

THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

No. 1972] NEW SERIES Vol. XLVII. No. 9. THURSDAY, JUNE 26, 1930. [Registered at the G.P.O. as a Newspaper.] SEVENPENCE

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NOTES OF THE WEEK.

The Government gave six reasons for vetoing the Channel-Tunnel scheme. One was a scientific reason, namely that there was doubt about the feasibility of construction. The other five were more or less mystical reasons. They were set out as follows by the *Evening Standard* of June 6:

1. The weakness of the economic case.
2. The great cost.
3. The long period before which the capital expended could fructify.
4. The small amount of employment provided.
5. Increased military commitment without any advantage.

The first four reasons are all based on monetary considerations; and the fifth must imply the same considerations if it is to be intelligible at all. Regarding the problem in terms of physical energy its resolution depends upon the correct answers to the following questions:

- a. Is there sufficient unused energy in the country (human- and machine-) to construct the tunnel?
- b. If so, is this energy needed for more urgent and useful construction-schemes than the tunnel-scheme?

That there is plenty of spare human energy is attested by reason No. 4 which objects that the tunnel-scheme will not absorb more than a fraction of the reserve energy represented by unemployed workmen and others. As to reserve mechanical energy, there is such a superabundance of it that Lord Melchett is busy dissipating it by closing down what he calls superfluous means of production. His activities in this direction also prove that the financial classes who advise the Government have not even considered question "b"; for nobody whose policy it is to curtail existing energy can at the same time consider any scheme at all that requires the expenditure of new energy. Machines do not behave like trees. The pruning of industrial plant decreases its collective production-power. If you scrap a boiler you do not thereby raise the total steam-pressure of other boilers. Yet the industrialists pursue this scrapping policy as

if they believed that it had that effect. The reason is purely financial. The City has the power to reward those concerns which scrap, and to scrap those which do not. Industrial policy has to follow City policy. Thus when the banks deflate credit, industry has to deplete plant. When father prunes we all prune. And so it comes about that in spite of the work of the scientist, the engineer, the organiser, the craftsman and every other participant in economic thought and action, the whole energy they are making potentially available is being largely dissipated because of the lack of financial permission to use it. The provision of financial credit is, as is now well understood, merely a matter of entering figures into a bank-ledger, copying them into borrowers' pass-books, copying them again upon transfer into other people's pass-books and current or deposit accounts. And such is the hypnotic power of financial propaganda that millions of normally intelligent and active citizens think it most natural that their enterprise should be paralysed whenever the banker gets writer's cramp.

"My dear fellows," says the banker, "I am extremely sorry, but you must really damp your furnaces to-day and stand off your stokers: my hand will hardly hold a pen and I can't possibly enter any records of your activities until it gets better."

The proper answer would be:

"No thanks. We can hold pens if you can't. If you don't want us to do our own recording, you'd better call in a masseur at once from the Social Credit Clinic next door. Cramp be damned!"

We want to see in our industrialists more of the spirit of Dr. Johnson. On one occasion Boswell was discussing with him the case of a lady who had run away from her husband with another man, and began to submit some extenuating circumstances on her behalf; when the Doctor waved him back—"No, Sir, the woman's a whore; so don't let me hear anything more about her." Similarly to-day, when the Boswellian professors and politicians come along with the excuse that the banker's object in holding up work is to promote the "fructification of capital," they ought to be shut up with the

answer: "No, Sirs, the fellow's a humbug; so don't let us hear anything more about him."

There are thousands of people among the working classes who can tackle arithmetical calculations of much greater complexity than Mr. Snowden or any Chancellor of the Exchequer has to do. Here is a test exercise. It is a hypothetical betting slip.

2s. each way, Norman

2s. each way, Snowden

Double stakes up and down.

If cash—

2s. win and place double, McKenna and Darling

2s. win, Thomas; if absent, Hartshorn

If cash—

1s. accumulator, Samuel, Montagu, Isaacs, and Schuster.

6, 1s. mixed doubles, Baldwin, Lloyd George, MacDonald, and Beaverbrook.

All up to win—

THE NEW AGE.

Staked, 16s

To begin with, most people would want to know what all this jargon meant. Well, it can be explained—which is more than can be said of the jargon of finance. But when it is explained there remains the problem of working out the net win or loss on the series of bets—and there is no banker or bank functionary alive who has to make any calculation half so complicated as this. Yet we will produce (a) a gardener, and (b) a bus conductor, who will work it out for you without putting pencil to paper; while, given pencil and paper, there are hundreds and thousands of workmen who can do it, and are doing it every day of their lives. So there is nothing really fantastic in the idea of even a sacked stoker filling the place of the banker who had made him down his shovel—or at any rate nothing so fantastic as the idea of a banker deputising for a stoker. We have told the following story before, we think; but it will bear repetition.

During the war, a great lady gave a concert in her spacious drawing room to an audience of wounded Scottish soldiers. One of the performers was a Scot piper. His playing was of such a character as to provoke someone in the back row to intervene with the demand: "Turn the b—— out!" The horrified lady stopped the concert and came down among the stolid men demanding to know who had used "that disgraceful word." She must know at once who it was or else she'd do this, that, or what not. At last an old Scot near her turned and said: "In my opinion, ma'am, it's nae mickle matter wha ca'ed the piper a b——, but wha ca'ed the b—— a piper."

And to those who realise what is the proper function of banking in a sound system of financing production and consumption, anybody might reasonably indulge in much the same speculation when he listens to the talk of this or that professional exponent of Mansion-House theology. "Wha ca'ed the b——

Some years ago at a Conference at Swanwick Major Douglas pointed out that no discussion of finance could serve any useful purpose until there had been a prior agreement upon the question of the purpose for which the economic system existed. He stated that the community had the option of three alternative ideas as to this purpose.

1. That economic activities are an end in themselves. (Physical culture.)
2. That they are a means by which the individual is constrained to do things which he does not want to do. (Moral discipline.)
3. That they are an avenue through which the individual attains to the realisation of the true end of his terrestrial life. (Spiritual florescence.)

The first of these alternatives has been brilliantly

exposed by Jack London in one of his books by the formula:

"We go to work
To earn the cash
To buy the food
To get the strength
To go to work
To earn the . . .
To buy
To"
(R.I.P.)

In this concept the individual's food, clothes, and shelter are work-fuel: he is a power-machine whose furnace is his stomach, which must be stoked up daily with just so much bread as will maintain his steam-pressure for that day.

The second alternative implies distrust in the conscientiousness of the individual, and prescribes economic rules for the purpose of safeguarding his character. It is therefore a system of government, and is based on the idea that Satan finds some mischief still for idle hands to do. There are three objections to this concept.

1. It ignores the fact that busy hands can do as much mischief as idle hands.
2. It assumes that all work which is not authoritatively prescribed and collectively performed is equivalent to idleness, and is therefore vicious.
3. It leaves the power of exercising moral discipline immediately in the hands of economic administrators, and ultimately in the hands of the financial authorities, who control and direct economic policy. Thus monetary considerations are made the standard of moral valuation, without reference to the vital question of the qualifications of the people who prescribe and apply that standard to be judges of what is good and what is bad.

How this ill-considered principle works out was strikingly illustrated in 1926 when the late Archbishop of Canterbury made his tentative effort to import Christian ethical considerations into the counsels of those who were endeavouring to settle the General Strike: he was sneered at by Mr. Baldwin and told to mind his own business. If anyone should ask whose business it is, if not that of the Church, to compose human antagonisms, an answer is provided in *The Times* of June 19. It is a voice from Mincing Lane—the voice of Marcus Samuel. Let the Church humbly listen, like Eli, to his midnight vision.

