

THE NEW AGE

INCORPORATING "CREDIT POWER."

ORGAN OF THE NEW AGE SOCIAL CREDIT SOCIETY

No. 2330] NEW SERIES Vol. LXI. No. I. THURSDAY, MAY 6, 1937. ANNUAL SUBSCRIPTION TO THE SOCIETY 30s.

CONTENTS.

	PAGE	PAGE
NOTES OF THE WEEK	I	Duty under a new name—why?—did Chamberlain act on his own initiative?—injustice of the tax—taxation and prices.
The busmen's strike—interlocking of bus-finance and railway-finance.		
THE GROWTH-OF-PROFITS TAX	2	NOTICE: "THE NEW AGE" Latest arrangements, and reasons for them.
Mr. Chamberlain's revival of the Excess Profits		

NOTES OF THE WEEK.

"The New Age."

This number is the first of a new volume, and the first to appear under its new auspices. This synchronisation has just happened: it has not been designed. The steward of the Editor's horoscope says that this week is propitious for new adventures. May the stars look kindly on this one.

The Bus-men's Strike

It is very sporting of the busmen to start their strike in time to finish it before Coronation Week. And equally sporting of the coalminers to time their strike to start after Coronation Week. Nobody will begrudge the first set of men the use of the flags now being hoisted up, or the second set the use of them before they are hoisted down. Everything chimes in nicely on a loyalist rhythm. The *Observer* calls the busmen's strike "mis-timed," and warns its readers to "keep cool." Well, the timing is the best feature of it, and the last thing to get heated about.

* * *

The same paper delivers itself of this grandiloquent sentiment:

"A public sure of itself and of its own ultimate authority does not find patience a difficult virtue." This is a curious expression of the known truth that the public is sure of nothing but that it will acquiesce in any settlement that may be arrived at. No such "public" as the writer presents to us exists; or it would certainly not be patient. No strike is ever well-timed from the point of view of those who depend on the services of the strikers. Logically there ought not to be any strikes; and that is the writer's implicit contention. Well then, what are the men to do? Wait for a General Election to vote for their shorter hours? Or petition their Members of Parliament?

* * *

The men's case is that they cannot support the strain of their present working hours. If that is true the reply of the L.P.T.B. that they are working fewer hours than they claim to be working is irrelevant. What has the counting of hours got to do with the physical or psychological reactions of the men to their conditions of service. Working hours have to be the same for everybody in the service; and in the interest of public safety they ought to be short enough to suit the condition of the weakest, not the strongest, servants of the Board.

L.P.T.B's Finance.

Leaving this aside, the really serious argument of the Board is the old one: We can't afford the cost. They furnish figures showing that 767,000 miles are run by their vehicles every day, and that the cost of running each vehicle per day is 5.65d. in wages, and 6.19d. in other costs, making a total cost of 11.84d. Receipts per vehicle are 13.65d., leaving "a margin for overhead expenses, insurance, interest on capital, etc.," amounting to 1.81d. Every penny per vehicle per mile represents about £3,200 cost per day for the running of the service. Hence it would seem that the wages paid out come to about £18,000 per day or £126,000 per week. If there are 30,000 men on the wage list this sum provides on the average about £4 per week for each.

Cross-Subsidies.

We do not propose to subject the Board's analysis of costs to the Social Credit test. What is more important at the moment is to draw attention to their statement that if they were to accede to the men's request the extra cost of employing more drivers and conductors would hold up capital developments on the underground railways. They say that the cost of contemplated extensions is more than can be covered by receipts from passengers who will one day patronise them; therefore, the argument proceeds, the deficit will have to be made good out of the resources of the whole transport undertaking. This means that the extended railways will have to be subsidised out of the resources of the established bus services. As if to gloss this admission over, the Board hurry on to say that of course the extension of the railways will lead to developments in bus services; and then leave the public with the hazy picture of bus-money subsidising new railways which will in turn subsidise new buses with railway-money, and so on, until a final closing of the financial circuit and the perfection of the whole transport service by the process of "taking in each other's subsidies."

New Credit for New Production.

The Board, having thus emphasised the interlocking principle underlying their financial arrangements, now turn with equal emphasis to warn the public of the danger of separating the interlocked parts to have a look at them separately. They say that any attempt to find a solution of the present difficulty by making these parts financially self-supporting would undo the work which Parliament (1) created the London Passenger Transport Board to accomplish. It would, provided the right people conducted the investigation—and a jolly good job, too.

