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CONTENTS.

War Risks and Local Rates.

The Government has been trying to saddle Local Authorities with 30 per cent. of the national air-raid defence plan. The Authorities have been protesting against paying so much, or anything at all. The latest news is that the Government are going to suggest a compromise on the basis of 20 per cent. For convenience of reference, and essential accuracy of description, the plan can be referred to as the Nosebag Scheme, since gas-masks are the central feature of it.

* * *

It is the duty of ratepayers to back Local Authorities in their resistance against paying anything at all towards the Nosebag Fund. And now that the official policy of the Social Credit Movement is to promote decentralised agitational pressure in local areas, here is a fine opportunity for Social Creditors to instruct their fellow-ratepayers in this duty, and to lead and otherwise assist them in the performance of it.

* * *

No matter whether the Nosebag Scheme is supposed to prevent a war or to help to win a war, its organisation and finance are the responsibility of the National Government. The cost of the Scheme should go into the Budget Estimates along with all other costs of national defence. The Chancellor of the Exchequer should not be allowed to escape any of the odium attaching to the raising of revenue for national defence. He and his colleagues—not Borough Treasurers and other officials—nominally decide issues of peace and war, and they should be clearly identified with the cost of their defence policies. This consideration forestalls the plausible argument that what you avoid paying to the local authority you will have to pay to the Government. The point is: Let the Government exact the payment.

* * *

The Social-Credit background to the situation is this: That War can be prevented, because the real objectives which are sought through war can be attained otherwise. Modern wars are for markets, and nothing else. The "will to war," as it is called, is generated by the sense of economic insecurity, and the fear of financial insolvency. Social Credit provides both the security and the solvency, and therefore renders war a superfluity.

Social Credit.

II.

The Operation of the Price Factor.

The factor $\frac{c}{p}$

has been described as a *variable* one. That is because the ratio of consumption to production need not be constant throughout a succession of accounting periods. For example, assuming the bank lends and recovers £100 every month, and the community produce 100 articles each month. In, say, January 50 articles may be consumable and 50 not. But in February perhaps 80 may be consumable and 20 not. Or the other way about—20 consumable and 80 not.

Assuming that the January surplus becomes consumable in February, there will be 50 + 80 articles ready for consumption then. Their accounted cost will be £130. The January factor of one half will give a selling-price of £65. The community's available income in February will be £100 less £20 (invested in the February surplus), namely £80. So the community will have *too much money.*

Alternatively suppose that in February 20 articles are consumable and 80 not, there will be 50 + 20 articles ready for consumption costing £70. The January factor of one half will give a selling price of £35. The community's available income will be £100 less £80 invested in the February surplus, namely £20. So the community will have *too little money.*

The reason for the discrepancy is that the January factor, being based on what takes place in January, only operates with exactitude on the condition that what takes place in February is an exact repetition of January. As already seen it *would* operate exactly—that is, it would make selling prices equal to incomes—if production were 100 articles, and 50 were consumable, *every month.* For in that case there would always be 50 + 50 articles for sale costing £100 and priced at £50, while the community would always have available incomes of £100 less £50 invested, namely £50.

Where conditions change month by month the factor—the Discount Factor, is a tentative and approximate adjusting-device. But since it is re-calculated every month it is always in process of becoming exact: in its application it is always in process of rectifying the incipient discrepancies set up by alterations in the monthly production-consumption ratios.

Now, in actual experience, such alterations will be nothing like so abrupt as is indicated in the examples just taken. For one thing, in those examples it has been assumed that the whole surplus of one period becomes consumable in the next. But in practice it would take ten, twenty, fifty or more such periods before the original surplus was entirely converted into articles of consumption. In other words the Price Factor would have been modified that number of times during the spread-over. So it would approximate to exactitude in operation.

Again, the examples assume violent fluctuations in the proportionate amount of total production that is consumable as between one period and the next. This would never happen in actual experience. Industry is too massive in structure to permit of big changes in the character of its production during such short intervals as would separate the adjustments of the Price Factor.

Investments and the Discount.