"The trend of the present Socialist (and Liberal) policy seems to be to lump all unemployment as a normal social service, on the ground that social services add to the consuming power of the people, and so lead to greater production and more employment. This argument is a very excellent one if it is good that everybody shall spend everything they have got without any provision for the future! But it is ridiculous to say the more people consume the more they will produce. The trouble is that they will consume more if it is provided without specific obligation to produce more. That is all that is happening, and it eats up savings. To-day we have 1,750,000 unemployed. Let us not further reduce the necessary increase in order to increase spending—it can only increase our difficulties and result in more unemployment." (Our italics.)

It is a well-understood piece of esoteric wisdom among Cabbalists that: "The Gentiles mistake numbers for things." Mr. Samuel is doing his best to foster the misapprehension. He is trying, so to speak, to persuade the English people that there is no difference between manna and money in this economic wilderness of ours. The analogy is not strained, because to-day the accumulated mechanical and organisational productive-power existing in the world has a potential capacity and ease of output more than sufficient to ensure the material comfort of every one of the world's inhabitants. The adequate, and sustained, provision of needful things is as certain as if the rays of the rising sun drew them down from the skies every morning.

We are living in an era when applied Science is approaching towards the position of declaring itself independent of human co-operation in productive processes. It can already safely enjoin the peoples not to take thought what they shall eat, or drink, or wear, and can show them its achievements as visible testimony to the assurance in the Gospels that "your Heavenly Father knoweth that ye have need of these things."

Mr. Samuel's vision is a pork-begotten nightmare. It proceeds from physical postulates which every engineer would scoff at, and it pursues an objective which every humanitarian would repudiate—if they were frankly formulated in terms of things instead of being disguised in cabbalist jargon.

Naturally the arguments sound self-evident. Thus: . . . "if it is good that everybody shall spend everything they have got without any provision for the future." Well, suppose that everybody spent every day all the money he received as personal income that day. The point is not simply what he would spend but what he would get in exchange for his expenditure. What he would get, in this case, would be the current output of consumable goods every day. But before he got the money which he thus spent he would already have made provision for the future, because a large (and constantly increasing) proportion of his total income represents, not the work he has done on the repetitive daily output of goods, but on the maintenance and development of the permanent machinery of output. Mr. Samuel's argument would be sound enough if he could show that the purchase by consumers of the day's output of a machine caused the destruction of that machine. But it obviously does not. The truth is exactly the reverse. While Mr. Samuel is advertising his nervousness about his precious "provision for the future" (i.e. plant and other physical assets) his blood-brother, Lord Melchett, is going about smashing up that "provision" in all directions, "rationalising" existing means of production out of existence. Lord Melchett's explicit reason for doing so is that output must be scaled down to fit the demand. In other words he is reducing the provision for the future for the precise reason that the consumers are not calling for enough output now.

The contradiction is explicable if one remembers that, financially, the community is divided into two sections—a vast majority of active ticket holders and a ridiculously small minority of idle ticket-manufacturing monopolists (bankers). The tickets (money) cost nothing to make, and there is no limit to the number that can be circulated. Now, as a result of past successive circulations of these tickets the active majority have constructed an enormous quantity of power-plant while consuming a certain amount of food, etc. There has been no single day during the industrial revolution when production of both kinds has not taken place. If we symbolise them respectively by loaves (consumption products) and bricks ("provision for the future") we can visualise what has taken place by representing to ourselves a stack of bricks continuously growing day by day, on which has been assembled and distributed a practically unchanging number of loaves day by day. But since every new brick in this illustration represents extra loaf-making power, we have to inquire why the community (masters and men alike) who are in need of more loaves, persist in adding to the bricks and not to the loaves. Do they consciously accept the principle implicit in Mr. Samuel's doctrine, namely, that one should eat bread to make bricks, and not make bricks to eat bread? Certainly not. They would all, individually, return the same answer to the question: "What is the proper pur-

pose of constructing factories, machines and other capital assets?"—namely: "To put more goods into the consumption market." But collectively they forget this as soon as the figure-conjurer appears on the scene. And they do not wake up to the trick even when they actually see Lord Melchett smashing up yesterday's bricks while they are busy making to-day's.

Assign the least possible value to a brick, and consider it as representing no more than one loaf. (The true figure would be many times one loaf.) In this case the stack of bricks represents the "provision" of loaves for the "future." There must come a time when the future becomes now, and when bricks are subtracted from the stack and turned into loaves. Provision for a future which never arrives is not provision at all. So on what calculation can one tell when the day shall arrive on which the provision may safely be drawn upon? Nobody offers an answer. Our great-grandfathers made provision for "the future"—their future, but, as we may now reasonably submit, our present. Their future meant us. They thought so, and they were assured so by their expert financial mentors; and that is why they made bricks—their bricks, which were to become our loaves. And to-day financial mentors tell us exactly the same story, and the only evidence they adduce is an assemblage of futurist figures which they say prove the necessity for keeping consumption down at its present level. These people, the bankers, shuffle their money-tickets—kings, queens, jacks, aces and the rest—just like fortunetellers, except that they invariably announce misfortunes for us from their cards.

Fundamentally the economic system is simple enough to understand if you approach it from a physical point of view. Never mind for the moment about money-costs and money-prices, but concentrate on the question of energy-expenditure and the resulting energy-products. When we decided just now to let one brick represent one loaf, this of course included the idea that the brick would turn itself into a loaf. That is to say, if you make to-day a brick and a loaf, the brick becomes a loaf tomorrow, so that you are then able, without exerting any extra energy, to have one brick and two loaves. This is the theory on which the adoption of automatic machinery and labour-saving implements and devices is universally seen to be useful.

In practice this does not happen. What happens is that on a programme of production consisting of a brick and a loaf a day, only the loaf a day is eaten, and the bricks accumulate. The reason, put briefly, is that the bankers issue, let us say, two tickets, one each for the making of the brick and the loaf a day; but they get both tickets back in the evening, i.e., before the brick has had time to change into a loaf. The community parts with two tickets and gets only the loaf made on that day. The next morning the community receives two tickets as usual, but cannot get possession of yesterday's brick (now a loaf) because the ticket corresponding to it, which was withdrawn the previous evening, is not now re-issued in addition to the two tickets for the current day's work. Not only is it not re-issued but no record remains in the banker's books that it ever was issued. The banker registers the withdrawal by deleting the record of its original issue.

Hence, on the second day in question, the community obtains possession of only two tickets, whereas it ought to have three—two to equate with that day's production of one brick and one loaf, and another to equate with the brick which has changed into a loaf overnight. And, because the banker has

concealed the destruction of the missing ticket, the capitalist and the workman charge each other with having got it in his pocket. Little reflection is required to show that no matter to what extent the brick-stack grows day by day it cannot be acquired by the community—the reason being that the banker has torn up a ticket for every brick saved. Hence, as we have previously pointed out as a phenomenon in actual experience, consumption tends to remain fixed at somewhere about the mere subsistence-level, in spite of the fact that the means of providing subsistence is constantly and rapidly increasing.