Mr. Bevin, who stands for the busmen, used to show interest in the technology of credit, even though he did not proceed so far as we once hoped he would. But his early studies, coupled with the growth of knowledge on such matters since the time we speak of, should help him to realise that the Social Credit principle regarding the finance of capital development is the answer to the Board's defence. It is this: "Finance for new production should not be provided out of savings, but through new credits." Applied to the present problem it means that new railways should be financed by new money. If the Board, as they seem to admit, are reserving and accumulating any fund for that purpose it is not new money, it is savings. And those savings whatever they are should be released to pay the cost of the men's claims. A demand to this effect is the best tactical move towards a sound technical solution of the problem.

The Growth-of-Profits Tax

[The following section of this article was written shortly after the Budget was introduced.]

As usual, the criticism and commendation of this tax miss the mark. Objectors say that business concerns will charge extra profits to cover the tax. Supporters (including *The News Chronicle*) say that the incidence of the tax is too remote to affect the ordinary citizen. Both arguments are wrong in themselves; and each contradicts the other. The dictum that *the price of an article is all it will fetch* is an axiom of business procedure. Tax or no tax, the course of prices and profits will be decided by the quantity of money at the disposal of buyers—ultimately the population of private consumers. The bankers' own dictum that credit-expansion causes price-inflation rests on that truth. And their resistance to the adoption of price-regulation as laid down in the Social Credit Proposals reflects their intention to make that truth prevail.

Cashing Out On Inflation.

"The more money you have the less it will buy," said F. R. Hirst, the banker, on one occasion not long after the Armistice, when all eyes were being directed on the contemporary collapse of the purchasing-power of the German mark. He might have put it another way, and said: "Additions to your income are not additions to your purchasing power." For Price is a tax on Income; and since the course of prices is left to the "Law of Supply and Demand," the price-system operates as a growth-of-income tax levied by industry on consumers, and levied at the rate of 100 per cent. on the "growth." Mr. Chamberlain's growth-of-profits tax is based on the calculation that industry will levy a growth-of-income tax. In other words the Treasury and the Bank are conniving at the fleecing of the consumer. The growth-of-profits tax is, so to speak, a licence fee which industry will pay for the privilege of exploiting the "Law of Supply and Demand." To put it bluntly, the banker-gun-men will keep the consumer covered with his hands above his head while the industrialists go down his pockets; and they will get a rake-off for their services.

Spare a Copper for Posterity

This is confirmed by Mr. Chamberlain's own words in the House on April 22 when he expressly disclaimed the intention of using the new tax as a punitive instrument against profit-takers. Precisely. There could be no punishment in the taxation unless it deprived industry of the whole of the extra profits: really it should take away more than the whole proceeds to be punitive. As the matter stands it is just one of dividing the spoils.

And Mr. Chamberlain candidly says that he expects the Treasury's share of the spoils to grow in future financial years. The proceeds in the present financial year, he says, will be nothing to speak of, and from that point of view the new tax is not worth bothering about. But there is such a thing as Conscience—and Mr. Chamberlain's conscience has, he says, constrained him to impose the tax in order to give effective registration to a Principle. The principle is that the present generation must, so far as possible, spare Posterity the carrying of the burden of the re-armament programme. To spare Posterity, the cost of the programme must be paid for out of current revenue as far as taxpayers can stand it. That being granted, the only question is: What is the fairest way of allocating the cost as between the various classes of taxpayers? If the money now required to complete the balancing of the Budget is not to be taken out of industry's growth of profits, what other way of raising it is fairer?

No Social-Credit Voice in Parliament.

Such was the gist of Mr. Chamberlain's defence of the tax. Needless to say even the Conservative malcontents in the House, like the ranks of Tuscany, could scarce forbear to cheer. The old trick had worked once more. "Do you agree that I must get the money?" "Oh, yes." "Do you object to pay?" "Yes." "Who, then, do you suggest shall pay?" "Oh, . . . And that tore it! It always does. When, oh when, will someone get up in the House and give the right answer? It is curious that no declaration or other indication of the Social-Credit attitude towards taxation has yet appeared in the pages of Hansard. Is there not one Member of Parliament who can open fire on orthodox sophistries in some way or other? We know that it is a job to catch the Speaker's eye, but has anyone had a try? And, after all, even if a Member is kept out of the debating, he can yet do something by asking questions. It is true that the adroit spokesmen on the Front Benches can make any Social-Credit debater or questioner look silly; but if Members who believe in Social Credit are going to be afraid of exposing themselves to ridicule, then it is good-bye to all hope of victory through Parliamentary pressure. The Apostle Paul was ready to be a fool for Christ's sake; and when you come to examine the great reformist achievements of the past you will realise that the dynamic power of the leaders lay in their readiness to brave ridicule. The trouble to-day is that although there are many persons in the Social Credit Movement who feel the intellectual fascination of the Social-Credit Analysis, we have none of that quality in the House—or apparently none. These are they who alone can become inspired prophets of the Financial Revolution. Their task cannot be accomplished vicariously. If the House of Commons is to be quickened to resolute action, the place for these men is in that House, where they can breathe the breath of life into the dry bones of orthodox thought and conventional conduct. The road to hell is paved with good conventions.