Refer back to the example where in January 100 articles are produced for £100, half being consumable and half not; and where the unconsumable surplus is invested in and placed in the hands of a Trustee. It was shown that if this surplus became consumable in February and the Trustee demanded money for it at its accounted cost, the community would have to be provided with £50 in addition to their earnings of £100. Assume this to happen. Then at the end of February, when the consumable articles had all been bought, and the loan repaid to the bank, the Trustee would be in custody of £50. He would also be in custody of the February surplus of articles that would become consumable in March. Assuming March production to be the same as January and February, the Trustee could now distribute the £50 to the community at the same time as he put the February surplus on sale. In due course the £50 would come back to him. And, under the conditions assumed, this cycle of credit-distribution and recovery could go on every month independently of the bank's monthly lending and recovering of the £100. In effect the Trustee would be giving the community the converted surplus of the previous month and receiving the unconverted surplus of the current month. The community would of course be receiving in addition the consumable articles produced in each current month. They would be consuming articles *at the same rate* as they were producing them, i.e., 100 articles a month, but never consuming *all* the production, for 50 articles would be carried forward every month. This should be noted particularly, because critics of Social Credit often mistakenly think that the equation of consumption with production means that all production will be consumed.

It will be seen that the Trustee's Fund, so to call it, would vary according to the accounted cost of any surplus carried over from one month to the next, whether it were half the production, as in this example, or less, or more. It would not be more than that cost. And it could be less, according to how much of any month's unconverted surplus were converted for consumption in the next. In the example it has been assumed that the January surplus of fifty articles became entirely consumable in February. But suppose not; suppose only ten of them could be converted in February; then the Trustee would not want a Fund of £50, but one of only £10. He would distribute and recover this £10 monthly for five months, thus eventually distributing the whole of the January surplus.

A little reflection will show that the size of the Trustee's Fund would be controlled by the discount or dividend-factor, for it would automatically be the same aggregate sum as this factor would knock off the accounted cost of articles sold in the consumption market. For instance, if the factor were one half, then the Fund would be equal to one half of the total cost of all the articles delivered to consumers. Note the word "delivered"; for unless consumers actually buy the articles they will not get any discount or dividend in respect of them—nor of course will they need it. To put it another way, the Trustee gives one article free of charge *with every article bought at full accounted cost* (thus halving the price) but he does not give a free article with every unbought article!

The Consumption of Capital.

Now, in modern industry, instead of our hypothetical Trustee, and his store of convertible surpluses, we have a section of the community called Investors with what they call Capital—their Capital. They are the owners (in a legal sense) of factories, machines and so on. Fundamentally, Capital is simply material convertible into consumable articles. It is used up in the process of conversion. The process is very slow, but it is inevitable.

Now, in the above example, where the January surplus was assumed to be ready for consumption in February, this represents what, in modern industry, would be the using up, or depreciation, of Capital. On the other hand the February surplus carried forward represents the replacement of Capital. Thus, to use the expression, the community consumed old Capital and produced new Capital. The Trustee gave them the money to consume the old Capital; and thus enabled them to invest in the new Capital out of earnings as well as to buy their current production of consumables.

Now, there is a discrepancy between this hypothetical process and what happens in modern industry. As critics of Social Credit have pointed out, investors do not demand their money back. And certainly they do not provide consumers with gift-money to buy this Capital when converted. Nor, according to these critics, is it necessary, because, since investors do not demand back the cost of their Capital, consumers do not have to pay it, and therefore no hypothetical Trustee is needed to provide incomes additional to earnings.

But this argument is not valid, because investors do not give their money absolutely and unconditionally. They demand that the concerns in which they have invested shall keep themselves in the condition of being able to return the money at any time when they wind up business. Therefore those concerns must endeavour to acquire a store of money (or buy property easily convertible into money) and can only do this by recovering it in prices—ultimately payable by consumers. This obligation would remain the same even if the whole community were investors and owned the Capital in equal shares, as was assumed in the above example. So if you imagine the same obligation to rest on the hypothetical Trustee, he would try to accumulate unsold surpluses instead of trying to dispose of them. He would try to get in as much money as possible in return for delivering as little of his old surpluses (i.e. his Capital) as possible. Every month when the £50 worth of Capital came into his custody he would commence trying to collect and save up, as it were, a fund—a reserve

fund—which would be contingently returnable to the investing community. On the figures he could not do it, because the banker would get back the £100. But he could do it in another way, namely by not trying to dispose of the monthly surpluses. In that case the community would never consume more than the fifty articles a month, while their Capital would increase indefinitely at the rate of fifty articles a month. True, the cost of this Capital would not appear in prices, but on the other hand the Capital itself would not be converted to consumption uses and sold.