The expenditure by individuals of their incomes takes only two categorical forms—buying goods or buying shares—buying loaves or bricks. Whether you hand your money to the shopkeeper, or the stock-broker, or the tax-collector, it is all the same in the end; you are paying for something, either to take home and consume, or to leave where it is, hoping to sell it to your neighbour. Or, as Mr. Samuel would say, you either spend or you save. He says that you ought to save: you ought to refrain from eating loaves in order to invest in bricks. But the greater the number of tickets you part with for bricks the greater the withdrawal (a permanent withdrawal) of *unused* tickets from circulation. *Investments are a leakage of purchasing-power.* In Mr. Samuel's jargon, you do appear, on paper, to be "making provision for the future" by renouncing your loaf for a brick; but in actuality you are not doing so, because your very act of investing in the brick (to sell again) renders the brick unsaleable; because the banker destroys the money you invest. You, of course, just because you part with your own money for the brick, expect your neighbours to refund it to you. But how can they, when the banker has destroyed the money? Is it any wonder that when you require them to do so they say that you are one of the "idle rich," "grinding the faces of the poor," "profiteering," and all the rest of it?

Under the present system of finance all deferred consumption is defunct consumption. Assuming the period of one month to be the average frequency with which the community receives its earnings, then everything that the community makes in a month that is not ready for consumption in that month (amounting, probably, to three-quarters the total production) is automatically placed beyond the reach of their collective income. The community (masters and men together) pay away all their income, and get only, say, one quarter of the production which they have achieved in return for that income. The other three-quarters is virtually in the possession of the bankers, although, nominally it is the "property" of investors. Mr. Samuel, who is associated with banking interests, wants to raise the three-quarters to seven-eighths and (ideally) to 100 per cent. But where would he and they be if everybody refrained from consuming anything at all? No bread and all bricks! What would he and his associates do with the bricks?

"It is ridiculous," he says, "to say that the more people consume the more they will produce." This is simply his opinion; and until he supports it with evidence anybody is entitled to tell him that he is mistaken. People cannot consume more without having previously produced more. So Mr. Samuel's declaration amounts to this: that it is ridiculous to say that the more people produce and consume, the more they will continue to produce and consume. But why is this ridiculous. The only situation in which an increased standard of consumption could be conceived of as causing a slackening of effort would be one in which consumers collectively were able to buy more things than they needed or desired. The in-

centive to produce anything at all is an unsatisfied need for it. Directly people get all they require of anything there is no justification for their increasing their production of it. People who want things, and who receive trustworthy assurances that *if they make them they will get them*, will not decline to cooperate in the productive system.

Let us consider the converse of Mr. Samuel's proposition. Is it true to say that the *less* people consume the *more* they will produce? We can test this by reference to the American wheat-crop. We are told in the Press that there is in the United States a surplus of last season's wheat equal in quantity to a whole season's export to Europe. That is to say, European consumers, by not increasing their consumption simultaneously with bumper harvests, have *saved* this wheat—they have caused an increase in the "provision for the future." Observe the consequence. The American growers have allowed large areas of wheat-soil to go out of cultivation. Thus has an increase in the "provision" led directly to a decrease in "provision." Arrested consumption has caused arrested production. Observe again that Mr. Samuel's professional counterparts, the American bankers, instead of reproving the wheat-growers for slackening their efforts, have coerced them into doing so. They have refused to finance the new harvest unless the growers sow a smaller acreage. Moreover, they have also advanced credit to finance a wheat-pool for the express purpose of holding last season's surplus off the consumption market. So even if Mr. Samuel were able to prove that people in general were work-shy, would it not be a sufficient explanation to attribute the phenomenon to the fact that the bankers intervene to frustrate the sole objective for which any work at all is done? Considering production of all sorts as a harvest we may say that whereas the whole world stakes its energy on the hope of a good harvest, the banking-monopoly stakes its money on the hope of a bad harvest. And since the monopoly of credit confers supreme power upon its controllers, the banker always wins. He is able either to procure a bad harvest, or, if not, to penalise those who raise a good harvest. He is a layer in the economic ring who accepts the industrialists' bets on a fancied horse, and then goes round to the stable and dopes it. And if, in spite of this, the horse wins, he appears in the role of a Steward of the Course and disqualifies it. In actual racing the usual reason for disqualifying a horse is for what is called "bumping." This suggests the reason why bumper harvests never win. Within the last month or six weeks some poor little fellow in the Canaries shipped a cargo of tomatoes to London representing at least several months of toil. When he got his Account Sales he found that he *owed* the London importer £12 on the deal. As he remarked in his letter of protest: "I would be a richer man if I had passed my time taking wine and talking with my good friends." There is a humorous accounting expression well known throughout the vicinity of Covent Garden, namely—"Debit Returns." It is applied to all cases, such as this, where the grower's "profit" is a minus quantity. And what a number of these there are! Let us dissect this tragic £12 debit. If frankly expressed on the account it would run something like this:

| | | |
|---|-----------------------|-------|
| Freight | Two tons of Tomatoes. | £5 0 |
| Insurance | | £1 0 |
| Westminster City Council's charge for carting away as "refuse," at 55s. per ton | | £5 10 |
| Incidental expenses | | 10 |
| Total (Debit) | | £12 0 |

Here is Mr. Samuel's "provision for the future," disappearing into dust-carts.

These anomalies in the field of agriculture are paralleled in the industrial field. The difference is that in agriculture it is comparatively difficult to predetermine what size any crop may be.

We plough the fields and scatter
The good seed on the land,
But it is fed and watered
By God's almighty hand.
He sends the snow in winter,
The warmth to swell the grain,
The breezes and the sunshine,
And soft refreshing rain.

God is no respecter of bankers. They are left guessing at His intentions. When American bankers make the growers sow a small acreage they have to take a chance that the yield per acre may turn out to be half or may-be quarter the normal. This would of course suit them very well if they could rely on a wheat-shortage all over the world; for then the wheat would fetch scarcity-prices, which would ensure the repayment of their loans. But, as Cowper sang:

God moves in a mysterious way,
His wonders to perform,
He plants his footsteps in the sea,
And rides upon the storm.

Deep in unfathomable mines
Of never-failing skill,
He treasures up his deep designs,
And works his sovereign will.

so that they do not know in what quantity and whereabouts in the world He is going to strew His bounties. They can do nothing but wait and see, meanwhile arranging with their brother-bankers in other parts of the world to have dust-carts ready to remove evidences of Divine Wastefulness from wherever they may appear—and as quickly as possible, lest the people be set a bad example.

But in the case of machine-made production the bankers are much better able to predetermine the output, which spares them the necessity of destroying "surpluses." Hence the public never come across such things as saucepan-pools, crockery-pools, furniture-pools, etc., after the same model as wheat-pools, because the energy used for the production of these things is under the control of man, and can be increased or decreased at will—at the will of the bankers. These pools are pools of potentiality, not actuality. Essentially, all the desirable articles mentioned are there, but in the form of fuel, furnaces, boilers, cylinders, dynamos, levers, cranks, wheels, belts, and all the other scientific devices for automatic production. There stands this enormous mass of energy-machinery ready to refill every shop in the world as often as the shoppers can empty it. Mr. Baldwin once said, and it was perfectly true, that Britain, and the world generally, would get on much better were Germany, as a producer of goods, to sink to the bottom of the sea, with all her productive equipment, *but leaving the German population alive.* His meaning was, of course, that the rest of the world had too many machines, and too many workers; but too few customers. "All trade," he said at another time, "starts with the giving of an order"—an order, observe, which must be given in a retail shop, for it is only that kind of order which takes goods out of industry and returns some of industry's costs. It is probably not an over-statement to say that the rate at which any modern national plant collectively requires to recover costs (if the respective owners are, all of them, to maintain themselves in a solvent condition—and there is no reason why this should not be possible, or, if there is such a reason it proves that provision for the future must entail financial loss to somebody at the present) is somewhere about three or four times the rate at which consumers are able to spend money on themselves under existing conditions. For every £1 a

week collected by, say, Selfridges, Harrods, The Co-operative Society (taking these as representing the retail trade of the country) there should be £2 to £3 more a week coming into their cash registers. This of course means £2 to £3 per week more than the community is able to apply to that purpose out of its aggregate earnings. Though the stores we have named happen as a matter of fact to be solvent, and even prosperous, their prosperity is made possible by sacrifices imposed on shareholders in other concerns. In East-end vernacular, "somebody's bound to cop out somewhere" within the investment-production system.

