

# THE NEW AGE

INCORPORATING "CREDIT POWER."  
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## Italian Capital Levy

Our comments last week under the title "Nazi Sales-Talk" were timed to the tick to coincide with the news of Mussolini's capital levy. We did not do the timing. Providence did it for us.

An amusing feature about Mussolini's policy is that it is identical with the policy put forward by the Socialist Party in this country some years ago. The policy was abandoned, it is true, but the reason was not because it was incompatible with the principle of Democracy—that contrary, it was held to be a logical expression of that principle. It was abandoned because it was not feasible. Our older readers will remember that THE NEW AGE devoted considerable space to showing why. There were two main reasons, one being that a levy on capital, particularly in this country, would work out as a levy on the workers as well as the capitalists, insofar as it was workable: the other was that it was not workable in the manner which its sponsors were taking for granted, namely that the Government could go round dipping into boxes of money stored away in capitalist safes or idle deposit accounts.

On a superficial survey Mussolini the Fascist is able to jeer at defenders of Democracy and say as follows: "Here, you fellows, I am doing under my system something that you couldn't do under yours—something which you admit is thoroughly democratic in its nature: so you see, Fascism is more democratic than Democracy; and I hope you will profit by the lesson and turn black (or brown) before you are blacked out (or done brown)."

That is all very pretty as a debating score in the field of political polemics. But when you apply the test of technical procedure and concrete consequences there is another story to tell. Mussolini, at the present moment has nothing to boast about except the fact that he has had the courage to decree that the levy shall be made. He is entitled to credit on that account. But not too much, for he begins by excepting "banks and credit institutions" from this levy. Further, he is content to accept half the levy in the form of shares and other securities, and assures the holders that he does not mean to confiscate them. Well, we can take that as true enough: he will pledge them with the banks and credit institutions. The shares will not thereby be confiscated, but something else will be confiscated, namely the power

of the present holders to pledge the shares themselves. Mussolini is appropriating borrowing powers to the equivalent of half the levy—£20,000,000 out of £40,000,000. The other half he demands in cash. The capitalists will have to raise it by borrowing on the security of the shares still surrendered. The broad consequence of these transactions will be that the banks will lend £40,000,000, of which one half will be secured on the taxes and the other directly on industrial property and earnings. Ultimately, of course, the whole amount is nominally and legally recoverable from the Italian public through prices and taxes.

Now listen! Did we not say at the finish of hostilities in Abyssinia that Basle would dictate the terms of the Peace Treaty? On May 14, 1936, we concluded our leading commentary with these words:

"Mussolini has made himself a political outlaw. He can only go forward by making himself a financial outlaw. If he lacks the courage to do it, or the knowledge how to do it effectively, Basle will whistle him back to the heel of the European Constitution."

Mussolini must have gained the assent of the Bank of Italy before he announced the levy. And the Bank must have gained the assent of the other European central banks and come to an understanding with them as to the financing of the levy. The conditions involved in this understanding in Basle will have been imposed in Rome. Probably they are political rather than financial. If so, they may account for the apparent recent success of British diplomacy in regard to the war in Spain; for Mr. Montagu Norman's influence at Basle is greater than that of other central bankers.

The Basle policy is to keep the peoples of Europe in a state of continuous apprehension of a sudden great war, while taking effective steps to prevent that war. And precisely because they are able to prevent it they can afford to allow European dictators to speak and act provocatively in the hearing and sight of the public. Readers will agree that more than one event during the last year or two has been such as would have been held to constitute a *casus belli* before the Great War. But Mr. Montagu Norman's activities in Europe just after the War resulted in the institution of what may be called the European Financial Grid, in which Basle stands for the central power station. It is true that Basle does not generate financial credit and feed it to the several cen-

tral banks: but Basle does regulate and co-ordinate their functions as national power-stations, controlling the output and deciding the purposes of national credit-issues. The control is remote, and works on a long-distance wave-length; and for this reason various national Governments do in fact fall out of step in respect of short-distance policies. They are tethered to the central banks, and these banks to Basle, not by ropes but by elastic: hence each of them in turn is able to stretch the elastic in times of emergency; so that the casual observer would suppose that they were not under any external constraint. But the more they stretch the elastic the more difficult they find it to pursue their policies. It is not that Basle intervenes, and not altogether that one nation's policy is resisted by other nations: it is that each policy itself automatically produces consequences which frustrate it, and when those consequences are undesirable (as they always are) there is no way of terminating them but by abandoning the policy.