[The following section of this article was written on May 1.]

Origin of the Tax.

There have been two items of news since the foregoing comments were written. One is connected with the origination of Mr. Chamberlain's new tax, and the other with the outcome of the Defence Loan. The City Editor of *The Evening Standard* reports and comments on (1) a suggestion that Mr. Chamberlain decided on the tax without consulting anybody, and (2) an alternative sug-

gestion that he consulted Mr. Montagu Norman, who advised against it. The common element in these suggestions is that Mr. Chamberlain finally acted on his own judgment. We are afraid that this is too much for our credulity. For one thing, the Mr. Chamberlain to whom this self-reliance is imputed is the same Mr. Chamberlain who not long ago complacently revealed to the House the fact that his judgment on matters of financial policy was affected by the "sighs" of the "Treasury officials." Treasury officials are Bank-of-England officials; and Bank-of-England officials are the exponents and administrators of the policy of Mr. Montagu Norman.

Banks and Defence Loan.

Did Mr. Norman advise against the tax? The answer depends upon how one interprets the formula: "advise against." It may mean that he impartially pointed out difficulties which the Government would create for itself. But that is a far different matter from his objecting to the tax on principle. However, a line on his attitude may be drawn from the fact that only £35 millions was subscribed for by the "public" out of the £100 millions that the Government offered. This may mean one of two things: (a) that the banks and insurance companies were not particularly keen on the revival of the war-time Excess Profits Duty, or (b) that they did not want to afford evidence of backing it. For the Defence Loan and the Profits Tax are connected with each other in the mind of the public. In regard to the raising of the Loan it must be remembered that Mr. Pethick Lawrence had protested in the House against the lending of credit by the banks to enable their clients to subscribe, and it may be that since he drew public attention to the fact that Government loans could be supported in this way, the banks decided, for tactical reasons, to stand aside.

As readers of THE NEW AGE well know, the £100 millions could have been subscribed several times over if the banks had been actively desirous of enhancing the prestige of the Government. As it is they appear to have left certain Government Departments to nurse the unsubscribed balance, namely £65,000,000, for the time being. (This is the story that the *Evening Standard* tells.) Of course the Government does not need to collect the proceeds of the Loan faster than it needs to disburse money on defence; so the immediate qualified success of the issue is of no practical importance. The banks can sneak in and buy later on (whether directly or indirectly) when the attention of the public is distracted by developments of a more dramatic nature than manoeuvres in the City—strikes for example, not to speak of the perennial experimentation with the latest methods and instruments of warfare in Spain.

Profit-Growth and Profit-Excess.

On the whole, it will be reasonable to assume that the bankers' attitude is one of tentative benevolent neutrality, and that the new tax is an exercise in kite-flying. It is worth noticing that the name of it has been changed to "Growth of Profits," although it is the same tax as was called "Excess Profits" during the war. There must be some reason for the change. It is undoubtedly this: that the Government, by taxing the growth of profits, escapes the onus of impliedly condemning them as excessive. During the war they could bear this responsibility with impunity, (a) because public sentiment was bitterly hostile to the idea that while some citizens were condemned to give their lives on the field of battle other were privileged to take profits on the field of private enterprise; and (b) because the Government's authority and power had been shifted on to a military basis, and their policy inspired by a spirit which paid no heed to any financial principles or conventions that tended to check the prosecution of the war. Accordingly the Government had the whole weight of military and civil sentiment behind them when they fixed profits to be charged by contractors, and, in other cases where they did not fix them, laid a heavy duty on them. Again, they had the advantage of being able to fix a datum line

which no-one could question from which to measure the excessiveness of profits. War-profits obviously began to accrue at the moment that the war broke out and war-loans began to be disbursed. Hence profits earned in the war-years could be compared with those earned in the last peace-year, and the difference taken as a rough measure of excessive profits. Industrialists could not impugn the justice of this method of estimating excess. They could not plead, for instance, that the selection of the year 1914 was unfair: they could not point to anything they did prior to that year which entitled them to expand their profits during the next four years. They were bound to admit that the growth of their profits during the war was literally a windfall, and that they were no more entitled to it (perhaps less) than were the soldiers who went to the war. In that sense the growth of their profit was proof of its excessiveness. Hence the tolerance by the public of the name and object of the "Excess Profits Duty."