All the dramatic reconstruction-operations of the last few years (Armstrongs, Vickers, and so on) have been nothing else than the destruction of investors' savings—of their "provisions for the future." To hark back to our brick-and-loaf illustration—you have, initially, a stack of bricks consisting of let us say 1,000, and on each of them there is a debt to the bank of £1 representing advances of credit. A company of 1,000 honest and prudent citizens listens to advice of the Marcus-Samuel type, which imbues them with the idea that if they buy bricks instead of loaves they will be acquiring, so to speak, imperishable loaves instead of perishable ones—pieces of property which they can change into loaves whenever they will. Or, to put it into equivalent commercial terms, they are given to understand that the brick will always fetch the price of a loaf. Very good: these citizens buy bricks. But observe, they do not get any bricks. They simply acquire titles of ownership in respect of the bricks. Each person surrenders his £1 which is valid purchasing-power, and receives a document which we will call a brick-share, and which is *not* valid purchasing-power. True, it bears the designation of £1 on it, but that is a measure of what it costs the investor, not a measure of what he can get for it. The banker, now that he has saddled these citizens with the legal ownership of 1,000 bricks, cancels his original loan, with which the stack was built, and destroys the £1,000 of money. They are not aware of this. They are under the impression that their Capital, as they now call it, is safely secured on the earnings of their fellow-citizens in general, and that somehow or other there exists sufficient money to buy them out if and when they want to get out, or at least to repay them their Capital gradually as the bricks are converted into loaves and are sold at a profit. But the money is not there. The Capital valuation of £1,000 is floating in thin air, and may be worth only a fraction of that sum on liquidation.

And so, in current economic life, investors rightly regard themselves as entitled to recover their Capital from the population in general—that is to say they are legitimate creditors of the community. But since the community does not possess the money, the creditors cannot get it unless the banker subsequently lends some more which enters general circulation. But this is only temporary relief, because the later loan will in its turn cause the assembling of another block of Capital seeking returns from an empty market. Writing-down is inevitable in the long run. As the *Financial Times* said: Economic progress is impossible without the constant writing-down of capital. In the light of what we have been saying this dictum can be formulated in a deeper way: Economic progress is impossible without the constant destruction of the community's credit. The way to be prosperous is to let the bankers continuously trim away your purchasing-power!

These considerations had better be borne in mind by our readers when they read the Press reviews of

the Simon Commission's second Report due to be published two days from the time when these Notes are being written. We notice that Mr. Garvin, who has probably been informed of what the Commission's recommendations will be, is devoting his article in the *Observer* of June 22 to an elaborate account of the capital development carried out by Britain in India. Its dimensions are indicated in a financial form by his statement that it represents an expenditure of "£1,000,000,000 of British capital," covering barrages, dams, canals, engineering-works, railways, and so on. Mr. Garvin's suggestion is that the Indian people ought to be grateful for these enterprises. Well, and so they will as soon as the bankers admit them to participation in the benefits of the enterprises. Nobody but they can restore peace to India, unless, of course, the British Government takes over their powers and does the job over their heads. Put briefly, the remedy for Indian unrest is to defray the cost of this enormous amount of fixed capital otherwise than by levies on the current incomes of the Indian people. Even if the whole £1,000,000,000 had been distributed among these people while the development was going on (which it certainly has not) it would yet remain true that at the present time practically the whole sum is non-existent as money in India. The banks have extinguished it long since. By doing so they have plunged British and other investors in this immense property into a panic lest some alteration of the political system in India may jeopardise their security. And in the meantime they have embroiled the Western and Eastern races—both innocent parties, and both legitimately aggrieved at each other's attitude—by inciting the Westerner to demand, and also coercing the Easterner to pay, a financial levy which is not only invalid in principle but absolutely irrecoverable in practice.

Mr. Garvin insists that the Indian question be lifted above party politics. We agree with him. It should be lifted up into banking politics and settled on a purely financial basis. The solution is a matter for the Bank of England in collaboration with the Indian Central Bank to apply. The nature of the solution is known. These banks must re-create and restore, as a national dividend, the credits which they have improperly (i.e., unscientifically) withdrawn from the British and Indian communities. As the very first instalment, that preposterous inflammatory salt-tax ought to be remitted, and the cost to the Indian Government of the concession made good by the issue of a free non-repayable bank issue of credit to that Government. After that, the pricing to the Indian people of the goods and services emergent from the £1,000,000,000 worth of fixed capital should be taken in hand, the native consumer paying the current direct cost with his earnings but the bank defraying capital charges with new credits. Then, the British investor would get his dues, and life would become tolerable at last for the Indian native.

The *Daily Mirror* of June 10, discussing the Simon Report in a leading article, acclaims it as an effective answer to "the simpletons who have been talking glibly of 'Dominion status' for India ever since, in August, 1917, that ingenious Jew, Mr. Edwin Montagu, told the House of Commons that our aim must be 'the gradual development of self-governing institutions with a view to the progressive realisation of responsible government in India as an integral part of the British Empire.'" (Our italics.) This pronouncement, says the *Daily Mirror*, was taken as promising a vast reconstruction of Indian administration, which would mean "handing over a vast territory to a minority of Indian highbrow illusionists." Quite so,

but the *Daily Mirror* need not be nervous. The supreme power of governing does not reside in administration; and no reconstruction of administration can usurp that power, which is in the hands of the banking classes. No matter to what extent a hypothetical all-native Indian Government reconstructed the existing British administrative technique, it would in fact remain an instrument of banking policy. And even suppose the worst happened and that the Indian Government implemented the dark threats of the Communists and repudiated the £1,000,000,000 debt: this need not disturb the banking classes, because whatever amount of credit they have out at present on loan to investors in Indian enterprises, they would have called in again before the repudiation became effective. As the bank manager said in Court on one occasion: "The banks always arrive on the scene before the bottom falls out of the market." It is no concern of the banks to resist repudiation in the interests of investors, a fact that is evident in their action in compelling Vickers, Armstrongs, and other great firms to resort to repudiation at the expense of their shareholders. (Reconstruction is repudiation.)

Again, even suppose the banks were caught by Indian repudiation before they could disentangle their credit-advances, they would have nothing to worry about. The credit they lent they created to lend; and as the process costs them nothing, the non-return of the credit would not involve them in the loss of anything. If anybody will reflect on our previous analysis of the method by which banks create fictitious debts by destroying credit he will see that they are in a position to "lose" (as the non-banking classes would regard it—and feel it) the total value of the whole world's fixed capital. And not only so, but they are under an obligation, on grounds of ordinary commercial equity, to re-fund credit to the world's populations up to that sum. The reason is easily comprehensible. Take a token figure of £100. A bank creates and lends this sum. With it the borrowers manufacture, say, £50 value (at cost) of consumable goods and £50 value of fixed assets. They now repay the bank and the bank destroys the £100. All that they actually consume is, of course, £50 worth of production. In this case it will be seen that the bank has destroyed the whole credit whereas the community have "destroyed" only one half of the wealth brought into existence by the use of that credit. On the basis of this illustration we are able to lay down the following general proposition: That whenever a bank receives the repayment of a loan, that proportion of the repayment which represents the cost of unconsumed wealth is essentially a loan to the bank. Therefore a true system of bank accountancy would show at any given time a visible credit in favour of the community equal to and secured on a valuation of the nation's existing assets.

