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THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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NOTES OF THE WEEK.

Alberta.

The Times of January 2, 6 and 7 publishes cables from its Correspondent at Edmonton in which he makes mention of an impending split in the Aberhart Government over the question of how far it is desirable to incorporate Social-Credit principles in legislation. We thank correspondents who have sent us cuttings from various newspapers on the situation, and hope that they will continue to do so. For the moment we shall not speculate on what may be happening. London is too far from the scene of the Edmonton chess-tournament for us to follow the moves on the boards at anything like the speed at which they are being made. We must wait for the games to develop sufficiently far to delimit the scope of strategic and tactical possibilities left open to the players on the spot.

* * *

In the meantime, however, we can offer a few observations on the surrounding situation. The first is this: that a dilemma for Social-Credit strategists is inherent in the situation itself. The dilemma consists in the fact that while on the one hand the formulating of any scheme is premature until its sponsors have secured the power necessary to implement it, on the other hand attempts to secure the power necessary to implement a scheme are equally premature until such scheme (or at least the principles which it must embody) has been announced. It is true that if a Government commits itself to any particular scheme—by which is meant a particular series of steps in applying Social-Credit technical principles—it thereby presents the bankers with information on which they can make preparations to block that scheme.

* * *

But realisation of this truth will be of no practical value unless or until someone discovers means of outwitting the bankers' intelligence-service, or outstripping the bankers' machinery of obstruction, or both. To use

a military analogy, the Money Monopolists may be pictured as being in undisputed command of the air, and therefore as being in a position to observe every movement of Social-Credit forces on land and sea. These forces below are all the time covered by binoculars and bombs above. The question for the commander of these covered forces is this: Can he execute a movement which

- (a) will escape observation?
- (b) or, if observed, will get the observers guessing at its meaning?
- (c) or, if observed and understood, can be completed before the bombs fall?

Here are indicated what may be called the external limits to the feasibility of the contemplated movement. But there are internal limits as well. Even in military strategy where blind obedience to orders is the rule, a commander is obliged to communicate the nature and rationale of his contemplated movement to subordinate commanders who are to assist him in executing it. Much more is this the case with the Social-Credit forces, of which even the lowest ranks are in a position to cooperate or not as they choose. So postulating that a hypothetical commander has been able to conceive of a movement of such subtle character as will pass the tests "a," "b," or "c," tabulated above, he must somehow or other inspire his army with confidence in its feasibility and efficacy. He must share his secret with his general staff, and, in a diminishing measure, with the lower grades of leadership; and finally, through them, he must engender among the rank and file at least a general feeling that the movement they are to execute is a step in a direction of which they approve.

* * *

There is a proverb which says: In a multitude of counsellors there is wisdom. Unfortunately, as applied to the present context, the proverb would have to be amended to read: In a multitude of counsellors there are eavesdroppers. That is to say, not only are the Social-Credit forces under observation from above as

concerns what they may do, but they are under surveillance from within as concerns what they may plan to do. Spies are everywhere. So a Social Credit commander is placed in a dilemma. With impeccable logic he can say to himself: I must keep my plan to myself; but cold fact tells him that he cannot execute the plan by himself, and that to get help he must share his secret and risk leakage to the enemy.

An example from the field of sport will clarify our meaning. Followers of League Football will be familiar with the designation: "a football wizard" which has been applied to Alex James, of the Arsenal team, by newspaper critics. By that designation they meant that he was master of all the tricks of ball-control and tactics open to a player under the laws of the game. It has been said of him that when put in possession of the ball he is able, more than any other player, to get the opposing defence guessing what he's going to do and how he's going to do it. He deceives them into running into wrong positions, with the result that when the ball eventually finds its way into the goal area there are gaps through which sharpshooters can shoot past the uncovered goalkeeper. That is jolly good—for the Arsenal, so you might say. Nevertheless there are snags as well. For it has been remarked on more than one occasion that some of his moves have been conceived and executed with such subtlety that they have deceived and disconcerted his own colleagues. So it will be realised that where there has to be co-operation there is a limit to the value of secret individual strategy. Every player must be able to form an idea of the intentions of every other during the varying phases of the game. So there must be counsels in the dressing-room, notwithstanding the fact that they cannot control luck on the field of play.

The difficulties besetting the problems of a football team are nothing to those besetting the problems of a Social-Credit actionist team, for in the latter case the opposition have the initiative, the power, and the machinery to invoke, interpret and apply the rules of the game, and—most vital of all—to change the rules during the progress of the game. When in trouble they can award themselves penalty kicks! But leaving this aside, and assuming that the rules remain unchanged and are impartially applied, there remains the difficulty for the Social-Credit command that the Money Monopolists, though they may not know in advance what plan is contemplated, do know the objective of any plan. Let us formulate the objective as: Dividends without Taxation or Debt. Knowing this, they know what powers the Social-Credit command must seek to secure. They may not know what steps are contemplated to secure these powers, but they must be credited with the wit to have thought out all the possible combinations or serial orders of steps appropriate thereto. In other words they are in a position to recognise the significance of any step immediately it is taken. Of course it is possible for a competent Social-Credit command to work out a scheme for securing powers appropriate to their objective in which the initial step (and perhaps one or two more in the series) will not appear to have any connection (or necessary connection) with the objective. They might ask—to use a railway analogy—for powers to go from Waterloo to Clapham Junction—in which case they would not have revealed their ultimate destination to the uninitiated by making this request. Nevertheless, supposing their objective was to reach

Plymouth, and that the opposing command knew it, they—that is, the Money Monopolists—would have the options of (a) deriding the request on the ground that going to Clapham Junction was going nowhere, (b) saying nothing, and permitting the journey, or (c) challenging the request as concealing an intention to go to Plymouth, and as concealing a trick to get the people to a point which limited their choice of destinations other than Plymouth.

