

THE NEW AGE

INCORPORATING "CREDIT POWER."

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Nazi Sales-Talk.

The German Government staged a flattering reception for the Duke and Duchess of Windsor on their arrival in the Fatherland to study the housing and feeding conditions of the workers. This was natural, since the visit affords the Government a splendid opportunity to advertise the virtues of the Nazi system of rule. Presumably their policy is to show as best they can that a real autocracy is better than an artificial democracy. Of course, the Nazi effort to do this is somewhat complicated by the fact that there are three real autocracies in the field—the brown, the black, and the red. That the brown and black autocracies are getting on together fairly well (so far) hardly compensates for the awkward fact that they are implacable enemies of the reds. While this situation persists it is impossible to demonstrate that the *principle* of autocracy is better than that of democracy. If its superiority is to be accepted the proof must rest on the manner and consequences of its application.

* * *

"If philosophies differ but actions agree then the philosophic differences will have no more than academic interest." Thus *The Times* (July 23, 1934). We have Dr. Einzig's dictum that in their ultimate logic the philosophies of the brown and the red autocracies are identical. When philosophies are identical but actions disagree the differences between the actions are the crux of comparison. What the Nazi and the Fascist autocracies have to show is some cogent practical reason why, if the democratic principle is held to be obsolete, democracies should go brown or black rather than red.

* * *

The German Government have to show that the brown system works more compatibly with democratic ideology than does the red. Having done this (if they can) they must then show that the brown system fulfils democratic ideals more quickly and certainly than the false democratic system can do.

* * *

This is what they are trying to do. They have started by conducting the Duke of Windsor through a show factory which, we are ready to believe, beats anything there is to be seen in England. Then, rather inconsequentially, they have invited him to inspect a sample of clothing-material made from wood pulp. Cheaper than wool, they told him. "And how does it wear?" asked the Duke. (A good one, that—what?)

* * *

This incident serves as a reminder that the value of Nazi selling-lines depends on the point of view of the

people who are expected to buy them. For example there are different and conflicting lessons to be drawn from the wood-pulp exhibit. What does it prove? That the German worker is able to do without wool and cotton, and therefore clothe himself adequately at a reduced cost? Or that the German Government is able to render itself less dependent on imports? Or that the Government is able to impose wood-pulp clothing on the workers whether they like it or not?

* * *

Dr. Ley, the voluble leader of the Labour Front, emphasised the fact that every employer of labour had to belong to a Labour Bloc along with his employees—that he was under the same discipline as they—that he was subject to penalties for anti-social conduct, penalties having the effect of putting him out of business altogether. Presumably Dr. Ley intends this to be taken as proof that the abuses which the workers in this country are apt to attribute to unfettered capitalist enterprise have been (or are in process of being) eliminated in Germany. Further; no doubt he has pointed out (though we do not see it reported) that German employers have no power to fix prices or to fix wages. The Government says how much the worker shall be paid for his service and how much he shall pay for his means of life. This looks good enough, no doubt, to British Socialists.

* * *

But there are two other factors to be considered. These are (a) hours of work, and (b) qualities of goods marketed. Neither of them is fixed in the same way as are wages and prices. So employers of labour are able to wriggle out of the wage-price squeeze. Naturally the Government has to afford them opportunities to do so; for unless they can make a profit the prospect of being put out of business holds no terrors for them; in fact they would voluntarily go out. Hence the Government assists them to get as much service as they want out of the workers for the wages that have to be paid; and it also permits them to adjust the qualities of their goods to the prices which they are not allowed to exceed. As an example, take soap. The Government says to the manufacturer like this:

"Look here, you must pay your men so many marks a week, and you must price soap at so many marks a cake or a kilogramme."
"Right," says the manufacturer: "if I can put out a smaller cake, or, supposing I sell by weight, if I can reduce the fat-contents of the soap. And, lastly, if I can keep my men at work for so many hours a week." These conditions the Government assents to. And it is

by this device of sweated labour and degraded products that the employing classes get their rake-off under the system of National Socialism. Further; the price-fixing principle is not universal. In cases where products are such that they cannot be degraded in quality the Government is willing to entertain applications for raising the prices!