No such accounts are kept by the bankers to-day, with the result that the world is suffering, without knowing it, from concealed repudiation of debt on the part of the bankers. Forms of government! Nonsense. What people want to-day is any government that will get them their money back. And in India it is this subconscious want which is the root cause of the conscious resistance to "British domination." The moral for our Statesmen is to break free from their impotent subjection to the policy of the bankers. Let them seek first financial justice—both for their own race and for subject races—and all other things shall be added to them, despite all the cosmopolitan owls hooting horrid omens from the crumbling belfry of the Mansion House.

Loans and Deposits.

A reader in South Africa sends us the May issue of the *Commercial Bulletin of South Africa*, whose "Financial Expert" makes some remarks on the question of whether bank-loans create deposits. Reviewing Union Banking during 1929 he speaks of "certain theorists" who hold that "advances create deposits"; and then goes on to remark that "in spite of theories" the banks "found their floating deposits dropping" in spite of increases in their advances. By the term floating deposits he evidently means deposits in current accounts. "It is floating deposits," he says, "that should be affected by advances." Accordingly he spends nearly a column of his article in quoting and commenting on statistics of the Union banks' monthly returns of (a) floating deposits, (b) fixed deposits and (c) advances, during 1929. Apparently he considers it important to spread the idea that while the creation of deposits by advances may be true in theory (and he nowhere directly denies this) yet it cannot be relied on to work in practice. This is intended as an answer to "certain theorists," who, he mentions, have been saying that the banks should have had no difficulty in meeting the demands on them, as advances create deposits, and with South Africa a gold-producing country, the cash resources could be added to without importing coin.

This ingenious apologist for the banks has given himself a lot of trouble for nothing. He probably knows that advances are not the sole origin of deposits. (If he is ignorant of it he is not a financial expert.) This invalidates the whole of his statistical comparisons of the banks' returns under these heads. Deposits are created when a bank (a) lends money, (b) invests money, and (c) buys concrete wealth of any sort, whether gold, or corn-sites or anything else. (Conversely, deposits are destroyed when a bank withdraws loans, realises investments, or sells concrete wealth.) If you look at a bank balance-sheet you will see that the items on the assets side are a record embracing all three operations—really only two, because an investment is a loan. On the liabilities side the items represent allocations of credit created on the other. The comprehensive truth is that bank assets create bank liabilities; or that the banks create their assets and these assets are their liabilities. This is why the totals on both sides of the balance-sheet agree. Of course, in the case of the balance sheet of any single bank there may occur items that are difficult to relate directly with the above principle, but these are usually records of that bank's transactions with other banks, and would automatically disappear if all their balance-sheets were merged into one. We have often pointed out that there is no reason why the bankers in any country should not form themselves into one bank with one set of accounts, except the very important consideration that their separate activities facilitate conjuring with figures.

So when a financial expert shows us figures like these from South African banking returns:

January, 1929. Floating Deposits, £43 mill.; Fixed Deposits, £21 mill. Total Deposits, £64 mill. Total Advances, £46 mill.—or points out to us that Floating Deposits fell between January and November from £43 mill. to £38 mill., while Advances were rising from £40 mill. to £52 mill.

our answer is: Please do not waste our time. If he will show us the banks' total assets getting ahead of their total liabilities, or falling behind; then we will sit up and take notice.

To a bank accountant all things are possible. In the *Banker* of January, 1928, the Italo-Belgian Bank published its balance-sheet dated June 30, 1927. Among its assets were

"Premises, Frs. 21 millions."
"Furniture and Fittings, Frs. 1." (One franc!)

The second item is a joke; and even the first cannot be trusted as representing what money had been spent in the past for acquiring the premises. Nor can another item in the banks' assets, namely, Securities, Frs. 60 mill. All these figures are arbitrary valuations having no necessary reference to original money costs. All we can be certain about is that they understate them; for that is according to sound commercial accountancy practice. Granted, then, that the purchases of these assets, as and when made, created deposits, the subsequent writing-down has involved falsifying the history of former deposit-creations, with the result that nobody can prove or disprove the theory we are discussing by inspecting banking statistics.

"The Abomination Which Maketh Desolate."

By C. H. Douglas.

[In considering the curves shown in a diagram on page 105, it is necessary to bear in mind that the official statistics on which they are based are given in annual form, and therefore between the yearly dates which mark the ordinates the curves are, necessarily, interpolated. This, in all probability, accounts for their slight displacement from the events which seem to have controlled them.]

It is an unfortunate defect in our attitude towards human affairs that we place an inordinate value upon human life, but a trivial value upon human happiness. You may subject an employee or a member of your family to persistent mental and physical cruelty in the form of bad working conditions, unjust treatment, and a myriad other minor and major inhumanities, and within very wide limits (and in particular if you do not exceed the conditions which are accepted as normal) it is unlikely that you will receive much criticism. You may lend a widow £20 and make her life a misery by the recovery of interest at 75 per cent. per annum, and unless, as is most improbable, she herself takes the matter into court, nothing will be heard of it. But if the widow's son, goaded by his mother's misery, in a fit of uncontrollable rage waylays the money-lender with a coal-hammer, and removes that gentleman to other spheres of activity, the son will, in all probability, be hanged, after the whole tremendous machinery of the law has automatically been set in motion for his apprehension and destruction, and the mother will be rendered still more miserable.

In consequence of this curious disregard for long-drawn-out misery, and the disproportionate solicitude in regard to the final termination of it, there are no statistics of human unhappiness until that unhappiness becomes so unbearable that the sufferer feels that it can no longer be endured, and himself places a period to it by suicide. When such a climax has been reached, however, society immediately takes an effective interest in his remains. It employs scientists to ascertain the physical cause of death, and detaches citizens from their normal pursuits in order that their observations on the state of mind of the deceased, who for the first time becomes interesting, may be recorded. Finally, the suicide becomes an item in a book of statistics, and is available as the raw material of a curve.

It is evident, I think, that one may regard suicide as being the culmination of a long period of unhappiness and mental or physical stress, although not all mental and physical stress culminates in suicide. If, therefore, we can find a set of statistics which in the main vary in accordance with the statistics of suicide we are, I think, in a position to say, in the phrase of the mathematician, that one set of statistics is a function of the other; that there is something which connects the two sets of statistics.

Now a glance at the graph (on p. 105) is sufficient to show that one of the curves is a function of the other. In fact, the variation of one curve in accordance with the variation of the other is most remarkable, and is sufficient to show that the intervention of any other cause not allowed for in the plotting of the two curves is surprisingly unimportant. Where two curves vary together one of them is called the "dependent variable," and the other is called the "independent variable," and we have therefore to decide whether it is suicides which cause bankruptcies or bankruptcies which cause suicides. This dilemma need not detain us long. We have only to examine the recorded reasons for bankruptcies, and the reasons for suicides, to find that while financial worry is the commonest predisposing cause of suicide, suicide is almost never given as a predisposing cause of bankruptcy.