Profits as Reparations.

But to-day the situation is entirely different. There is no agreed starting point from which the Government can measure the growth of profits with the intention of making this the object of special taxation. The datum years contemplated by the Government for their measures are arbitrarily chosen, and in complete disregard of what happened during the period of deflation commencing in 1920. If all the capital written off in "Reconstruction" during that period were to rank for dividend to-day, even the smallest rate of dividend would more than absorb the whole growth of profit that Mr. Chamberlain wants to tax. To give an example, how about those little cotton operatives who mortgaged their homes to invest in the Cotton Boom, and lost them in the cotton slump? Of course, they are out of the picture to-day: they have no right in law to reimbursement out of the profits accruing to the surviving cotton industries of to-day. But we are not talking of law; we are talking of justice. We say that cotton profits to-day have been made possible by confiscations of capital yesterday: the profits look to be growing because numberless investors who once bought titles to share in them have been legalistically ruled out of the share-out. And so with industry in general. The profits which have been accruing since the Government's housing and re-armament plans were started cannot be regarded as a windfall in the same sense as were those of 1914-20. They would better be described as reparations for robbery; and in the light of that description Mr. Chamberlain's new tax amounts in principle to charging the robbed with a commission for the return of the stolen property, or rather a small portion of it.

Let us pause to point out here that our special pleading (as it may appear to some) on behalf of industrial shareholders must not be construed as indicating a disregard for the interests of consumers. In fact, we started our comments by saying that the new tax will not add to their burden, and that its remission would not subtract therefrom. Consumers will be fleeced, anyway. Moreover, the investors we have in mind are the small ordinary-share-holders—the class to whom dividends are spendable income and are largely used as such. Thus they rank as consumers in this analysis. The new tax will arrest the expansion of their incomes, and will thereby restrict consumption. It will not affect holders of debentures and other fixed-interest securities. These are chiefly banking and insurance institutions whose revenue from dividends is treated more as institutional savings than personal purchasing-power. Their interests depend primarily on what the bankers lend, not on what consumers spend; hence they can afford to disregard the fact that the profits-tax will restrict the flow of money from investor-consumers to the consumption market. In any case, they can always escape loss by changing their investments.

Reverting to the distinction between the growth of profits and the excessive nature of profits—a distinction

emphasised by Mr. Chamberlain's declaration that the new tax is not a "punitive" impost—this has special significance within a purely Social-Credit frame of reference. First of all let it be noticed that a proposal to tax growing profits is defensible on the practical and just principle that taxes should be levied on those who can best pay them. If profits grow, then taxable capacity grows, and hence a new tax should properly fall on the expanded capacity. This is a sound enough argument provided that the taxable capacity of one section of the community does not grow at the expense of other sections. Let us assume this to be so for the present.

Taxation and Price-Regulation.

Now let us examine the question of what happens if a proposal to tax profits is intended to regulate the realised reward of industrial enterprise. Never mind whether the tax will have that effect: the point here is the intention. It is an intention to fix a top limit to what buyers shall pay to sellers within industry, and ultimately to what private consumers shall pay to industry. Next, consider this: that an intention to limit prices to consumers, when announced in conjunction with a decision to expand credit, would logically reflect a policy bearing resemblance to the Social Credit Proposals. Let us hasten to add that it would by no means implement Social-Credit principles. Yet there is this resemblance: that supposing consumption-prices are thus regulated while credit is expanded, then (a) the credit-system is being *controlled at both ends* and (b) the effect would—or could—be to increase the collective purchasing-power of the community in the consumption-market. Now it is an established Social-Credit principle that the credit-system must be controlled at both ends; and it is a Social Credit objective that a general increase of consumption purchasing-power shall be the immediate result. So much for the resemblance spoken of.

Control of the Credit-System.

