is difficult to understand why these "underwriters" are so willing to take on the business. He concludes by reporting a statement by Lloyd's that the people concerned are not members at Lloyd's.

Points From Correspondence

Question: On page 4, column 1, of your issue of November 5 you write: "the resultant of all these . . . complications stands plainly expressed in the final bills presented to the shopkeeper." What bills are these?—H. R. S.

Answer: The bills for the goods he buys. The "shopkeeper" was chosen to represent retailers generally. These are not producers. They buy and sell goods already finished for consumption. The reason why they were represented as the final buyers was that, in principle, they sell these goods at cost. Their profits (assuming no savings out of their revenue) consist in their own consumption out of their own stocks. For example, if industry delivers them 100 articles for £100, they consume, say, ten articles, and charge outside consumers the whole £100 for ninety articles. It is true that retailers have other costs (overheads), but, in the context, these could be (and were) reckoned as a part of the "final bills" presented to them by industry. However, the argument in the article is not affected if anyone substitutes "shoppers" for "shopkeepers." The first term includes the second: they are all consumers; and, between them, will pay the (token) £100 here assumed to be the total of the "final bills" presented by industry to shopkeepers in respect of the *production* of the articles.

Notice.

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