We can, therefore, deduce from official statistics that the greatest factor in human unhappiness is financial worry, of which bankruptcy may be regarded as the final stage. We can also deduce from the same statistics that this unhappiness is not inherent in the nature of things, but is a definite and traceable result of a policy, human in conception and human in execution. On the basis of the curves shown, human distress, mental and physical, in this country has increased by more than 100 per cent. in the last ten years, and that increase coincides with the period of office of the present Governor of the Bank of England. I have no doubt at all that he would be horrified to believe that he had doubled the misery of this country in ten years, and very probably had been instrumental in a similar situation in all those countries where the policy of the Bank of England has become effective. But while I should not suggest for an instant that Mr. Norman has been actuated by anything but what he considers to be the best motives, I think that it is time that our English convention (that no individual is responsible for the policy which he carries out if he does not originate it) should be dropped, and that Mr. Norman should be identified with the results of the Bank of England's policy, so long as he remains Governor of the Bank of England.

I fear it will not happen, but if a few rough, vulgar men could express to Mr. Norman their rough, vulgar opinion of a policy by which English and Scottish men and women are being butchered to make an international financial holiday, it might act as a stimulant to his imagination—if he recovered.

The Films.

All Quiet on the Western Front: Regal and Alhambra.

Various public pronouncements made by, or at least attributed to, Mr. Carl Laemmle, the head of the Universal concern, made it reasonable to assume that this film version of Remarque's novel would not be an altogether faithful transcript, and that even if the public were not to be regaled with another variant on the-war's-a-bloody-fine-picnic theme, we should at least have some totally irrelevant sex interest and cabaret scenes. Actually, Lewis Milestone, the director, has achieved the most remarkable fidelity to the book; indeed, I do not know of any other film adaptation of a novel which has managed to remain so faithful and to convey so much of the author's intentions and atmosphere. This production is a masterpiece. It is magnificently directed, extraordinarily fluid, acted with the most compelling sincerity by the whole of the large cast, and the whole of the casting, down to the players of the smallest parts, is just right. It lacks rhythm in the usual sense, but that is inevitable if the director follows the novel, and the close-knit structure eliminates even a sug-

gestion of jerkiness, for which the really admirable editing is in large measure responsible.

Although "All Quiet" has a continuous sound accompaniment, it is not all-talking, dialogue being somewhat sparingly used. Here is evidence that some producers and directors at least have by now learnt to overcome the temptation of using speech for its own sake, and the result is, of course, far more effective than if it had been insisted on at all costs. The opening scenes include some striking contrapuntal sequences in which, in defiance of orthodox methods, we hear what we do not see. But the technical excellence of this film is its smallest merit. Remarque set out to record, with entirely objective detachment, the history of a generation whom the war destroyed even if it succeeded in escaping death in the trenches. This theme is completely successful on the screen, and while "The Case of Sergeant Grischa" is a very much better book than "All Quiet," and is far more likely to live, the two films reverse the position. If I required confirmation of my pet film theory that the director is the man who chiefly matters, comparison between these two productions would be conclusive.

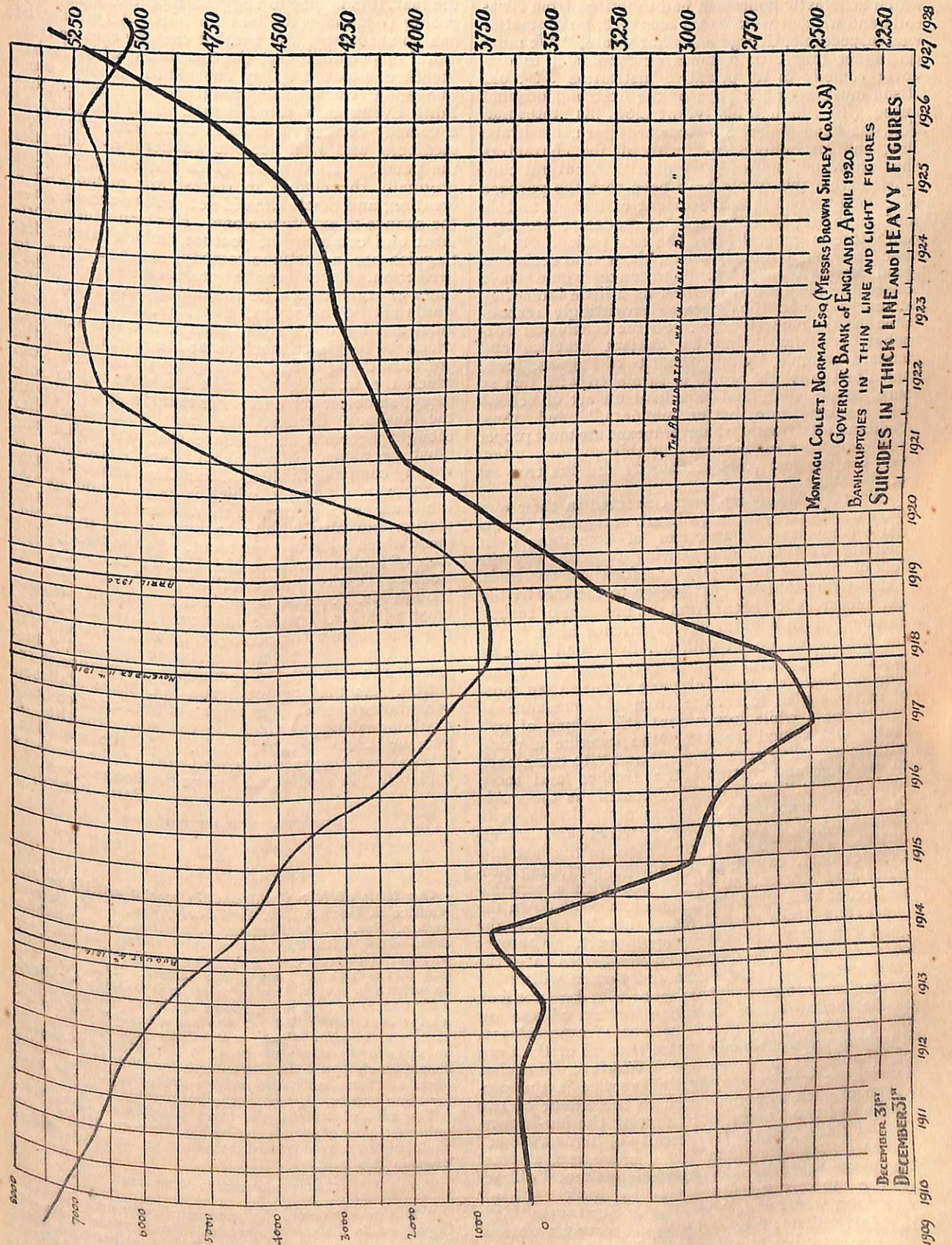
Some critics, who dislike, or profess to dislike, war films on principle, have delivered themselves of an uncommon amount of rubbish, expressed in singularly unfair terms, about "All Quiet." Obviously, it will be objected to by militarists throughout the world and by disciples of the "Shoot All Strikers" school. But the great mass of people who desire peace, and the men who have served in the trenches, will welcome it, and I cannot think that it would arouse hostility even in Germany except among the jingoistic element. It certainly has a strongly propagandistic effect, so much so that if it had come from Russia instead of Hollywood our censorship would infallibly have banned it. And, with the exception of a few sequences in "The End of St. Petersburg," it comes as near to showing war as it is as is possible in a production intended for general public exhibition. But it does seem rather unreasonable to assume, as has been done, that Mr. Milestone and his employers have deliberately created a vehicle of propaganda, let alone propaganda for the denigration of patriotism. That it impresses the impartial spectator with the colossal futility of war merely means that it has succeeded in doing what it set out to do, an essential characteristic of any work of art.