This squares with experience. The characteristic of modern industry is the universal glut of capital plant and equipment, largely idle—i.e. not wearing out in productive processes for the supply of consumable articles. The reason is that the bank-loan-production system does not provide for the distribution of periodic surpluses. It needs to be supplemented by a complementary method of financing the distribution on the principle outlined in the example. Social Credit provides that method.

Banks and Unrecovered Loans.

A critic of Social Credit objects to the statement that "a bank does not lose anything when it fails to recover a loan." He points out that an irrecoverable loan would have to be written off and its amount debited against the bank's profits. And theoretically so much might be written off as to make the bank insolvent.

Accepting this as true of a particular bank, it is irrelevant to the Social Credit case, which deals, not with particular banks, but the Money Monopoly as a whole.

Now if the Money Monopoly fails to recover a loan, and follows the procedure outlined by the above critic, it will debit its shareholders with the amount. By doing so it will virtually transfer to them the indebtedness of the defaulting borrower, and recover it by the device of deducting it from dividends otherwise payable to them. Now the shareholders and the defaulter are alike members of the community. So what happens is that the community will have first received, and then surrendered, the deposits created by the loan. Collectively there will have been no gain or loss to the community or the Money Monopoly at the end of the process.

The critic may properly point out that the unrepaid loan might exceed the whole profits of the Monopoly, in which case it could not be wholly recovered at the expense of the shareholders, and the Monopoly would become insolvent according to the rules relating to insolvency.

But supposing the Monopoly had the power to make the rules—e.g., suppose that it were virtually the Government—it could ensure its solvency by exploiting or changing the rules. For instance it could recover its "loss" through taxation. It could decrease its Ways and Means Advances to the (nominal) Government and thereby compel the Chancellor of the Exchequer to increase taxes to cover appropriations for "Debt Service." Recovery would be possible for the very reason that the loan had not been recovered; since the community would be in possession ("unlawful possession" as the Monopoly would regard it) of deposits equivalent to the loan without liability to repay them to the Monopoly as such. (Remember, the only liability would be on the defaulter, who had been let off because he could not pay.)

It is to be noted that the Money Monopoly actually did change the rules of insolvency in August, 1914, when it substituted paper for gold as legal tender.

The factor of legal tender is the one which really obliges particular banks to recover their loans. A bank which lends, say £1,000 to anybody, cannot tell where it will appear as deposits. Theoretically the whole amount could go to other banks, in which case the lending bank would have to surrender legal tender to them to the same amount.

In practice, of course, deposits are diffused fairly evenly among all the banks; but this legal-tender check operates all the same. On the other hand a Money Monopoly which is virtually the Government need not be limited by this check, for it can manufacture any amount of legal tender that it chooses.

If, then, this Monopoly, fails to recover a loan, its only "loss" is the moral shock of failing! What else can it be? True, the Monopoly will owe more to the community as depositors than it will be owed by the community as borrowers (i.e., the defaulter will have upset the balance of the books!) but how does it settle up with them?—and how does the settlement cause it any "loss"?

The answer is—No-how!

The Flaw in the Examination System.

It is pleasing to note that a maggot is gnawing the brains of the powers that be in what passes for Education in our Secondary schools. The Board of Education, having imposed a curriculum on the schools, wants to know how this imposition is progressing, much as an ignorant gardener, having forced his plants to grow in a hot-house, might periodically dig them up to see how they are progressing. There is no argument as to the fate of the flowers.

Sir Philip Hartog* shows very plainly the absurdity of the examination system by briefly analysing the subjects taken, and the results obtained, in the Schools Certificate Examination. The whole thing is shown in its most ridiculous aspect when he displays the results obtained when the examiners themselves were examined. Results given by these gentlemen when first examining selected scripts could not possibly be compared with the results given by the same gentlemen, marking the same scripts, after an interval of from twelve to nineteen months! This sort of thing is inevitable when *numbers* are blindly accepted as reflecting *facts*, as Major Douglas shows with respect to economics. As Sir Philip realises, utilisable skill can easily be tested, and no marks are needed to pass or fail a candidate. On the other hand, to test progress towards a utilisable skill is a different matter, and it is in this respect that the examination system fails so badly, even assuming the validity of the present system of Education. Sir Philip quotes results from History, French, and English to add point to his criticisms.