* * *

A year or so ago we stated and argued the general proposition that declension of quality was inflation of price. It will be remembered, too, that when the Duke of Windsor was the Prince of Wales, he was made the vehicle of advice to British manufacturers that they should aim at adjusting the qualities of their products to the prices recoverable in the world-market. Specifically they should "not make things to last so long." Here was the Nazi wood-pulp-for-wool and less-fat-in-the-soap principle of solving the price-problem; so that from this angle the autocratic and democratic systems both score the same number of marks for wisdom, although the democrats might win an advantage by pointing out that whereas the British manufacturer was prompted to work the ramp on foreign importers the German manufacturer is prompted to work it on native consumers. Perhaps, by the way, this is the reason why Hitler and Mussolini find it so easy to parade their citizens by the million; for when you are packed in a crowd you do not get the shivers in shoddy clothes nor can you collapse from lack of good food. The crowd warms itself and props itself upright. In fact the crowd might be a collective corpse. It is all a question of scientific packing.

* * *

Turning to another aspect of comparison between the two systems, we note that the policy of the Nazi Government concerning the Churches is swinging into line with that of the British Government. Both Governments hold the view that the Christian conscience is a good servant but a bad master. And both are aware that the easiest way to get the Churches under the control of the State is to usurp control of their funds. In this country, as the student knows, the Church of England is an auxiliary corporation in the Banking Combine just as is the United Dominions Trust. She is rationed for credit; and she is forced to compete with the British Broadcasting Corporation, behind which are the unlimited credit-resources of the Combine, and, ultimately those of International Finance. So the Church of England is being imperceptibly driven to preach the doctrine: Render unto Caesar the things that Caesar demands, and unto God the leavings. On this condition the Church is allowed to retain possession of her endowments together with the prestige of status. Thanks to the Government to intervene, the Church has won free of the embarrassment of having to levy taxes for the upkeep of her endowed property, but by the same token this property is now mortgaged to the Banking Combine.

* * *

In Germany the Government are following a parallel policy of gaining control. They are refraining from confiscating Church property as this would cause repercussions all over the world. But they are seeking pretexts for putting in State officials to administer Church revenues, particularly those revenues which are being applied to social purposes. Their reason is that they wish to make the National Socialist Party the sole dispensers of reliefs and other benefits of which German citizens can get such things as food, clothes, medicines, hospital and maternity care and treatment, and so on, from the Church. And obviously, in many cases, they will prefer to fulfil the Church's conditions for extending these charities, since the conditions are such as they conscientiously and spontaneously subscribe to as articles of faith. To speak of "charities" is to use the wrong word. A true description would be: *benefits of membership of Mother Church.*

Now the secular Government want to break into this cycle of spiritual and material credit; and the methods they adopt are not too scrupulous. Through agencies familiar to all State Secret Services they make allegations against Church administrators, stirring up scandals related to homosexual and other crimes, hoping to excite local popular prejudice, and thus to provide themselves with a moral pretext for going to the heads of the religious order concerned and saying as follows: "Don't you think that to smother this scandal and reassure the people against its recurrence, it would be a good thing if you let us put in a trustee responsible to the National Socialist Party? Then, if the proposition is accepted, this trustee comes in, bides his time, and in due course appoints nominees of his own to all the key administrative posts. The property of the order remains in the ownership of the religious heads thereof, so the Churchmen's conscientious belief in the inalienability of the Church's property is not disturbed. But the control of its administration has passed to the State."

* * *

A variant of this process of blackmail is to catch the heads of religious orders under the Currency laws. This is easy because many of these orders have in the past contracted obligations to pay money abroad. Their conscience bids them pay what is due at the time it is due. But the State comes along and enacts that only so much (if any at all) shall be sent out of the Fatherland. To whom are the heads of the orders affected to render obedience when, as they look at it, God claims it against Caesar? Naturally they choose God. Then, of course, the Nazi centurions appear on the scene armed with warrants foreshadowing dire penalties. But the conscientious lawbreakers get a chance to settle out of court. Quite simple. If they will let the State put in a trustee the State will forgive their crime.

* * *

Years ago we were discussing the idea of a Catholics' Bank in these columns. Feasible or not, it is the only answer to the encirclement and capture of the Catholics' Church. The collective "Real Credit" (as defined by the Social Creditor) of the Catholic communities in the world is enormous. We recognise of course that the practical problem of mobilising and actuating this credit in financial form would be enormous too. But all things are possible with God. The great obstacle lies not in any incompetence on the part of Sons and Daughters of the Church to carry out this project, but in their inability to understand the process and to appreciate the danger of the envelopment that needs to be resisted. It is intolerably painful to see the vast potential energy residing in the authority of the Pope left unconverted into kinetic energy. Still, there it is; and we can only hope that the quickening up of events since we outlined our visionary idea will force the Church to realise her danger and seek the true way of escape.