Apropos of this there is a passage in a leading article in *The Times* of January 8 entitled "Trouble in Alberta." Referring to legislation that has been passed by the Provincial Government, it comments:

"It was at first expected that the Dominion Government would interfere to prevent the usurpation of their authority in monetary matters; but Ministers in Ottawa took no action, holding that the best way of convincing the public in Alberta of the emptiness of Mr. Aberhart's theories was to let him have all the rope he wanted for his experiments."

In other words: Let him have his tickets for Clapham Junction; we can stop him going farther; and if he stays there he will find it a worse 'ole than Waterloo, and yet he won't dare risk his prestige by returning. Such was the calculation here disclosed by *The Times*. It is an important disclosure, particularly to students of real politics, so let us pause to examine it. The story behind the story is quite clear. Mr. Aberhart usurps the authority of the Dominion Government. In other words he violates the Constitution. Ministers at Ottawa consent to the violation. By whose authority? *The Times* would have us believe it was on their own responsibility fortified by their expert knowledge of technical defects residing in Mr. Aberhart's schemes. This is a suggestion *pour rive*. Whether there were defects or not is beside the point; the joke lies in the practical certainty that these Ministers at Ottawa would have scored fewer marks than Mr. Aberhart in an examination on problems of monetary technique. We may be sure that if left to themselves they would have felt it their duty to intervene, and that if they had not done so the reason would have been their fear of unknown consequences.

What really happened can be reconstructed as follows: the heads of the Canadian Bankers' Association said to these Ministers:

"Look here, this violation of the Constitution concerns your authority in monetary matters, but since under the Constitution your authority in this department rests on our authority, and since all you know about monetary matters is what we tell you, we claim the prerogative (as well as the competence) of handling the situation. If you invoke the Constitution against the inauguration of these schemes you will bring the Constitution under the hostile scrutiny of the people of Alberta, and you will find yourselves logically obliged to explain your action by reference to the technical merits or de-merits of those schemes. Either those schemes will fail because of their de-merits, or if not, we have private means of making them abortive irrespective of their merits. The essential thing is that neither you nor we are drawn into public controversy on monetary technique or policy."

Thus, at the instance of a private institution Ministers of the Crown and Defenders of the Constitution con-

sented to its suspension. Well, if that suited them and those who prompted them, it suits the strategists of the Social Credit Movement just as well. It is a precedent which can be invoked quite as cogently and relevantly in the interests of democracy as against them.

Relating this to our railway analogy, we may picture the situation in this way, that the Constitution, which, up to the advent of Mr. Aberhart, forbade Provincial Governments to travel on the Southern Railway, has been suspended to validate his journey to Clapham Junction. His train may be only a couple of miles out; and it may be in a siding. But it is on a line belonging to the system—the system of "authority on monetary matters." And from all accounts of what is supposed to be happening, confused and incomplete as they are, one thing seems pretty clear, and that is that Mr. Aberhart does not intend to ask for return-tickets to Waterloo. Is that not something gained? What ho!—and may be Westward Ho, and Plymouth Hoe!

It is in this spirit that we await the outcome of the counsels now proceeding in Edmonton, and we think it reflects the spirit of the Social Credit Movement. Fundamentally no such thing as failure can result from any action honestly taken by leaders who understand the principles on which our objective depends. Errors there will be. But, given courage, resolution and perseverance every error will be a stimulus and guide to a new trial. We have spent our "Notes" almost wholly with the object of showing how complicated are the factors which have to be weighed by leaders who undertake the duty of doing something and doing it quickly. For this reason it may be impossible, even when authoritative information comes across, for Social-Credit commentators immediately to assess the value of what is embarked upon or predict its consequences. As to the leaders on the spot, whatever their qualifications may be according to standards of judgment based on previous experience here, they will be tested out there in an entirely new set of circumstances.

An Apology.

"MILKING THE WATER."

In our issue dated November 26, 1936 (p. 32) a paragraph appeared under the above caption. It alluded to a letter received, together with a photograph, from a correspondent, who stated that a concern in Stranraer, operating under the Milk Marketing Board, was discharging milk into Loch Ryan.

We are now informed on behalf of the Scottish Milk Marketing Board that the photograph does not refer to a Board Creamery. The Board have a Creamery at Stranraer, the effluent pipe from which has always discharged well into the Loch, whereas the photograph sent by our correspondent showed the effluent running into a ditch or gutter. The effluent from the Board's Creamery consists of floor washings, and, for a brief period in the summer time, a quantity of whey.

In view of this explanation, made on the authority of the Scottish Milk Marketing Board, we express our sincere regret that we published statements in *THE NEW AGE* which invited the false construction that the Board themselves were wasting milk, or were in any way responsible for other interests doing so. We hope that private readers or editor of a journal, who has repeated the statements will take steps to counteract their misleading effect.