He advocates five reforms.

1. Specification in School Certificates of utilisable skill.
2. The adoption (with modifications) of Dr. W. Edwards's scheme of showing on the Certificate the candidate's performance in each subject.
3. The abolition of the group system. (Arranging subjects in groups which the candidate must take. Failure in a group often means failure in the whole examination.)
4. The use of the Cumulative School Record ot supplement the School Certificate.
5. Protection of certain subjects (e.g., Literature, History, and General Science) from examination pressure, with provision for their inclusion in the curriculum and time-table.

In connection with the proposal to abolish the Group system, Sir Philip begins to see daylight as to what constitutes real education as opposed to academic instruction. He quotes from a modern writer, Prof. I. Kandel, of U.S.A., who certainly sees the daylight clearly, except when the shadow of finance clouds his eyes:—

"There are no mis-fit children . . . *The child is the standard to which all other things must be adjusted.*" (My italics.)

"To fail large masses of young people on the ground that they have not lived up to the minimum essentials of

* "**Secondary School Examinations and the Curricula of Secondary Schools, with Suggestions for Reform.**" By Sir Philip Hartog, K.B.E., C.I.E., LL.D. Pamphlet published by the N.U.T. Copies gratis from N.U.T., Hamilton House, Mabledon-place, W.C.1.

a *pre-determined curriculum* (my italics) is both a professional blunder and a social injustice."

This is backed by another clear-seeing writer, John Locke, who wrote in 1693! This is 1937. Ye Gods!!

". . . Every one's natural Genius should be carried as far as it could, but to attempt to putting another upon him will be but Labour in Vain. . . ."

What is our so-called Educational system doing but imposing a " pre-determined curriculum " on the children, without any reference to the children themselves, who should be " the standard to which all other things should be adjusted? " If each child were free to choose to learn what he wanted to know, prompted thereto by his own inherent interest (the " natural Genius " of John Locke), he would then be in the path of real Education.

Sir Philip sees the implication of his revolutionary outlook, and bolts from it. He is frightened away because he believes in the present financial system. One feels that he endorses a quotation he gives from the late Sir Graham Balfour on educational administration—administration, mark you, not Education. " . . to enable the right pupils to receive the right education from the right teachers, *at a cost within the means of the State.*" (My italics.) There is the nigger in the wood-pile, " cost " . . . " means of the State." Our great educationists are so woefully ignorant of the one " subject " that matters, Finance, and the origin of money, that without even a squeak, they allow such preposterous statements as " means of the State " to blind them to the real needs of the child—" the standard to which all other things must be adjusted." First and foremost among those " other things " is the present financial system. With that adjusted, real education will be possible for every child. If a thing is physically possible it can be made financially possible, but only under the Social Credit adjustment to the financial system. When Sir Philip faces up to the new outlook in finance, as he is beginning to do in Eduaction, he will not need to hurry to tell his readers that to allow a child to choose for himself would produce chaos (without attempting to explain why or how), after quoting extracts which plainly show that the child *should* have that choice.

The sternest indictment of the examination system is not in the comic-tragic results so well criticised by the author, but in the deadening effect on the failures. In Appendix " B," re report of a speech by Mr. C. L. Bryant, M.A. (from which Sir Philip quotes in his pamphlet), we find this :—

" The examination said, in effect, ' If you can't learn all the little things I say you must, I'll take care you shall not learn the things you would! ' "

How does than square with Locke of 1693? " Everyone's natural Genius should be carried as far as it could." Again, " . . . one half of the boys who started fell out by the way and never reached First Certificate standard."

We find from statistics quoted by Sir Philip that another 25-30 per cent. fail the examination when they do take it, so really the examination is only concerned with a small percentage of all children who should each be the " standard." What a glorious system. We have to face the fact that, as we can take a child to the table, but cannot make it eat without physical revulsion, so we can take a child to school, but cannot make it learn without mental revulsion. If there is nothing in the imposed curriculum of interest to the child, is it education to allow the child to starve? When Sir Philip and his colleagues have delved a little deeper, they will perhaps come to the rather startling conclusion that the pupil, examiner, and examinee are one and the same person, with the teacher acting as guide, philosopher, and friend. They may discover, too, that the rewards and punishments incidental to any progress on the path from ignorance to knowledge are internal, and administered by the pupil-examiner himself. A pupil may bluff an external examiner as to his real attainments—he cannot with impunity bluff himself.

