THE
NEW AGE
INCORPORATING "CREDIT POWER"
A WEEKLY REVIEW OF POLITICS, LITERATURE, AND ART

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CONTENTS.

NOTES OF THE WEEK.

In view of our remarks of three weeks ago on the Pensions Scheme we are interested to see that both Sir Alfred Mond and Sir Robert Horne are looking at the subject from the standpoint we took, and are questioning the ability of Industry to afford the contributory premiums. "Out of what fund," Sir Alfred asked in the House last week, "is this new charge to be paid?" and followed up this cogent question with the remark:—

> **"I sometimes wonder whether we have a Government living in Mars or in this planet; whether they are working *in vacuo*, quite detached from economic affairs, or whether they have some knowledge of the gloomy economic outlook."**

We are indebted to the speaker for this exact definition of "Government by Money"—a Government working "in vacuo" and in complete "detachment from economic affairs." Sir Robert Horne's attitude, too, is important, considering that he was the Chancellor of the Exchequer in Mr. Baldwin's first Government. According to the *Daily News'* summary of his speech, he sees

> **"a sad increase of unemployment if the Bill is persisted in and little but discredit and trouble, however sound the theoretical principle may be,"**

which is equivalent to saying that what may be meat in a financial vacuum is poison in an economic atmosphere, and is a timely reminder of the effects of "Government by Money." The chairman of the Federation of British Industries, Colonel Willey, conveyed much the same moral at a dinner in Liverpool last week. The *Daily News* reports him to have said:—

> **"Our bankers were firmly entrenched behind traditional success based on another system. To-day manufacturers were faced with a different set of world conditions."**

"Mars"—"theory"—"vacuum"—"tradition"—"detachment": "this planet"—"economic affairs"—"gloomy outlook"—"discredit and trouble" . . . these sequences of antitheses foreshadow the alignment of the New Political campaign—the struggle of the Producer interest against the Financier interest. For the moment, the Consumer interest is left out of the fight; its neutrality is implicitly "*guaranteed*"; but before long it will have to be taken into an alliance, and when that moment comes there is little doubt about the side on which it will be ranged—for Consumption is a blood relation of Production; no, more than that—it is the wife of Production, and their child is going to be named Prosperity. The financial scientists seem to be under the illusion that they can produce the child by economic ectogenesis, that somehow or other the seed of Production can be passed through its period of gestation outside the womb of Consumption. It will not happen. These twain will no longer be divided. The spring time has come, the bride is stealing up nearer to her mate. Before the world was, she is his wife. Suddenly the orgasmic spasm of their nuptial congress will flash round the world flushing all peoples, nations, and tongues with the Flourishing Life. Is it not inevitable? What other outcome is conceivable? Has not every single discovery of Science for the last century been an aphrodisiac in the body of Industry? Is there, then, any other diagnosis of its languid and irritable condition than economic priapism? And shall the money magicians who have evoked in it this delirium of phallic fever now turn round and say, like Hamlet, "We will have no more marriages"? Idiots! Doves will coo when you have long ceased to croak! These reflections suggest the reason why Major Douglas's writings are banned from the seminaries where the young person, to whose cheek nothing must be permitted to bring a blush, is instructed in Political Economy. His opinions, from the point of view of financial moralists, amount to economic eroticism—industrial incontinence. His books are rude books ("Don't you teach my Emily anythink' about 'er inside: it ain't proper"): they ought to be sealed with a paper band and not sold to anyone under the age of definitive intellectual decrepitude.

* * *

There is something to admire about Mr. Arthur W. Kiddy's consistency. Whereas other writers, who have been busy for months past working up an atmosphere favourable to the reimposition of the gold standard, are, now that it has been accepted, getting ready to study the subject with the view of revising their advice to the public if necessary; Mr Kiddy's articles in the *Spectator* show no evidence of shaken confidence. He still sticks to his belief in the policy of the free gold market. Nevertheless, there are signs in his remarks of May 16 that he is conscious of the existence of weighty counter-arguments:—

> **"While I am not attempting to base any kind of currency argument on the matter, the fact remains that the past few years of bad trade coincided with the absence of the gold standard and the full operation of the system of 'managed' currency."**