We are glad that the Scottish Marketing Board have

cleared up the misunderstanding, because, apart from our desire to avoid disseminating inaccurate statements, their action in challenging and correcting them on this occasion is a sign that they are sensitive to imputations of the wastage of a needed commodity, and regard them as damaging to their reputation as a public administrative body. Important as it is that they should say: We have not wasted any milk, it is much more important that they have said in effect, as they have: We should regard the wastage of milk under our administration as morally discreditable to us. *O si sic omnes*. In our experience to date, similar authorities in other places have been disposed rather to excuse wastage as an unavoidable necessity, or to defend it as an essential factor in the process of economic reconstruction. In Brazil, for instance, coffee has been flung into the sea almost in the spirit of those who might obey the Biblical injunction: "Cast thy bread upon the waters and it shall return unto thee after many days." In fact it is surprising that they didn't get a Bishop to bless the baptism.

The A + B Theorem.

By W. S. McDonald.

[Submitted by author for criticism.—Ed.]

Let us consider a typical step in the conduct of business—one which represents average modern conditions. Materials are bought, processed, assembled and sold.

Let A equal all moneys paid out to individuals in wages and salaries. Let it also include dividends, for though these are not paid out until after the article is sold, they must be considered as part of the cost.

Let B equal all moneys paid out to firms and corporations for raw materials, etc. But let us distinguish among them as to whether as our creditors they have been operating upon their own or borrowed capital.

Let B₀ equal that portion paid to firms working on their own capital. B₀, like A, is immediately available for the purchase of the article produced, or some other article.

Let B₁ equal that portion of B paid out to firms working on borrowed capital or credit. This sum B₁ is not immediately available as purchasing power, since it must be returned to the banker (with interest) to liquidate the loans upon which those firms have been working. The banker cancels it and it vanishes.

The total cost of the article is A + B₀ + B₁.

B = B₀ + B₁, the cost may be written A + B₀ + B₁. The amount A + B₀ is immediately available to pay for the product when produced. The remainder of the cost, B₁, is not thus available, since it must undergo cancellation.

At first glance it appears as though there must be a permanent deficiency in buying power owing to this withdrawal of B₁ into oblivion. But if we think so we belittle the resources of Business. While B₁ is coming in over one counter to cancel its debt and be cancelled, B₂ is being passed out over another counter on another loan.

Sometimes the cost price, A + B₀ + B₁, is greater than A + B₀ + B₂, the money available for buying. Whether this retrenchment is due to the reluctance of bankers to grant new loans or to the fear of borrowers to contract them may be a debatable question. But the result is not. It means depression—hard times—unemployment—hunger—misery.

There are other times when new loans just equal those cancelled—A + B₀ + B₁ = A + B₀ + B₂. This means that there is exactly enough money getting

into buyers' pockets to purchase everything that is produced. There is a little more. And the market hurries to spend it—and begets a boom.

The Douglas Theorem that the money paid out in wages, salaries, and dividends is never sufficient to purchase the goods produced may very well be true. But it does not go far enough. There are always new credits being created by one source or another which, in normal times, approximately equal the difference. The point is that they issue erratically.

Cabinet Government.

The following is an extract from a long review of Dr. Jennings' *Cabinet Government* which appears in *The Times Literary Supplement* dated January 2.

The great constitutional result of the shift of political gravity through the extension of the franchise is that the Prime Minister has taken the place of the Crown. Once the reality of this change is appreciated, the difficulties which arise out of the use of the dissolution prerogative will be found to resolve themselves. The plain truth of the matter is that, as the Constitution stands now, a Prime Minister who asks for a dissolution gets it, and there will be no dissolution unless a Prime Minister asks for it. In practice, the position is not quite so clear as Dr. Jennings represents it. His prejudice against the National Government blinds him to the fact that the circumstances of the last election were exceptional. The Prime Minister who had lately assumed office was also the leader of the party which commanded an ample working majority in the House of Commons, and the question whether he would form a party administration or carry on as the head of a coalition was clearly one for him and not for his Cabinet to settle. It is quite possible that future Prime Ministers will consult their Cabinets before they decide to dissolve; but the agreement of the Crown has now become as much a matter of course as its Assent to an Act of Parliament.

One further question of constitutional import is answered, though it is not asked, by Dr. Jennings. The Prime Minister having taken the place once occupied by the Crown in relation to the electorate, who has taken the place of the Prime Minister? The answer appears to be that the departmental supervision which once fell within his province is now exercised by the Chancellor of the Exchequer. This development follows from the necessities of Cabinet business. Among the inter-departmental questions which have to be settled before a matter is brought to the notice of the Cabinet at all, the most important is that of finance. Circumstances have favoured the reimposition of the Treasury control which was relaxed during the War and, since almost all new legislative departures cost money, a Minister has to get the consent of the Chancellor, at any rate in principle, before he can even submit his policy to his colleagues, much less before he can secure the establishment of a Cabinet committee to draft a Bill. We have, in fact, now reached a stage at which, if the practical consolidation of the British Commonwealth became urgent, the Prime Minister of the United Kingdom could be transformed into the chief official of the new Imperial organisation, while his work at home would pass into the hands of one who would become First Lord of the Treasury while retaining the title of Chancellor of the Exchequer.

That, however, is a speculation which, since it could only be realised under external pressure of a most alarming kind, had better be left in the air. Let us rather hope that, after twenty-five years, during which the relations of Crown, Cabinet, Parliament, and people have been changing at a rate which has left us all breathless, we may be given time to recover our constitutional wind, and that a system which has altered more rapidly since this century opened than at any time since the seventeenth century closed may be allowed to settle down before further strains bring new evidence of its innate power of adjustment to our people's needs.

[Loud laughter.]

Political Background of Abdication.

By Arthur Krock in "New York Times."