Fond parents are often advised by psychological pundits to design for their erring offspring such punishments as will appear to have been made necessary by the given misdemeanour. And that is how the nations of Europe are subjected to an underlying correction imperceptibly operating beneath their own perceptible efforts to correct each other. Example: Italy's invasion of Abyssinia was opposed by other nations. Italy triumphed over their opposition. To-day Italy has a Budget deficit of £40,000,000 and has to make it good not only this year but every year except to the extent that she may reduce her expenditure as time goes on. This is her punishment; and it appears to the people to be the natural outcome of her conquest of Abyssinia. It wears that appearance precisely because the balancing of the Budget appears to be a natural necessity arising out of the conquest. But, as every student of Social Credit knows, this apparent necessity is the outcome of the principles of finance which Basle arbitrarily imposes on all monetary transactions. These principles are (a) all loans shall become nominal costs and (b) all nominal costs shall be treated as recoverable charges. Since these conjoined principles carry within themselves the seed of their own frustration when applied, it follows that nations face frustration whatever they do. Note that the moral obliquity of Italy's action in Abyssinia has nothing to do with her budgetary deficit. If she had sent bread instead of bombs to Abyssinia to the same cost there would be the same deficit to be made good, and the same hardships to her people in the process of making it good.

To-day we are witnessing in Europe a series of engineered diplomatic crises, in which the foremost protagonists take it in turns to win a victory. On a Monday it is Mussolini who is the tough guy; on the Tuesday Hitler says what goes; on Wednesday Stalin is telling political tension thereof causes feverish selling of stocks somewhere or other: when Thursday comes a character called Anthony Eden mounts a box and, in the name of honest citizens, reproves these three tough guys, who thereupon meet together and fix up in what order they shall censure his officiousness on the Friday, Saturday, and Sunday. Then on Monday Mussolini offers to have a little talk about the proposition which he had disturbed everybody with on the previous Monday. The Press leads general applause of his conciliatory spirit, and the consequent lessening of the grave political tension. Then the nervous holders of securities who sold out too soon come back and buy too late. There is nothing like contrasts, so while Mussolini retires into the conference chamber to offer a concession which he had meant to make all along, up starts Hitler again, or maybe Stalin, to shock the nerves of honest citizens and shake up the stock markets some more.

The whole show is a gigantic humbug participated in by big figures who are not only afraid to strike but

unwilling to wound. They are all pals off scene. They represent what Belloc described as "Front-Bench Government" when talking about the social interlocking of Conservatives and Liberals at the time of the Two-Party system. All their pretended antagonisms are smoke-screens behind which the Basle bankers are calmly shaping ultimate issues, which are concerned simply with the parcelling out of the world market on an approximately equitable basis. What they are doing is to reconcile various national exporting-interests; allowing to none all it wants and what it may look like taking by military force (e.g. Italians in Spain and Japs in China) but slowly wearing each down to the acceptance of its fair share of deprivation. Basle rations the insolvency of the world among the nations of the world.

### "The Voice of Westminster."

This is the title of a new broadsheet issued by the London Social Credit Club. It is a two-leaf publication (4 pp. measuring 13 by 9 inches) priced at one half-penny, and obtainable from headquarters, 353, Grand Buildings, Trafalgar Square, W.C.2. The present number is built up round the slogan: "Demand £5 Monthly for All for Life." The equivalent of one page is devoted to the enumeration of facts and figures proving that scarcity is being organised and productive capacity stultified; and the lesson is drawn that the people's purchasing power is insufficient to absorb industry's potential output of consumable goods. "The Only Scarce Thing is Money" is one striking aphorism. A form for signature is provided whereby the signatory declares his or her belief that poverty can be abolished and enters a claim for the issue of the aforesaid £5 per month with lower cost of living.

The issue of this broadsheet is timely. It repairs an omission which has left the popular Press the opportunity for deriding the promise made to the electors of Alberta of 25 dollars per month. It is London's omission to give a lead to other centres in the world in the matter of formulating a specific demand for a specific quantity of a specific thing. London has laid down the principle, it is true, in the formula: "Demand Results"; but in order that this formula shall put a tight grip on the people's imagination it is necessary to translate it into terms as definite and concrete as those which any customer would write down in an order to his butcher or grocer. Of course, the demand, here, being collective, cannot take the detailed form of naming articles and quantities; but seeing that the demand specifies so much extra money per month and no additions to prices, everybody is able to picture the result of the fulfilment of the demand as such extra quantities of goods to his choice as are represented by the extra money at present price-levels.

The majority of the community, because they can't get credit at the shops, have automatically fallen into the habit of counting up their money preparatory to laying it out. To them the counting up is an essential pre-requisite to their buying-programmes. Hence the vital psychological importance of naming a specific monetary frame-of-reference in which they can paint their pictures of the little assemblages of articles which they want to fetch home from the market.