However, the waters of education have been well stirred by Sir Philip's courageous effort. Thanks are due to him for his well-aimed kick at an archaic institution which, while apparently delivering the goods, produces a real end-result which is positively disastrous to the individual, and, through him, to the body politic. Let us hope that his efforts will not be wasted, so that the sound dicta of John Locke (1693) may be translated into fact.

Social Credit advocates look forward to the day when, by the assistance of parents, teachers, and the National Dividend, each and every child will be led from ignorance to knowledge by the path of experience, at his own pace, and in accordance with his own " natural Genius."

H. E. B.

Reviews.

" Love, Marriage, and Divorce." By Macpherson Lawrie, (Methuen. 5s. net.)

This book is a worthy successor to " Nature Hits Back." Dr. Lawrie, by searching analysis and adequate proofs, pleads for a return to " Nature in the Raw." This phrase will be rather unnerving to the artificially stimulated minds of to-day—minds which look for and study little but the negative side of human nature. In the mind of Dr. Lawrie it means, simply, obedience to Nature's laws as they affect the human body. A truly healthy body is the first requisite for a healthy mind. A knowledge of Nature's laws with respect to the mind is also imperative, for, as Dr. Lawrie shows, ignorance in this department will lead to disaster even though the body be healthy. His is the ageless philosophy again, " Man, know thyself."

In the persons of Anthony and Cathrine, Dr. Lawrie illustrates his thesis. Anthony, via premature weaning, incorrect feeding and purgatives, becomes defective physically. Thus is *manufactured* emotional over-sensitivity and instability, traits which are far too often accepted as inherent. Cathrine, physically satisfactory, becomes defective through constant " spoiling." Through parental softness (always getting her own way, without ever suffering the inevitable punishments which naturally follow such artificiality) she never learns to use—in fact, she never becomes aware of—the great human emotions of sympathy and reciprocal love. Her defect is in the mind. These two defective people—though from the every-day subnormal point of view they are quite normal—meet and get married. The reasons why these two incompatibles married, and why they ended in the divorce court, are exhaustively dealt with, both in the story of the two young people, and in the second half of the book dealing with the body.

In " The Body," Dr. Lawrie is concerned more with synthesis. He postulates ten inborn tendencies with which we are all born, and which make up " Human Nature in the Raw." They are the fine flower of a well-ordered, positive mind. He insists on the positive, beautiful side of human nature, and seeks to build it up in all of us, so, by our very positiveness we may defeat the negative, ugly side which is so often displayed to-day. The two sides cannot exist simultaneously. His methods are in line with Nature's laws, simple and direct. For the body, simple, natural diet, fresh and pure. For the mind, simple natural teaching based on the ten tendencies. His views on marriage are clean and straightforward common sense. Birth control, being completely unnatural, is exposed for the killer it is. It kills spontaneous affection, and brings the greatest human emotion in its physical aspect to degradation and vulgarity. He suggests that *after* the birth of a family such methods *may* be used, but warns their users of the inevitable result.

Nature, who does nothing without a purpose, cannot be cheated. How many people are trying to flout Nature's law because of financial stringency? That alone is one of the major causes of the negative outlook on life and humanity which Dr. Lawrie so rightly deplores. As Social Credit advocates rely on the laws of Nature to prove the validity of their assertions in the economic sphere, so does Dr. Lawrie in the medical sphere. " Nature," he says, " the Law of living life, must prevail. In the inborn excellence of human nature lies salvation."

I strongly recommend this excellent book, together with " Nature Hits Back," now in its third edition.

H. E. B.

Alberta Notes.

News to date of closing for Press (July 30) is stimulating. Aberhart (a) summons the banks to co-operate, and (b) calls on the Bondholders' Association to declare who are the beneficial owners of the bonds. The good feature of these moves is that they are *open diplomacy*, as always recommended by THE NEW AGE. Under item (a) Aberhart invokes the " will of the electors." This " will " has two years' rust on it; but, after Hargrave's visit, it may still have to be reckoned with, although the bankers are apt to discount obnoxious mandates on the score of lapse of time.

Another item of news (not officially confirmed yet) is that the Secretariat's organ, *Social Credit*, has declined to publish an advertisement of Hargrave's Report.

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