WASHINGTON, December 14.—Unless the utterances of clerics produce retorts in similar vein from friends of the Duke of Windsor, the most dramatic event of recent times will soon and surely take on long perspective so far as the newspaper public is concerned. But to diplomats and international politicians, as represented in Washington, the important phase is just beginning as reports from behind the scenes make their way into this capital.

These reports are highly confidential and are based on information obtained in official circles in London by representatives of accredited nations. They are very little concerned with what historians would call the "occasion" of the abdication—the proposed marriage—and greatly concerned with what (if they are accurate) historians will refer to as the "cause." That cause, it is almost uniformly agreed, was the disposition of the former King to be, in a limited sense, what Augusta of Saxe-Gotha urged her son to be when he succeeded his grandfather in the eighteenth century. "George, be a king," she whispered, and George III. was all that for twenty years.

Should any of the basic material in these reports get public sponsorship from one whose name and rank merit a response, it is considered possible here by some who should know that the Duke of Windsor will write and publish his memoirs. The present state of Europe is such that those who devotedly pursue peace hope such an exchange will be long postponed. For it would amount to an argument over whether Government forces deliberately permitted "a clever King" to arrive at an untenable position in order to dispose of him and to put on the throne a monarch who would conform to an imperial democracy's rule for a twentieth-century sovereign.

One Private Version.

One report to which this correspondent has had access is probably typical of those which will soon begin to come to foreign diplomats and statesmen. History will in time determine its accuracy; meanwhile it must be presented as a version only. It relates at least five occasions since the accession of Edward, and one before, which led responsible British statesmen into the belief that the Duke of Windsor, impressed with the strength of personal government and forceful personalities throughout the world, intended to assert himself more than any of his predecessors had done since Queen Augusta whispered to her son, "George, be a king." These occasions include two speeches, only sketchily published abroad and hardly at all at home—one on military matters and one on humanitarian policies—as well as the address to the miners of South Wales which became so public a Cabinet annoyance.

According to this report, the former King and a high Government representative had a frank talk when George V. lay dying, at which Edward expressed full knowledge of what tradition would and would not permit him to do, and accepted the role. But when, after the speeches referred to above and certain accounts of conversations in the Fort Belvedere circle, the Ipswich divorce proceedings were instituted, there was—still quoting this report—a secret meeting of party leaders. At this meeting it was made clear that Government and Opposition forces alike, with unimportant exceptions, were disturbed over the King's general attitude and speculations as to what would follow the divorce.

Parliament Expected Crisis.

This version does not dispute the Prime Minister's statement to Parliament that he acted alone and on his own decision as to his course. But it does amplify that statement to the extent of suggesting why Mr. Baldwin was so sure of the support he would receive if he sought to check the King's behaviour in matters transgressing the tradition. Parliament, in a word—if this source is well

informed—did not so swiftly and overwhelmingly pass the Abdication and Accession Acts without a full and earlier understanding of the background and the inner issues. The report reaches the interesting conclusion, however, that by the time the Government move was made Edward himself had abandoned any ideas he may have had that, because of his personal qualities and mass popularity, he would ever be permitted to "modernise"—or, as British democrats might say, "revitalise"—the place of the sceptre in public affairs.

George III., who was the last British sovereign to do it—though not to attempt it—consulted no Ministers, only Bute, about his speech of Accession. He said he would bring to an end "the bloody and expensive Seven Years' War," Pitt's war, and Pitt resigned. He forced out Newcastle, leader of the Whigs; had a Parliamentary agent, Henry Fox, who, through bribes and otherwise, obtained a King's majority in the national legislature; and summoned and dismissed Ministries on his own. The American War broke George III.'s power, and since Dunning's Resolution of Diminishment such royal authority has not appeared in Britain.

But even for British kings the world has moved forward a little. George III. wanted to marry Lady Sarah Lennox, a "commoner," though descended from Stuart kings. George VI. shares his throne with Queen Elizabeth, a "commoner."

Greeks Versus Freaks.

A STUDY IN PRESS TECHNIQUE FOR DEFEATING IMPORTUNATE PROPAGANDISTS BY MIXING THEIR PROPAGANDA.

The *Chronic-Newsance*, a rationalised form of the two great newspapers, *The Daily Chronic* and *The Daily Newsance*, had been publishing a silly series of letters from Prominent Public Piffers under the heading, "Mysticism and Politics."

Of course, not a word had been mentioned of the Space-Time Proposals, when without warning on—

JAN. 20th.—To the great joy of the obscure but eager band of Space-Time enthusiasts, a letter appeared in the *Chronic-Newsance* from the Grand Duke Boris of Bangor advocating "SPACE-TIME FOR ALL!"

JAN. 21st.—Not one word in the paper about the subject. You see?—Boycott!

JAN. 22nd.—Funny thing—seven letters to the Editor on "Space-Time For All" published! I say, isn't that splendid?

JAN. 23rd.—I say, old boy, have you seen the *Chronic-Newsance* this morning? One whole column of letters printed on the leader page! Yes, and all in favour of "Space-Time For All." Only shows what happens when a Grand Duke speaks out, doesn't it? There's more public support than I thought.

JAN. 24th.—Seven more letters all in favour of "Space-Time For All" in to-day's *Chronic-Newsance*. I suppose the Grand Duke is in touch with Professor Einstein? . . . O, sure to be. . . Splendid, isn't it—what?