* * *

Mention of the authority of the Pope reminds us of an argument which is being used in favour of the Nazi system. It is that under that system it is easier to introduce Social Credit principles than under the democratic system. Well, it is certainly true that since the Nazi Government have been able to trample down the *reasonable* prejudices of workers and capitalists alike against being placed under discipline, they should be able the more easily to trample down the *unreasonable* prejudices against the discipline necessary to the launching of Social Credit.

* * *

But the argument is fallacious because it is based on the implicit assumption that the frame of circumstance (or the confluence of forces) in which Hitler won the ascendancy as a National Socialist would remain the same if he tried to maintain it as a Social Creditor. The argument ignores the fact that at all times since Hitler first appeared on the scene the central banks of Europe have been benevolently neutral to his disciplinary ex-

periments. We remember, for instance, discussing in this journal a leading article in *The Times* at that early period in which the writer complacently alluded to the potential docility of the German people as a good augury for their tolerance of the "economic hardships" which he said were coming. In other words he saw in Hitler and his disciplinary projects a deflationary agent.

* * *

It must not be forgotten, too, that Hitler tumbled into power backwards—like a man who lifts an ostensible "fifty-six-pound weight" made of cardboard. He was offered office before he had secured the power to take it. Somebody had withdrawn the bolts of the door he was shoving, but left it on the latch so that he should appear to have burst the lot open. When he got on his feet and dusted himself he found that he had to improvise policies in a hurry. Or, to be correct, he had to make a hurried selection from a batch of policies which the bankers had got ready for him before he fell in. Bankers are always preparing policies for contingent use. There is a batch ready for Mr. Mosley if and when he, too, tumbles into Downing Street.

* * *

Well, the consequence is that, as shown earlier, Hitler has been landed into an attempt to run Germany's economy by fixing two factors whereas there are four. If industry were self-liquidating under the present principles of finance he could fix all four. But as it is not he cannot. Furthermore, the bankers would not let him try, for if he fixed all four, i.e., dictated wages, prices, qualities and hours the industrial system would collapse. The "A + B" blood-clot has got to be allowed some freedom to move about in the veins of the price-system, or else, since nothing but Social Credit will disperse it, it will stick somewhere and stop the heart beating.

* * *

We may as well say here that while we see nothing in Nazi powers and policies to indicate that an autocracy is better able (let alone more willing) to put in Social Credit than a democracy, we are not among those who think it is the business of Social Creditors to devote their time and talents to denouncing autocracy as a principle of government. For us the prospect, such as it is, of seeing Chamberlain succeeded by Mosley carries no alarms. And if it did we should not waste our time agitating about it, because everything we said to discredit Mosley and his policy would be exploited to discredit Chamberlain and his policy. The truth is that the Social Credit Movement is too weak to mobilise public opinion against *both* these protagonists of principles, and since that is so it is best to let them fight the issue out on the resources of those sections of Big Business who are backing them one way or the other.

* * *

The job of Social Creditors is to educate all who will listen in the desirability and feasibility of the Social Credit Proposals, and to insist that until they are adopted it matters nothing what form of political government is adopted. In any case the disguised autocracy in this country is a better asset to the bankers than would be an undisguised one, and as long as it remains so the bankers will protect our "democratic freedoms" on their own initiative and with their own resources.

* * *

We will willingly admit that we should chafe under the loss of freedom to e.g. circulate our opinions. On the other hand we should be consoled to see Lord Camrose stopped circulating his opinions, and, moreover, as the printing trade unionists. For the rest, we should find comfort in the reflection that the suppression of opinion, especially in this country, would simply convert the energy of informed open criticism into other forms of energy. The free speech which democracy enjoys is practically all futile speech. And we are inclined to believe that the elimination of futility from popular polemics would alter the balance of influence

in favour of the small minority of people who have formed and applied the right habit of thinking, and know what they are talking about. But what if they must not talk? someone may ask. Well, there are ways of talking other than in newspapers and public meetings. And when fools are silenced the wise man gets a hearing.