Where the acting is on so uniformly high a plane it is almost invidious to mention particular players. I should, however, draw attention to the Katzcinsky of Louis Wolheim, that finished actor, to Lewis Ayres' impersonation of Paul Baumer (a sincere and touching performance which definitely removes Mr. Ayres from the ranks of the mere *jeune premiers*), and for a masterly cameo of a dying Frenchman as interpreted by Raymond Griffith.

This is a film which I recommend unreservedly.
DAVID OCKHAM.

"The United States, having overtaken and overcome us in other directions, are obviously out to see that Britain no longer rules the waves, and to that end they have passed the Jones-White Act and have sanctioned the payment of huge subsidies under the cloak of mail contracts, and have enforced the shipment of goods to even our own Dominions in American bottoms. They are going to spend six hundred millions on Atlantic greyhounds without turning a hair, while we get excited over the prospect of one new Cunarder." —Mr. William Strachan, managing director of Messrs. Workman, Clark (1928), Ltd., speaking against the scrapping of shipyards. *Journal of Commerce*, April 24, 1930.

"A rather startling statement is made by a correspondent in Hong-Kong in the course of a survey of Chinese trade conditions sent to the Federation of British Industries here. He says that cotton singlets and socks are now being made in China and exported for sale in England." —*The Star*.



MONTAGU COLLET NORMAN Esq (Messrs Brown Shipley Co USA)
GOVERNOR BANK OF ENGLAND, APRIL 1920.
BANKRUPTCIES IN THIN LINE AND LIGHT FIGURES
SUICIDES IN THICK LINE AND HEAVY FIGURES

Drama.

The Beaux Stratagem.

Writing to justify his throwing off the corsets which scholastic policemen had inherited from Aristotle and without which, they asserted, no dramatist was respectable, George Farquhar wrote, "We must go higher than Aristophanes or Menander to discover comedy in its primitive institution. . . . old Æsop must wear the bays of the first and original author. . . . he had his tyrant Lion, his statesman Fox, his beau Magpie, his coward Hare, his bravo Ass, and his buffoon Ape, with all the characters that crowd our stages every day." A natural conclusion from this would have been that the purpose of comedy was the improvement of human morals and character, by showing that modesty, honesty, and virtue in general, were the best policy. At the time Farquhar wrote, however, those who reckoned good morals of supreme importance would have closed the theatres altogether, as a little later they almost did, and thus became unwittingly responsible for the modern novel. So the conclusion Farquhar drew was "that by ancient practice and modern example, by the authority of Pagans, Jews, and Christians, the world is furnished with this so sure, so pleasant, and expedient an art of schooling mankind into better manners," and thus, "without all dispute, whatever means are most proper and expedient for compassing this end and intention are the just rules of comedy and the true art of the stage."

Whatever they may have corrected in their own day, a hundred years ago Lamb recognised Farquhar's comedies as correctives of something quite distinct from manners. Giving reasons why the folk of his time would not stand for these comedies, Lamb wrote that "we do not go to the theatre like our ancestors to escape from the pressure of reality, so much as to confirm our experience of it." In the theatre we go on with our lives, and there as in life, "the moral point is everything." Lamb himself, however, with far more excuse than most of us, was glad to escape from the pressure of reality for a while into a fantastic Utopia of gallantry and sexual freedom, "to imagine a world with no meddling restrictions," and "to come back to my cage and restraint the fresher and more healthy for it." The world of comedy is the world of original innocence, a communist Utopia with community of money, property, wives and sweethearts. The good character enters in the last few minutes only, to re-arrange things, including property and women, in accordance with a sensible justice, so that after the curtain has come down the characters live a normal moral life"; earlier the good character would be a spoil-sport. Wherever conscience and the fear of consequences are the chief moralising factors men and women will divide themselves into two groups; those who dare not look on the shadow of the forbidden for fear of wanting the substance, and those for whom some release, if only in an occasional theatre festival of the Lord of Misrule, is a necessity. Whatever Farquhar fancied he was correcting, his service is the provision of such a festival, rich to the extent of two Lords and two Ladies, not counting the inn-keeper, his daughter, and the "fraternity of highwaymen."

"The Beaux Stratagem" has, of course, at least one moral standard: the most heinous moral offence of the nineteenth-century was to drink until one was poor, whereas in "The Beaux Stratagem" it is to drink until one is too stupid to entertain a woman. Poverty is no bar to endearment if gallantry and wit be left.

In his productions of these Misrule festivity plays, the more such by being in the costume of earlier periods, Sir Nigel Playfair enters with zest into the play-spirit of the occasion. Make-believe requires

gusto, as the music-hall comedian generally knows better than the theatre-comedian, and Sir Nigel provides it. When he threatens that his present revival of "The Beggar's Opera" will be positively the last, it is no use to suggest impertinence by supposing it perhaps the last for him. At present he has no successor, and without the gay release from moral responsibility for the time being which he has breathed into them they could not be the same things. It was as Millamant and Mrs. Sullen that Edith Evans manifested herself in all her glory as a comedy-actress in a world class with very few members, and after her one wonders who will take the parts. This revival gives those who saw her originally the chance to refresh the memory of a creation; and those who did not see her even more—the chance to experience one. Her beautiful deportment and command of posture, which alone distinguish her in costume-comedy, can be enjoyed to perfection. Every line she speaks carries rich undertones of comment. She communicates not only the words set down for her, but Mrs. Sullen's whole mind and history. It is, indeed, not the words at which we laugh, so much as at the revelation of the previous thought and penning up of emotion from which the words grew. She has no need of soliloquy, since her voice tells her mind; and when, with the author's licence, she may soliloquise, her thought becomes so intimate that we realise she must be alone. Miss Helen Cane's Dorinda is a worthy company for her. Miss Cane attempts little in the way of manner, which is as well, and speaks the lines intelligently, with a beautiful voice and diction and also with a background of that gentleman which adds to enjoyment. As the two gentlemen of broken fortunes Mr. Eric Portman and Mr. Godfrey Tearle give excellent performances, although Mr. Portman seems a little too stiff by contrast with Mr. Tearle's fluency. The latter, by the way, spoke the prologue in a style which far more than earned from an audience apparently surprised into interest the spontaneous applause it received. As the servant Scrub Mr. Miles Malleson contributes one of his examples of first-class comedy craftsmanship, in which he extracts draughts of humour from single words. To the question, "What are the rogues armed with?" he answers "Pistols" in a way that brings the house down.

PAUL BANKS.

"THE NEW AGE" AND THE LAMBETH CONFERENCE.

Our issue of July 3 will contain special articles by Mr. Maurice B. Reckitt, Rev. Paul Stacy, Rev. N. E. Egerton Swann, Rev. V. A. Demant, in addition to our regular contributors, with the view of emphasising the vital importance of the economic problem as a subject for discussion in the high counsels of the Church. This issue will be written in such a way as to make it suitable for distribution among Churchmen. Steps are being taken to supply a copy each to the Bishops who are attending the Conference, and supplies will be sent to any applicant who sends an opportunity of using them. Notice of requirements should reach THE NEW AGE on or before Saturday morning next, so that a sufficient number are printed. The price for these will be 2d. each, including postage.

The cost of making the main distribution from headquarters is estimated to be within the sum of £5. We shall be glad to receive contributions from interested readers towards this cost.