The broadsheet chimes in with this, for it forces on the attention of its readers the fact that the things that they want to fetch home are at present being destroyed: and, by naming a sum of money (£5 a month) it evokes in the reader a sense of personal deprivation arising out of this collective wastage. The word: "Dividend" carries an impersonal collective meaning, and does not strike at the individual's feelings. But the words: "Five Pounds"—well, as the reader is likely to say: "My five pounds," and hence: "My five-pounds-worth of bread, shirts, trousers, frocks, stockings, etc., being set fire to or dropped into the sea."

This is, of course, what we want people to feel: namely that industry is destroying not its own property, but their property—that, for example, the ploughing back of cotton into the ground is the same thing as

stripping the shirt off a man or whipping the sheets out of his bed. Once we get them feeling that way about it they will be prepared to listen to the reasons why they must get fresh money, and how that money is to be provided.

A friend of the writer's once made a journey (working his passage) all the way from San Francisco to Vladivostok. It was his unpleasant experience to sleep with the rats. By dint of keeping his eye on them he was afterwards able to narrate the fact that these rats, who started out in Palm Beach suits, wound up the voyage in heavy fur overcoats. Somehow or other they had "indented" on Nature for their requirements. Presumably they conveyed the nature of their requirements by nothing else than remarking from time to time: "It feels a wee bit chillier this morning"—whereupon Nature used the chills as a catalytic agent of fur-manufacture. You will of course see that this came about because rats belong to that primitive order of economy in which each animal is his own clothes-factory. The human being who was observing them grow warmer while he grew colder belonged to that higher order of economic co-operation and interdependence in which his need for an overcoat was separated from the source of the overcoat. The gap between was (and is) the system of financial claims which does not recognise human needs except to exploit them. To get a coat he had to earn money to buy a coat, but since his coat could be made without his services he couldn't get the coat. That would not matter so much if someone else wore the coat. But since he could not buy the coat someone else earned the price of a cigarette for burying the coat.

Why the rats get on so well economically is that they have no morality. Perhaps one should say, they have not developed altruistic propensities. They co-operate to pinch what they want, but each one takes care that he is present at the sharing out. And that is what human beings should do. When there is more than enough to go round, there is a share for everybody; and if we choose to make the possession of money the condition of getting that share then the money must be provided. The popular answer to those critics who warn us that there will be "too much money about" is this: "About where?—in my pocket?—well, you wait until you hear me complain?" Leaving aside all questions of monetary technique and problems of "cancellation," the people are entitled to reply with the argument: "Seeing that when there are too many goods the owners destroy the surplus, then, if and when there is too much money about, the owners of the surplus can destroy that in the same way." Certain it is that no surplus will be found in the pockets of the vast majority. So the problem of the surplus, if we suppose it to arise, will be one for the rich minority to settle among themselves. Let them back horses with it if they can't think of anything to spend it on.

So, come along: out with that £5 a month here and now! Let Demand Notes from Somerset House be answered by Demand Notes from Rowton House.

### Higher Cost of Living.

At October 1 the average level of retail prices of the commodities taken into account in the statistics compiled by the Ministry of Labour (including food, rent, clothing, fuel, and light, and miscellaneous items) was approximately 58 per cent. above the level of July, 1914, as compared with 55 per cent. at September 1, and 48 per cent. at October 1, 1936. The corresponding percentages for food only were 43, 40, and 32 respectively.

The upward movement since September 1 was chiefly the result of increases in the prices of eggs, milk, butter, bacon, and coal.

"The more money you get the less it will buy," said the banker, Mr. F. R. Hirst, on one occasion. The rise in the national wage-bill due to re-housing and re-arming is answered by rises in the price of the most urgent necessities of the wage-earners. The consequence is exactly the same as if the new re-employed had been billeted on the old employed.

## Alberta.

The following is the text of the passage in the leaflet on which the prosecution base their charge of "counselling to murder":—

"My child, you should never say hard or unkind things about bankers' toadies. God made bankers' toadies just as he made snakes, slugs, snails, and other creepy-crawly, treacherous and poisonous things. Never, therefore, abuse them—just exterminate them and prevent all evasion.

"Demand the result you want: \$25 a month and a lower cost to live."

Apparently this and other matter was on the front of the leaflet, and, on the back, the following list of names under the heading "Bankers' Toadies."

Griesbach, Maj.-Gen. Hon. W. A. (Senator).

Field, S. W. (K.C.)

Parlee, H. H. (K.C.)

Milner, H. R. (K.C.)