JAN. 26th.—On the leader page again! Quite a big splash, headed "More Letters from *Chronic-Newsance* Readers!" And an editorial note in italics, saying, "Interest shown in this discussion, stimulated by the Grand Duke Boris of Bangor's 'Space-Time For All' proposal, continues to produce a mass of letters to the *Chronic-Newsance*, points from some of which are given below," and then follow eight more letters all supporting the Relativity Theory of Economic Adjustment. It just seems to go on and on. A mass of letters, eh? Splendid, I call it. The Grand Duke has broken the boycott!

JAN. 27th.—And again! Another whole column on the leader page. Five more letters on the subject (and one on Land Monopoly); and at the top a photograph of the Grand Duke with another letter from him in reply to some one who thinks "Space-Time For All" would mean

Inspiration. I'm glad he's answered him, aren't you? And he's replied to another man who suggested that productivity cannot be assessed in terms of mathematics, and that the issue of sufficient new space-time to supply the need would lead to uncontrollable Inspiration. Of course, I'm not sure that the Grand Duke's explanation will be quite clear to those who have not studied the question, but, still. . .

JAN. 28th.—Oh, I say, it's all gone back to Mysticism. Letter from the Rev. D. Fumble, who says that the whole discussion which started about Mysticism and Politics "is in danger of being side-tracked by the particular Space-Time proposal of the Grand Duke Boris of Bangor." Isn't that a shame? And only one tiny little snippet from a letter at the bottom—only six lines of type—saying anything about "Space-Time For All." No doubt about it, there's a boycott. . . plot, or something. Must be.

Oh, but look! I didn't see this—here's another letter (or part of a letter?) from the Grand Duke! That's three times he's had a letter printed. I wonder how many he's written? Jolly fine; but it is a shame putting it underneath that letter from the Rev. D. Fumble. You'd think they'd put a Grand Duke's letter first, wouldn't you? In this letter the Grand Duke says that "No sensible person desires to see Space-Time used for bad things. . . Of course not. Only for good things. I mean to say—Good Things like Beef when you're hungry, and Beer when you're dry. . . you know what I mean. Quite agree, of course, don't you?"

JAN. 29th.—Oh, look! Leader page again this morning—"Grand Duke's Scheme Examined"; article (not just a letter) by Herbert Snibble (*late Grand Past-Master of the Eutopics Department Tooting University*), in which he examines in detail a "scheme" that has not yet been stated, and shows, quite easily, in four points, (1) that it is a fallacy; (2) that it is indeed a fallacy; (3) that it is undoubtedly a fallacy; and (4) that it is without doubt a fallacy because the Grand Duke has "forgotten that we live by our foreign trade." And Professor Snibble sums up in a few well-chosen words, and finds that the result of the "Space-Time For All" proposal would be "More Inspiration; more space-time for everyone; and a standard of space-time akin to that of Moscow, mind, not Leningrad. There! The nasty fellow suggests that the Grand Duke is a Bolshevik, and that "Space-Time For All" is Communism! That's the worst of it—these orthodox eutopians don't play a bit fair, do they? I wonder why the *Chronic-Newsance* published such a silly article. Anyone can see that this Professor Snibble doesn't really understand the Space-Time Analysis and Proposals. . .

What then? Why, then, this Nine Days' Wonder (January 20 to January 29—you see how carefully timed it is? All part of the occult numerology of the Elders of Zion) just peters out. . . The discussion is brought to a timely (or untimely?) close by the Editor of the *Chronic-Newsance* on February 4. Doesn't even give the Grand Duke a chance to keep on replying to the one or two letters of criticism. I mean, after all, fair's fair, isn't it? Well, I mean, play the game. . . . S. R.

Notice.

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

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

Renewals of subscriptions and orders for literature should be sent, as usual, to 70, High Holborn.

Reviews.

"Nature Hits Back." Second Supplementary Review.

In the third chapter on Nutrition, Dr. Lawrie is at his best. He takes the lid off the lovely sarcophagus of civilisation and shows the mangy corpse beneath. He insists on the vital importance of correct nutrition, for, as he shows, its dual function (the intake of oxygen, water, and natural foods, aided by physical exercise, which leads without trouble to correct elimination), provides "our most perfect source of energy, and our greatest guarantee against that most malignant cause of all disease, internal poisoning." All our feelings and mental functionings are profoundly modified by nutrition. From this base Dr. Lawrie wants to know why, after hundreds of years of feeding on crushed wholewheat bread, we have for the past century fed mainly on white bread, which is the residue after the three vital elements of wheat have been subtracted? The Social Credit answer is simple—the manufacture of white bread has made more work. Extra special milling machinery is needed in place of wind- or water-driven millstones on the one hand, and drug factories to provide medicines to put right seedy stomachs due to the loss of vital food elements, on the other. It doesn't matter if, in the long run, the whole nation is eliminated so long as plenty of work is made for those who can stand the racket.

Along with the misuse of wheat, Dr. Lawrie points to the phenomenal growth in the consumption of sugar, a pure fuel food. This, he says, "is the most outstanding dietic perversion of the age." Quite so, but consider the work it has provided! The wholesale intake of sugar via liquids, such as tea, throws an abnormal strain on the digestive system, owing to the lack of salivary action in the mouth.

The manufacture of artificial food-stuffs next comes under the hammer. Quite plainly, he says, "much of the total output is pretentious rubbish." Those who have been taken in by all the latest "vitamin" foods should read this one chapter over and over again. This one extract will give a slight idea of Dr. Lawrie's forceful writing. "Balance in diet has been ignored, and natural bulk has been cast aside, while this tinned, bottled, and concentrated rubbish circulates with a strengthening appeal throughout the land." Our brilliantly abstract system of education has so blinded the minds of the people to anything other than mathematics or cinematics, that soon these inflated minds will be floating off into the empyrean, leaving their unfortunate carcasses to rot.