But the Social Credit Proposals require that the authority which expands credit shall be the same authority which regulates prices; and that it shall exercise its dual control with the express object of expanding the volume of goods delivered to the community. Needless to say, the present Government, to which, by hypothesis, we are attributing the intention to limit profits and benefit consumers, is not the authority that expands credit. Nor is it the authority that contracts credit. That authority is represented in the person of Mr. Montagu Norman. So unless Mr. Norman, as the controller of credit at the *issuing* end of the system, were to be seeking the same beneficial objective as Mr. Chamberlain, the controller of credit at the *recovering* end, Mr. Chamberlain would not be able to reach that objective—not even if he were to achieve power to impose price-schedules throughout the whole of industry. On the other hand, supposing Norman and Chamberlain sought the same objective, it would not matter which of them were the authority. The common objective would ensure the essential duality of control; and after that the achievement of the objective would be simply a matter of exercising the control on the correct technical principles as propounded in Social-Credit text-books. So much for our hypothesis.

* * *

To come to realities, neither Mr. Norman nor Mr. Chamberlain has such an objective in view. And Mr. Chamberlain's virtual declaration that he is not interested in price-regulation is probably a diplomatic move, made under Mr. Norman's inspiration, and designed to warn all whom it may concern that the profits-tax is nothing more than a fiscal device for raising revenue. For if he allowed it to appear that he sought an ulterior economic object he would be creating a dangerous precedent. At all costs he must keep his fiscal policy above suspicion of being intended to interfere with the "law of supply and demand," else he yields moral support to those who would expose that law and abrogate it.

NOTICE.

"THE NEW AGE."

This is the first number of "The New Age" issued under the terms of the arrangement announced on April 15, 1937.

Price To Trade Raised

We are making one modification. We shall not immediately stop supplies to wholesalers. But our price to them will be raised to a figure which will, when discounts are deducted, yield us sevenpence per copy. The effect will be to raise the newsagent's price to one shilling a copy. This should be prohibitive except in cases where readers have special reasons for not taking out subscriptions and yet wish to receive "The New Age."

Legal and Commercial Protection

If the trade are able to sell copies on these terms the number will be very small—certainly small enough to make "The New Age" virtually a private publication. This will enable us to plead privilege in a court of law as one ground of defence against actions arising from what we may publish. It will also practically eliminate disturbance to our arrangements arising from a possible refusal of the trade to handle "The New Age." (See our comments on this subject in "The New Age" of April 15, 1937.) Moreover, we can, if we think fit, supply the trade's requirements in sealed envelopes—a procedure which would have additional weight in support of a plea of privilege.

Need for Frank Comment

In any case our arrangements make it quite certain that nobody can henceforth plead before a judge and jury that "The New Age" falls into the hands of idly curious and easily impressionable people. In other words, the quality of our circulation will constitute a frame of circumstance in which our immunity from legal process will be raised to the highest degree. We are thus laying a foundation for the exercise of the same freedom of comment on public affairs in relation to the science of Social Credit as is enjoyed by publishers of responsible works on, let us say, medicine, psycho-analysis, or theology. Doctors, for example, can publish high-priced works on sexual matters whose text and illustrations would not be permitted in low-priced "popular" pamphlets. They may be "obscene," so long as the area of obscenity is localised by the dual check of a substantial price and of (in some cases) regulated distribution. That being so, then by parity of reasoning, "doctors of Social Credit science" should enjoy the same freedom to be, let us say, "subversive" upon the same conditions. It will be seen that our new arrangement sets up those conditions: it freezes out casual and irresponsible tasters of Social literature, and retains only responsible students of Social Credit science and its political implications.

"Might and Right"

Readers who are taking a careful survey of the general political situation at home and abroad cannot miss the evidence that the "Might-is-Right" principle is now being more flagrantly applied than ever before. The practical implications of this for Social Creditors need frank discussion. What are our powers of resisting demands and of demanding results? How shall they be exercised? And by whom? These questions have to be explored thoroughly, and along lines which may not always commend themselves to "constitutional authority." "The New Age" will be the clearing house for the explorations and a forum for the explorers.

Forthcoming Meetings.

LONDON SOCIAL CREDIT CLUB.
Blewcoat Room, Caxton Street, S.W.1.

May 7th, 8 p.m.—"Past, Present, and Future," by Mr. Maurice Colbourne, author of "Charles the King."

Published by the Proprietor (ARTHUR BRENTON), 12-14, Red Lion Court, Fleet Street, E.C.4, England, and printed for him by THE ARABUS PRESS, LIMITED, Temple-avenue and Tudor-street, London, E.C.4, England. (Telephone Central 3701).