Lymburn, J. F. (K.C.)—Late Attorney-General for

Alberta.

Hunt, G. D.

Cairns, L. Y. (K.C.)

Auxier, G. W.

Duggan, D. M.—Conservative leader in Alberta Legis-

lature.

The charge concerning the alleged libel against the nine persons in question is preferred in these terms:

"... which libel was written . . . to discredit them and each of them by exposing them and each of them to hatred, contempt and ridicule contrary to section 333 of the Criminal Code of Canada."

The above particulars (both text and names) are reproduced from the "Calgary Daily Herald" of October 5.

The following cable appeared in "The Times" of last Saturday:—

George F. Powell, a Social Credit expert from London, and Joseph Unwin, a member of the Legislature and the Social Credit Party whip, were committed for trial at the Supreme Court on charges of counselling to murder, seditious libel, and defamatory libel. Bail of \$20,000 (£4,000) was allowed to each. The trial is set for November 8.

At the preliminary hearing Unwin admitted that he ordered the printing of 20,000 "bankers' toadies," naming nine prominent Edmonton lawyers and financial agents, with the words "exterminate them" immediately following the names. Unwin testified that he first saw the draft copy of the leaflet in Powell's office, and believed that Powell gave it to him.

## Notes on Australian Banking Commission's Report.

By Arthur Brenton.

II.  
A correspondent questions whether the statement of the Commissioners about the provision of a fund for the return of capital (to which I referred last week) is at variance with the contention of critics of Social Credit that capital is not charged in prices.

Let me put a case. Assume that I spend £1,000 on building a small factory, and that it depreciates at the rate of 5 per cent. per annum. I shall therefore need to charge £50 a year to maintain it. If I do actually maintain it I shall spend this £50 a year, and continue to do so indefinitely while I get orders, and have to close down. In that event I shall want my £1,000 back. But obviously I shall not get any money back at all under these conditions. The depreciation charges that I have made will not have provided me with a "fund," for I shall have spent each £50 as I received it. So if I am to accumulate a "fund," I must charge more than I spend on depreciation. Further, since I do not know how soon my factory may have to be closed down I must charge as much more as I can get—in other words my price must be all that my goods will fetch.

When the Australian Commissioners say that depreciation charges "provide a fund for the replacement of assets or for the eventual return of the capital invested in them" they are saying (in terms of my illustration) that my charge of £50 will eventually provide me with £1,000 with which I can either buy another factory or pay myself out. For if I saved it I have not spent it on maintenance; therefore my original factory will have been worn out, and I shall have to build another if I wish to continue in business. I shall not natively, I have maintained my factory all along, I shall not have the £1,000 to pay myself out with. So, in order to get this "fund," as the Commissioners call it, I must charge

more for depreciation than I spend on maintenance: and inasmuch as I do that I am making the community buy my original factory in addition to maintaining it.

The Australian Banking Commission's Report, insofar as it deals with Social Credit, reminds me of *Punch's* old lady who called at a shop where they did invisible mending and asked to see some samples. The Commissioners say (Section 431) that when they asked advocates of Social Credit for statistics supporting the theory of short purchasing power, none were forthcoming. Well, this is not surprising, since the present accounting system does not call for the compilation of such statistics. Whether direct statistical evidence exists at all only the bankers themselves can say. In any case, it is not issued for public consumption. The probability is that it does not exist; firstly, because statistics of this sort would be of no use to the bankers in the conduct of their business, and, secondly, because they would be of great use to challengers of their policy if divulged. The bankers' control of credit includes the control of statistics relating thereto. So when the Commissioners ask Social Credit advocates to produce relevant statistics, they are virtually asking them to show bankers' finger-prints on the people's rifled money-boxes. Hopeless. On the hands of the bankers are the gloves of the accounting system.

Further, the Commissioners are treading on thin ice when they raise the issue of statistics. For advocates of Social Credit have been trying to obtain statistics, and are still trying. In New Zealand, it will be remembered that Major Douglas recommended the Government to get the banks and other financial houses to declare the nature and true value of their assets. The effect of this, if carried out, would have been to establish whether or not these institutions were concealing confiscated public credit behind undervalued assets. Well, the Government did not seek to elicit this information; and the aforesaid institutions did not volunteer it. So here is one answer to the Australian Commissioners. The Social Credit advocate can say: "I have no statistics, because I cannot gain access to them." And certainly his inability to get them suggests that they would strengthen rather than weaken his case if they were frankly disclosed.