Within the narrow confines of this lunatic system, Dr. Lawrie rightly tilts at the deceitful advertisers who lure the half-baked to their doom, and at the chemists whose job it is to drug into self-satisfied somnolence those minds which are chained to poisoned bodies. While the whole philosophy of the race is based on the primary provision of work, to the exclusion of all else, it is quite impossible to inculcate the principles of correct living. Man cannot serve two masters. When real life through correct living is recognised as the primary reality, with work as its necessary secondary, Dr. Lawrie's teaching will be sought after far and wide, together with that of others who are striving to wake up a drugged and semi-impotent people. We have departed far from the canon as far as nutrition is concerned. Incorrect nutrition is bound to show itself in damaged bodies and increasing attempts to remedy the damage. Dr. Lawrie calls in evidence the enormous number of drug stores. "There is nothing," he says, "which illustrates more graphically the presence of disorder than the sale of drugs." Drugs are temporary correctives; they do not remove the cause. He calls attention also to the numbers of people who have to wear glasses, and to the masses who have decayed teeth. Here we have, then, a decaying nation propped up by its drug stores, and all in the sacred name of work. Dr. Lawrie's terrible indictment indeed shows us the state of rot we are striving to make headway against. His invaluable work, let us hope, will do something to stir the minds (if any) of our rulers to get down to realities instead of dithering about such nonsense as "preserving the stability of the pound sterling," whatever that may mean.

H. E. B.

LETTERS TO THE EDITOR.

BREAD AND CIRCUSES.

Sir,—The rulers of Rome, *panem et circenses*, to distract the thoughts of a possibly revolutionary people, fed them freely and gave them gorgeous shows.

Our rulers do it cheaper. They even restrict our food, while setting us to waste work in staging a huge and childish pageant, telling us to buy what little bread we can from our stage-carpenter wages.

While awaiting war, however, Coronation and armamentation both serve to keep the rotten money system working.

PHILIP T. KENWAY.

A + B + C THEOREM.

Sir,—In his article under the above heading, Mr. A. W. Coleman has made an important and valuable contribution to the Social Credit Analysis. I would, however, venture to suggest that the case, in one of its aspects, is a little stronger than that which he presents. May I ask him to approach the problem by dividing industry into two sections—Section A, representing the successful, and Section B the unsuccessful business; and also by assuming (1) that in a representative period each section distributes in respect of its production 100 units of purchasing power, and (2) that in the competition which ensues, Section A obtains in prices 120 units for the goods which it produced. In these circumstances, and providing no other source of purchasing power exists, Section B can only recover in prices 80 units, which means that it must either sell at a loss or be left with goods on its hand, or both. Let us further assume that Section A, as a result of its trading, places ten units to a depreciation fund, another five units to a contingency or other reserve, and distributes 5 units in dividends. The distribution of these 5 units clearly will not right the position of Section B, nor, indeed, would the distribution of the whole 20 units, as Section B, even if it could secure the 20 units, would only be able to recover in prices at most 100 units. Of course, no such simplified position as that described exists, and I agree with Mr. Coleman that it is entirely relevant to the problem to consider the distribution of which industry, during the representative period, deals with its previously accumulated reserves. But the illustration, will, I think, serve to show that these funds have, in themselves, created difficulties in the past, and that the fundamental defect of the system lies in the fact that industry as a whole is attempting, at the time of marketing its products, the impossible task of continuously extracting from the pool of purchasing power more than it has previously put into it in respect of those products.

It is necessary in considering the above position to bear in mind that neither profits, depreciation charges, nor reserves are, in normal circumstances, financed through the direct or indirect agency of bank credits, as is done with other industrial costs.

L. C. J.

Sir,—Mr. Coleman's article of January 7 is, as usual, both instructive and entertaining. The plan he has adopted lately is to abandon at least half the front-line Social Credit trenches in order to fall back upon others recently constructed largely of his own material.

He says: "Loans may be divided into two varieties, vide H. M. M.'s pamphlet on 'The A plus B Theorem': (a) providing new credits, and (b) those providing replacement credits. New credits form consumers' incomes and create new costs. Replacement credits do not provide incomes at all, and they merely transfer already existing costs."

Quite so; that is the short demonstration of the falsity of the Theorem. The truth is that B payments, as such, are never consumers' incomes; but, equally so, as such, they are not an addition to prices against consumers. A payments alone constitute consumers' income, and A payments alone constitute prices consumers have to meet.

Mr. Coleman then proceeds to show, as he did in a previous article, that he realises the significance of Mr. McKenna's statement that a bank loan always creates a deposit. A deposit is a sum owed by a bank; therefore

inescapably every sum borrowed from a bank is equated by the same sum owed by the bank. Money is not issued as debt alone; it is invariably issued as debt and credit, with the result that what Jones owes is owed to Smith via the bank.

Now let us consider the *saave qui peut* argument to support the non-self-liquidating idea which Mr. Coleman produces as a substitute for the bank-loan section which he has himself exploded. He insists that "funded" debt is not self-liquidating. Two questions:—

(1) Will Mr. Coleman point to one penny of such debt which is not held equally as a credit by some member of the community or association of members, i.e., which is not self-liquidating? Does anyone ever pay interest without paying it for someone else?

(2) Arising out of this, does he realise that the existence and service of debt in no way reduces the income of the community? It merely redistributes that income.