Payments Both Ways

The following paragraph from the Labour Party's pamphlet, "Socialism and Social Credit," will be of particular interest to Social Creditors at the present moment:—

"... at the same time as money is set aside for depreciation, new machines to replace the old ones are being constructed, and in respect of these, purchasing power is being distributed to consumers. So long as the money so distributed in industry as a whole is equal to the depreciation costs incurred in industry as a whole, there will be no deficiency. It cannot be claimed that this is always the case, but it must be pointed out that there is no reason to anticipate a chronic deficiency on this account."

The authors of the above, however, give no reasons for anticipating chronic equality. Orthodox economists stress the huge scale on which industry is constructed, the multiplicity of payments in both directions and the complexity of the whole business. From this they proceed to assume that, over a wide range of space and time, equality must emerge.

Equality could only be attained in an economy in which all factors were either static or moving with uniform velocity, and it cannot be realised in an expanding economy. And we have no experience of any other.

Every new business or extension of an old one is under an obligation to collect depreciation charges from consumers for several years before it distributes any portion of them as income in respect of its own replacements. That does not matter, we are told, because the new concerns will invest the money as fast as they collect it, and it will as promptly reinforce the stream of consumer income, in the course of being spent on capital production. Presumably the time-lag will be lost in the general mêlée of "equality" is not

But the problem for the protagonist of "equality" is not simply to get the money back again into consumers' hands, but to get it back *without additional costs attached to it.*

How will the newly invested money be spent? No new concern spends the *whole* of its subscribed capital on fixed assets. The major portion will be so spent, but the remainder—by no means an inconsiderable portion—will be used as working capital; i.e., it will be used to pay wages, purchase materials, and meet other expenses during the (often considerable) interval which must elapse between the commencement of production and the regular receipt of revenue from sales.

Now the orthodox contention is that the incomes distributed in respect of the capital assets have no costs attached to them. The assets become the property of producers do not and these investors (in their capacity of producers) do not charge consumers with the cost of the assets. They do not sell the factory.

That is true; but the orthodox party ignore the fact that these same investors must charge for depreciation *ahead* of replacements, and that the deficiency of income so caused can only be corrected by still further capital expansion—whether that expansion is desirable or not.

But, leaving this vital point on one side, the orthodox party cannot get the working capital portion of the invested money back into consumers' hands without creating additional costs to the same amount. These costs go into the prices of the *product*, and the investors (as producers) must sell the product of the factory, even if they do not sell the factory.

So it will be evident that the conventional methods of finance and accountancy in respect of capital assets necessarily bring about an excess of costs relatively to incomes. It is not a situation in which incomes lag behind prices at one place or time, and prices lag behind incomes at another, and the lags cancel out; it is a situation in which incomes—like the "Old Superb"—are "lagging, lagging, all the way."

A. W. COLEMAN.

Notice.

All communications concerning THE NEW AGE should be addressed directly to the Editor:

Mr. Arthur Brenton,
20, Rectory Road,
Barnes, S.W.13.

Alberta Notes.

News to hand at the time of writing (Saturday last) does not say what has happened about the action taken against Mr. Powell. It fills in a few earlier details. The police entered the League's headquarters on a search-warrant. They confiscated 2,400 copies of the leaflet complained of. The leaflet bore no publisher's imprint.

The order and the swift sequence of events may prove, later on, to be of significance. Thus:

Oct. 4.—Lt. Governor suspends Royal Assent to three Bills.

Oct. 5.—Unwin arrested. MacLachlan and others examined.

Oct. 6.—Powell arrested.

Local legal experts are saying that the action of the Lt. Governor creates a precedent. According to rule he should give assent or refuse it. If they are right his temporising attitude could have become the central subject of controversy in which the Social Credit leaders would have had an advantage; for they could have suggested that the Lt. Governor had interpreted the Constitution in a new way in order to avoid official responsibility.

But the immediate supervention of the raid and the two arrests has counteracted this advantage. For, against the Lt. Governor's presumed irregularity as regards observance of constitutional custom the enemy are able to set the presumed breach of criminal law on the part of Unwin and Powell. Apart from that, the action taken against them is much more dramatic than the Lt. Governor's inaction, and will absorb public attention until the issue has been fought out in court.

The position appears to be complicated by the fact that Premier Aberhart holds the portfolio of Attorney-General, and it is not clear whether his consent was necessary before the police could make the arrests. This query is worth bearing in mind, although it appears to have little importance at present.