"This is only one of the unexpected movements in banking figures in the past few weeks. The increase in deposits is not connected with advances. It is true that bank loans create deposits, but the average of loans in April declined as compared with March, from £990,809,000 to £984,253,000. Here again is an entirely unexpected movement. The borrowers from banks are paying off loans while the interest charges upon them are lower than for many years."—*Evening Standard*, in May, 1930.

LETTERS TO THE EDITOR.

"MARGINAL LANDS."

Sir,—In your "Notes of the Week" of February 27, 1930, you refer to the "action of American banks in forcing wheat growers to put land out of cultivation, as a condition of granting them loans."

Are you aware that the development of food supplies, in a whole three million square miles of the earth's surface—i.e., in Australia—has been similarly shut down because American bankers regard this Commonwealth as a "redundant enterprise"?

What are the proofs? Why, on July 24, 1929, when the Naval Conference between Great Britain, U.S.A., and certain other Powers was pending, I wrote to the president of a celebrated bank in New York suggesting that their best peace-insurance policy for the future was to put the minimum probable joint cost of a naval war into the joint development of Australia.

To that desirable end of peaceful production, instead of battle, murder, and sudden death, I proposed the flotation of an Australian developmental loan of \$5,000,000,000, or £1,000,000,000, to be raised one-half in England and one-half in the United States in annual moieties spread over a period of ten years of \$500,000,000, or £100,000,000.

Furthermore, to safeguard the expenditure of such credits, I urged that an International Finance Engineering Committee of Administration be set up, with the President of the United States and the Prime Minister of Great Britain as ex-officio members; Australia to have technical representation, but the whole project to be absolutely safeguarded against the squandering wastefulness and imbecility of method which for the past forty or fifty years has been the outstanding feature of Australian tenth-rate "political" control.

In due course I received a considered reply to my letter, and I now enclose the same, herewith, for the courtesy of publication. As your interested readers will see, it was written on September 17, 1929—i.e., just about a month before the great crash took place in American securities.

It is, as a whole, certainly a very courteous and thoughtful letter, and I have no complaint or comment whatever to make upon that head. I merely wish to point out, first of all, that on September 17 last "the greatest boom in the history of the country" was under way, according to the letter, in the United States, and that a month later, when things blew up, securities on the New York Stock Exchange dropped to the extent of \$16,000,000,000—or more than three times the amount of my proposed Australian loan—in one day.

Secondly, I wish to draw attention to the statement in the said letter that "the idea of having \$5,000,000,000 sent from here to Australia to increase the output of farm products would be about the most unpopular idea in this country that you can imagine."

Thirdly, I draw your attention to the fact that in the April issue of the Monthly Letter of the bank in question the statement appears that "marginal lands and marginal farmers" must be prepared to "drop out."

Apparently, Australia—a country 1,000 square miles larger than the continental area of the United States—is regarded by the Bank as being a "marginal land." As a wheat grower and as a potentially great producer of foodstuffs for the people of Great Britain and of other lands, this continent, like that linen industry in Belfast to which you refer in your same "Notes of the Week," is being smashed up, and in the State of New South Wales alone—area 310,000 square miles, or 100,000 square miles larger than France or the whole German Empire in Europe in 1914—at this very moment at least 100,000 unemployed Australian workers lie "rotting in the sun."

In the five other States of Australia identical or even worse conditions prevail. Direct abortion of all the productive forces of the universe, in short, is the price that you and we are paying for the post-war management of the affairs of this world by an international Bankers' Trust.

GRANT MADISON HERVEY.

Box No. 1055H., G.P.O., Sydney, Australia.

[Here follows the letter referred to.]

Sir,—Your letter of July 24, addressed to the President of this Bank, has been referred to me, and I have considered with interest the suggestions which it contains and your observations in general.

I fear that you have not considered all of the obstacles which would have to be surmounted in order to have your plan carried out, or all of the effects in case it was carried out. In the first place, Great Britain is labouring under a very heavy burden of debt now, and it is hardly conceivable that

the responsible authorities would be willing to take on an additional debt of \$5,000,000,000 to the United States for the purpose you describe. If I am not mistaken the opinion prevails quite generally in London that Australia already is as heavily in debt as conditions justify.

In the second place, the Government of the United States is not at all likely to embark on another adventure in money-lending to other Governments. That would not be considered at all. Whatever loans are placed here will have to be placed in the open market—in other words—sold to the public. The quotations from our Monthly Letter which you give show the state of this money market. The greatest boom in the history of the country is under way, with an unparalleled flotation of home securities, and very high interest rates prevailing. Foreign flotations have no chance in this market without paying even higher rates. You must bear in mind that this is not a finished country by any means. Industrial development is proceeding here on a higher scale than ever before. That is the meaning of the great home demand for capital.

There may be danger of overdoing it, but matters of this kind cannot be controlled. The public knows what it wants for the time being at least, even though later on it may find that it was mistaken.

Finally, is not your scheme for the development of Australia by the rapid investment of so vast a sum and the movement of population from Great Britain or elsewhere as rapidly as conceived of, a trifle chimerical? Even if enough workmen could be induced to go to construct the proposed railroads, reservoirs, and other works, a very much larger population than that would be required to make the works pay a return on the investment. How long would it be before the investments might be expected to pay the interest on the bonds? Australia is a long way from other markets, and does not need such development to supply its own market.

Most of the development presumably would be for the settlement of the rural country, and the world has an over-supply of farm products now. One of the leading political issues in this country for several years has been "Farm Relief," which means various proposals for helping the farmers to get better prices for their products. The idea of having \$5,000,000,000 sent from here to Australia to increase the output of farm products would be about the most unpopular idea in this country that you can imagine.

We are all for the idea of making war with Great Britain and the United States impossible, and hope the conversations now going on upon the subject of disarmament will come to something. We don't mind sending our capital across the border into Canada freely. Canadian capital and United States capital intermingle very freely and with mutual benefits, and this Bank has handled some good sized Australian loans. I am afraid, though, that the conditions are not propitious for your big scheme. Better luck next time.

[Signed by the Vice-President of the Bank.—G.M.H.]

BANK HOLDINGS OF WAR LOAN.

Sir,—On two or three occasions, in your editorial, you have quoted an extract from Mr. Asquith's speech at Paisley in 1924, which stated the percentage of the British war debt which was held by the banks. If it would not cause you too much trouble, would you kindly let me know what this figure or extract is, as I require it for propaganda purposes, and am unable to obtain it from any other source?

J. C.

[We cannot recall the reference. Can any reader supply it?—Ed.]

ANSWER TO CORRESPONDENT.

G. F. W.—Thanks for your letter. (1) Your "adjustable formula" is clear, and we do not doubt that you have found it useful. (2) We also agree that propaganda is a matter of salesmanship, and that efficient selling depends chiefly on sizing up the mentality of the customer. The popular attitude to Social Credit is, of course: "What can it do for me?" The attitude: "How can it do it?" is much more rarely met with, in the sense of reflecting a desire and ability to undertake a dispassionate, systematic study of the technique of Social Credit. Every "prospect"—as the salesman would say—must be treated on his merits; and no rigid general rule can be laid down. (3) We do not consider that your verses contain any ideas or expressions that would be of interest to readers of THE NEW AGE. Reflections on social anomalies are best written in prose, because rhyme and rhythm and other rules of poesy are more likely to hinder than help clear thinking in the mind of the reader.

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Published by the Proprietor (ARTHUR BRENTON), 70, High Holborn, London, W.C.1 (Telephone: Chancery 8470), and printed for him by THE ARGUS PRESS LIMITED, Temple-avenue and Tudor-street, London, E.C.4.