Finally, Mr. Coleman obviously envisages capital assets as debt (that blessed, frightening word!). Of course, they are not. Shareholdings are not debt claims; and capital assets are not debts—not even against the consumer.

J. A. FRANKLIN.

[It is common ground to Social Creditors and critics alike that the price of any article can be resolved into A payments made by Producers to Consumers at some time or other. This price, let us say £10, might be expressed in the analysed form of £1 + £1 + £1, etc., to ten terms, each term representing a successive periodic payment of that amount to consumers. Thus the whole £10 has been in and out of consumers' pockets during the ten-term period.

As for the article itself, the fact that it exists to be sold is proof that no part of it has been delivered by Producers to Consumers. On the other hand, the successive amounts of £1 have been delivered by Consumers to Producers in the periods to which they belonged. That is to say, the same £1 as was used in the first period could have been paid, collected, and reissued by Producers ten times.

For simplicity, suppose that the series of £1 were received and surrendered by one consumer only—the others having spent all their incomes on consumption. This consumer we will call the Investor. It will be seen that he has received £1 ten times and invested it nine times.

He now owns nine-tenths of an article priced at £10, and has money amounting to £1. The rest of the community have no money to bid for it.

In theory he could obtain the article in exchange for his shares (£9) plus his money (£1) supposing he wanted it and was able to consume it. The Producer could discharge his debt to the Investor by delivering the article.

So, in theory, could the same transaction take place supposing that the article was a capital asset, say a machine, and supposing that the Investor wanted to take it home to look at.

But in practice the Investor would want to leave it there to be used. That being so he wouldn't want his money back. So the rest of the community need not be charged with it.

Now the particular bearing of this analysis rests on a question of policy. Granted that the original objective of the community was to create a capital asset to be kept in use and not be sold, the fact that no money was available to buy it would not matter. But if, irrespective of intention, wealth is accumulated period by period as described, with the prospect of a shortage of money at the end, the consequence will be that production will be senselessly and uselessly diverted from consumption-purposes to capital-purposes. The ratio of capital assets to consumable commodities will be brought into correspondence with the expected ratio of total cost-values to available consumer-income. For example, instead of growing £10 worth of coffee which could not be sold, producers would make £10 of coffee-grinders which need not be sold.

This is confirmed by experience, where capital assets are

accumulating all over the world far in excess of demands on their capacity. Potential gluts of unsaleable commodities are converted into actual gluts of unsaleable capital. And the community, who are short of the commodities, are supposed to be compensated by being spared charges for the substituted capital!—Ed.]

Sir,—The Douglas analysis is concerned with actual measurable payments. The business enterprise making them accounts them as costs. The recipient, if a private individual, reckons them income; if a business, proceeds. According to whether the payments go to income or proceeds, they are termed A payments and B payments respectively. A and B serve, further, as symbols to express the rate at which the respective payments flow. Thus, A + B is the rate of their issue as costs; at the opposite end, A represents the rate of income formation, B that at which proceeds are realised.

Having established that A + B expresses the rate of cost creation, the analysis proceeds to find the rate of cost extinction.

Proceeds, though occasionally deficient to cover costs, as a rule provide adequate reimbursement, and, in addition, accruals to capital.

Let now C be the rate at which increases to capital accrue from B payments; then the rate at which costs are extinguished thereby is B - C.

Cost extinction from incomes at theoretical best is A - when incomes are assumed to be spent on purchases as fast as earned. As a rule, however, the rate is actually less than A, owing to time lag and savings.

Consequently, while the rate of cost creation is A + B, the rate of cost extinction is less than A + (B - C).

Inferences can then be drawn at liberty.

F. R. M.

Oil.

By Arthur Brenton.

[A few years ago we published a series of articles under the above title in which the processes of capital development and collapse as they take place under the present financial system were described in the form of a parable derived from the development of an oil-field.

The story described how a community on a virgin field first helped themselves by hand from the spillings of a natural gusher; next organised the sinking of wells; then organised the capping of wells; and so on until the community found themselves worse off for oil than before they started on their development plans!

The accompanying financial operations were described—the accompanying financial picture as "white tickets" and financial credits being pictured as "red tickets." The control of the investment-shares as "red tickets." The control of the issue and recall of credit was shown to be under a separate authority located in a "cave" at some distance from the field.

The story was presented in the form of a series of dialogues in which a "Student" holds conversations with various persons and groups co-operating in the development—desiring to understand what is going on, and why.

Below we publish what may be called a post-mortem conversation on the final situation between this "Student" and an Engineer-Economist (representing a Social-Credit and an Engineer-Economist at the time of the original technician). It was written at the time of the original series, but, for some reason or other, not printed. Readers will have no difficulty in following this delayed conclusion of the story, which, incidentally, embodies reflections and arguments whose value is independent of their original setting.—Ed.]

* * *

S.—So that's what these people are up against. They've got oil enough to last them for ever, but act as if they had only just begun to strike oil.

E.—Yes. And if you reflect a little you will see that this must be because they misunderstand the proper use of their tickets.

S.—Yes. I had reached that conclusion. If you and I, for instance, wanted oil very badly, and we had got a supply, and there were no tickets being used, we should go and draw oil.

E.—Quite so. We might differ as to whether we shared it equally—

S.—You mean that if you employed me to work for you I might get less than you?

E.—Yes; and my point is that supposing we could not agree, we should neither of us need to go short while we settled the argument.

S.—Especially if we knew there was more than enough for both of us.