The absence of an imprint from the leaflet slightly shortens the odds against the possibility of evidence having been "planted" on the Social Credit League, because this omission hides the origin. Major Douglas is said (in the Canadian Press) to have stated that he is unaware of the terms of the leaflet, and is relying on the antecedent improbability that Mr. Powell has infringed the law in the manner alleged. The Secretariat's official journal of last Friday expresses confidence that Mr. Powell will be able to clear himself.

Maximum sentences for the crimes alleged are said to total thirty-nine years (placed end to end?) but as no minimum sentences are prescribed people found guilty of them could get off with one day's imprisonment.

Since the above was written there is news that the Powell case has been adjourned until October 21.

Notes on Australian Banking Commission's Report.

By Arthur Brenton.

I.
The Commissioners make the A + B Theorem the starting point of their examination. They reproduce it correctly (Section 433), although they wrongly suggest that Major Douglas relies on it to demonstrate his case, for it had no place in *Economic Democracy*, which was Major Douglas's first book. However, let that pass. The Commission says that the Theorem "lacks precision"—that it does not define the kind of factory and kind of product to which he applies his analysis of cost. It seems strange that they should be in doubt, because the very conclusion which Major Douglas draws from the costing in his hypothetical "factory" demands that this factory be regarded as typical of all productive organisations without exception. How could he expect to prove a general leakage of purchasing-leakage, when, by doing so, he would leave it open for the most casual critic to point out that the leakage in the part surveyed might be compensated in the part not surveyed?

No; the validity and significance of the conclusion rest on the fact that there is no factory of any kind whatsoever which is not continuously accounting costs against consumers (immediately or ultimately) at a quicker rate than it pays out money to consumers.

The Commissioners have therefore wasted time by testing the Theorem with reference to selected types of productive organisations, as they do in Sections 434-438. What they have to say is irrelevant, whether true or not.

An important statement is made by them in Section 447. It is as follows:

"There appears to be a great deal of misunderstanding about the effect of depreciation upon purchasing power. The amount charged for depreciation is an estimate of the loss of value in the assets used for production, either by wear and tear or by the passage of time. The effect of charging depreciation as a cost is to provide that an equivalent amount shall be withheld from distribution, and thus in time provide a fund for the replacement of those assets or for the eventual return of the capital invested in them."

Note particularly the last clause of this paragraph. It plainly says that money is withheld from distribution to form a fund out of which not only are the incurred costs of factory maintenance to be defrayed while the factory is working, but out of which the original capital subscribed for the factory is to be returned to investors if the factory stops working. In short, consumers are paying for the factory itself as well as for maintaining it.

The importance of this statement will be appreciated by readers who are aware that criticism of Social Credit is being concentrated on establishing the proposition that fixed capital is not charged in prices. Thus the Australian Commissioners have put their foot in it. Like incompetent artillerymen, they are dropping shells short on their own front lines.

The issues can be simply explained as follows:
The advocate of Social Credit says that prices tend to rise above incomes in the consumption market. There have been two alternative answers. The first answer is that they do not. And the reason given is that the incomes paid into the consumption market by *all industries put together* (wages, salaries, and profits) are sufficient to pay to recover. The second answer is that if prices do tend to rise above incomes the tendency is practically counteracted by the exclusion from those prices of charges involving the return of investors' paid-up capital.

The second answer is repudiated by the Commissioners, as just shown. So at this juncture the Social-Credit advocate can retire for refreshment while these two schools of orthodoxy settle their differences.

(To be continued.)

Hargrave at Leeds

On Sunday, October 24, John Hargrave is to speak in the Crown Cinema, Tong Road, Armley, Leeds, at 8 p.m., in support of the candidature of Mr. F. Patrick in the Municipal Election on November 1. He is an official candidate of the Social Credit Party of Great Britain. The chairman will be Mr. W. Townend, B.A., who was the Social Credit candidate for Parliament in the last General Election.

This experiment should be welcomed by all members of the Movement, because the policy of securing representation on a Council dovetails nicely into that of demanding results from a Council. The big problem in municipal politics is to get people to go to the poll; and it will be interesting to see whether the merits of the Social Credit point of view can be so assembled and argued as to jerk electors out of their apathy. Readers in Leeds should turn up at the meeting, if only in order to ascertain how this problem is being tackled.

Forthcoming Meetings.

LONDON SOCIAL CREDIT CLUB.
Blewcoat Room, Caxton-street, S.W.

October 22, 8 p.m. "How Social Credit will Abolish Poverty," by Mr. H. Best.

October 29, 8 p.m. "Demand Your Inheritance," by Mr. P. J. Hand.

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