Again, more recently, Major Douglas has advised the Alberta Government to demand information as to the beneficial ownership of Albertan bonds. The effect of this, if carried out, would be to establish whether the interest surrendered by the taxpayers in Alberta went into the pockets of individual bondholders—i.e., whether it went from one consumer's pocket to another—or whether it was largely intercepted by financial institutions which took it right out of circulation. It is to be noted that the Bondholders' Association affected by Major Douglas's recommendation have shown no great enthusiasm for it, and have demanded to be told why the information is wanted before they give it. But why wait if they can discomfit the Social Credit advocate by disclosing the information?

The Commissioners say that, so long as banks lend as much money as they call in, there is no loss of "purchasing power." This does not follow. Purchasing power is not the same thing as money. It is a coefficient of money, and a variable coefficient. In other words, a pound will buy different quantities of goods at different times. The variation depends on the ratio between collective costs and collective money.

This can be proved, thus: Take a hypothetical case where a banker lends money for a term of six months. Let this period measure the interval between seed-time and harvest. Let the money be distributed as incomes to the community. By the time the loan is to be retired they have reaped and consumed the whole crop. But now take an alternative case and suppose the banker retires his loan in three months, and then re-issues it for another three months. Well, the crop is only half-grown and is not consumable. So the community are obliged to invest in it as it stands. It becomes their capital. They now re-borrow this retired money from the banker for the second three months, ending with the harvest.

Now, if the cost of this harvest is calculated according to orthodox accounting principles, it will be twice the amount of the original loan. Since the community will only possess money equal to the loan, they will not be able to buy more than half the ripe crop. The purchasing-power coefficient of their money will now be only one-half of what it would have been in the earlier case, where the original loan was left outstanding for the full six months.

The reason is that the price of the crop includes a provision for the return of invested capital. (This the Commissioners declared was the case, as pointed out in the earlier part of this article.) In this illustration, all the money is due to be repaid to the bank; and so no fund of money can

be reserved for repayment of capital. But the principle of reservation applies in another way, that is, half the crop is kept out of the reach of consumers. (To protect their interests as investors!)

This result looks like a fantastic absurdity. But that is simply because every member of the community is here presented as owner (by investment) as well as would-be consumer, of a particular portion of the crop, and is shown as knowingly agreeing to the system of costing just described.

In actual experience, however, only one group of the community voluntarily invest, and neither they nor the rest of the community have any knowledge of what is going on in the costing system. The absurd principle at work is hidden from sight because of the vast multiplicity of commercial counting-houses through which it operates. This explains, by the way, why the Australian Commissioners cannot get the "statistics" for which they long so much.

(To be continued.)

## LETTERS TO THE EDITOR.

### DEPRECIATION "FUNDS."

Sir,—To clarify issues for the sake of both sides to current controversy I beg leave to comment upon one passage in your examination of the Australian Report last week.

You quote the Commission's statement that the purpose of depreciation charges is to "provide a fund for the replacement of assets or for the eventual return of the capital invested in them."

You then assert that that is saying that "consumers are paying for the factory itself as well as for maintaining it."

On the contrary, the Commission are setting forth with the utmost precision the case I have been attempting to present. The word "or" denotes alternatives. The Social Credit error lies in substituting "and" for "or."

The investor obtains either his assets or his money; not both. He collects depreciation charges. To keep his assets undepreciated he is compelled to return the money to consumers for making the repairs and renewals. Alternatively he can keep the money (or spend it on consumption), but then he loses his assets, since they depreciate to extinction.

J. A. FRANKLIN.

[Mr. Franklin rightly points out that the investor cannot maintain his assets and also accumulate a fund to pay himself out. Obviously, if he spends all he receives on depreciation account he has his assets intact, but no fund. But if anything happens to deprive his assets of earning power he wants his money back, even if these assets have been kept undepreciated. To get it (or any part of it) he must charge a margin over and above his depreciation expenditure; i.e., make the community buy the assets as well as pay for their maintenance. So the Commissioners' "or" is fallacious and the Social Creditor's "and" is correct.—Ed.]

### Guy Fawkes Dance

The Green Shirts have arranged a "Guy Fawkes Dance" for Friday, November 5, at Lysbeth Hall, 10a, Soho Square (north side, near Tottenham Court Road tube station). Tickets, 3s. 6d., including refreshments: evening dress optional: time, 7 to midnight. Tickets at headquarters, Social Credit Party of Great Britain, 44, Little Britain, E.C.

### A Social Credit M.P.

The Australian election has been won by Joe Lyons by a reduced majority. With the adhesion of the Country Party he can still outvote Labour comfortably. The chief feature about the contest is the election of a Social Credit candidate in one of the constituencies.

### Forthcoming Meetings.

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

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

### NOTICE.

All communications requiring the Editor's attention should be addressed direct to him as follows:

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