E.—Precisely. But at present these people forget all about the oil and argue about oil-tickets.

S.—But they have oil in their minds when they do this?

E.—Yes, but the oil they are thinking about is only the supply from the wells, not the supply kept back in the wells.

S.—But even if they could see the extra supply, I am not clear how that would prevent quarrelling.

E.—It would not, by itself. But it would be a long step towards arriving at an alteration of their ticket-system.

S.—Ah! That's what I want to ask about. It looks to me that what they ought to do is to go and get tickets out of the cave and share those up somehow. Then they could buy all the oil. . . . Yes. That's how to do it. Let's say that at present they have 10 tickets which buy 10 gallons coming out of the wells: very well then, if the quantity held back in the wells is 40 gallons, they must go and get 40 more tickets out of the cave. Ten tickets, ten gallons; fifty tickets, fifty gallons: and there you are!

E.—Yes; that would be all right if the tickets would buy a gallon each.

S.—But wouldn't they?

E.—Yes, and no. They might if they were issued on that condition: but they would not if issued unconditionally.

S.—Why not?

E.—Because the well-owners would ask 50 tickets for the ten gallons now being supplied.

S.—But that would be nonsense.

E.—Of course, it is nonsense, but because you and I can see it that is no reason why they should. They have been so long accustomed to the idea that the less oil they sell and the more tickets they collect the more prosperous they are that they will not alter their custom until they receive guarantees that another policy will pay them better.

S.—Can that be done.

E.—Oh, yes. Suppose that the 40 extra tickets you spoke of are not distributed to the people, but are vested in a Trustee who represents everybody on the field, who is empowered to treat with the well-owners. He can say to them: "If you deliver 50 gallons for 10 tickets, I will pay you another 40 tickets."

S.—Suppose they told the Trustee "Nothing doing"?

E.—The Trustee would say "The same to you." But do you know anybody with something to sell who would not jump at selling five times the quantity if he could get five times the revenue?

S.—Well, I suppose you're right about that.

E.—For instance, take the gentleman who lost his well. If he had accepted such an offer he would very soon have been able to buy back the 1,000 red tickets he had sold to his friends, and to clear off all his debts to the banker.

S.—But that would mean that he had got the well for nothing.

E.—Yes.

S.—But is that fair?

E.—Fairness does not come into the matter. After all, the ownership of a well is simply the ownership of a hole in the ground—nothing more. The important thing is what comes out of the hole. In theory, the owner of the well owns the oil; but his disposal of the oil would now be governed by his contract with the Trustee. If that contract enabled him and his customers as well, to obtain oil which was otherwise unobtainable, the question of ownership would be negligible.

S.—I see. . . . It seems strange that nobody has thought of trying this new system.

E.—One reason is that everybody has been so accustomed to quarrelling about tickets that every new proposal is suspected by somebody or other to be a plot to snatch his tickets away. Both the well-owners and the workers are certain that nature intended them to be enemies. Directly anybody tried to show that they had a common interest, each party would suspect him of being an agent of the other, and of trying to cheat them.

S.—Are there other reasons?

E.—Oh, yes. The chief reason is that the banker is actively warning them that any change in their ticket-system will ruin them. In a fair field of argument there would not be much difficulty in convincing the owners and the workers that they were natural allies and not natural enemies. But so long as the banker is able to coax or threaten them away from altering the ticket-system, they are bound to remain under their old delusion.

S.—It's a funny thing, but although I see that the system

brings about this stupid result, I cannot see in detail how it does it.

E.—No. It is an elusive thing to grasp in detail. For one thing the white tickets have no definite value in terms of oil. For another, they look exactly alike. In this respect they are different from the red tickets, which bear on them the name of the well-owner who issues them and the identity of the well. If you have a white ticket you have a permit to get oil, but you cannot tell by looking at it how much oil you ought to get for it. All you can do is to find out by experiment how much oil the sellers are willing to let you have for it. The quantity differs at different times, as you have found out.

S.—Yes; directly I begin to think out the process, I discover that I haven't begun far enough back.

E.—I know. You can only get clear on these matters after you have grasped the general principle which governs them. The best way to do that is to visualise what these people really want to do with their wells and oil; to form a picture in your mind of their drawing all the oil as fast as the wells can deliver it. Then you have to see what method of using tickets will enable them to do this. Then you must compare this method with the present one, so as to see where they diverge.

S.—Can you illustrate this?

E.—Roughly. Let us imagine for a start that the oil we want to get at is stored up by nature in barrels. In that case the work we have to do is tapping barrels. Let us picture these barrels standing in a row in a progressive series of sizes, say 10 gallons, 20 gallons, 30 gallons, and so on, up to, say, 60 gallons. We set ourselves the task of tapping the smallest on Monday, and the other five in order day by day until we reach the largest on Saturday. We do so in this order because on Monday we have no suitable appliance to tap any of the larger barrels. What we do then, is to smash the little one open as best we can and live on our 10 gallons during Tuesday. While doing so we set to work to fashion an appliance that will tap the 20-gallon barrel. For convenience let us call this appliance a "tapper per." And so we go on, making our tapper stronger every day to deal with the larger barrels. When Saturday comes we get 60 gallons of oil to share. We have used physical means for a physical objective, and have reached it.

S.—So far I follow you. There's nothing to stop us going on tapping larger barrels indefinitely —

E.—Until we are drawing as much as we need, whereupon we stop making larger tappers, and take a little more rest from our work.

S.—Quite. And now, what have you to say about the tickets?

(To be concluded.)

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