He is wise in not pressing this statement to a conclusion, for it ignores the fact that the boom years of 1914-1920, as well as the slump years of 1920-1925, coincided with the absence of the gold standard, and the anti-gold schoolmen might reasonably point out that the slump period began just at the moment when the financial authorities *commenced to go back to the gold standard*—for that was the real meaning of their deflation policy, as a passing glance at the Cunliffe Report will make clear. But this particular controversy need not detain us. The country is now under a gold policy, and, for the immediate future, all the ingenuity of our rulers will be directed to the discovery of some means of carrying on under it. Particularly, of course, will the responsibility fall upon those who have instigated it; in fact, we have just seen that Sir Alfred Mond, Sir Robert Horne, and Colonel Willey—not to mention many less eminent leaders—are publicly fixing that responsibility on them. Mr. Kiddy therefore quite logically addresses himself to the problem. He does not make a very hopeful start:—

> **"It is fairly clear that if we get no improvement in our export trade, and if the big adverse trade balance continues, the exchanges are likely to move adversely, and gold will go from the country, and as a consequence dearer money must almost inevitably ensue. . . .**
>
> **"If, on the other hand, we can rectify this adverse trade balance, and the exchanges move in our favour, gold will flow here and our lending power will increase."**

Is this not exactly as though the banker said to the manufacturer: "If you get out of your troubles without more credit I can let you have some more; but, if you cannot, I shall have to take away some of the credit you now have"? What an inversion of common sense! In the bleak winds of economic affairs credit facilities are known to be a necessary *instrument* of commercial success, but in the vacuum of financial policy they are held to be the *reward* of previous success. You can borrow a hammer, not to knock nails in, but only as a prize when you have knocked them in without a hammer! Presumably you use your fist, and when you have driven the nails home and fractured your wrist—why, then you will be presented with a hammer—which you will not even be able to hold when you have got it! No wonder that Sir Alfred Mond is asking from what planet these ideas emanate.

* * *

That the problem cannot be left like this is fully realised by Mr. Kiddy. He feels he must explore what avenues of progress are still open to Industry under a system of credit restriction. Some factors, he sees, are not under our control. We cannot, for instance, "govern political developments in Europe," nor can we "compel European or other countries to purchase goods." On the other hand, he submits that when we complain of foreign competition we must realise that the low prices which we have to compete with are not due to lower money rates, "which are much higher in Germany (for instance) than in this country," but to "matters affecting industrial organisation" as regards both capitalisation, wages, and working hours. These countries, or some of them, he says, are recognising "the necessity for increased and cheapened production," and—

> **"are counting upon ultimate results not only in the shape of a favourable trade balance, but of wages themselves expressing greater purchasing power through output of goods having been multiplied."**

Such a proposition, he continues—

> **"not only seems to represent a very practical and real facing of difficulties, but it also means that the maximum of trade can be financed on the mimimum of credit."**

Mr. Kiddy's logic wavers a little in these last passages. Because foreign countries are "counting upon" certain effects it does not follow that these effects are bound to appear. The proper conclusion for him to draw would be to say that these foreign countries are *trying* to finance "the maximum of trade . . . on the minimum of credit." The rationale of such an attempt lies, according to Mr. Kiddy, in the proposition that—

> **"while increased trade turnover may call for more capital, the strain on banking and credit facilities generally is lessened to the extent that—**

(now listen!)

> **—prices are brought to a lower level."**

We prick up our ears. Prices! Just so. We are greedy for every syllable that financial experts let fall on this aspect of the credit problem. Mr. Kiddy thinks that the restriction of output both by Capital and Labour in this country is checking our trade, and that "capitalist rings" and "excessive retail profits" have something to do with our troubles. In any case, he asserts that the monetary outlook does not depend upon arbitrary decisions of the banks, but that their decisions are forced upon them by industrial conditions. The problem "is more concerned with industrial than with financial organisation." He concludes his remarks with this declaration: "I *do* say, however, that these (i.e., restriction of output and high prices) are causes which require to be faced, investigated, and dealt with more than any pertaining to our banking and currency system."

* * *

There are many things to say about these opinions, but let us compare Mr. Kiddy's general attitude, as an economic expert to Conservatives, with that of Mrs. Barbara Wootton as an economic expert to Socialists. The *New Leader* of May 22 publishes a review from her pen of Major Douglas's "Social Credit," in which the following passage occurs:—

> We have learned how an all-round rise in prices means grievous injury to the impoverished workers; and we have seen how a general fall of prices spells unemployment. Let us, then, avoid these ills and aim at keeping prices *steady*. When there are more goods to be bought let us have more money issued . . . while, if there is a falling off in production, let us check the issue of money correspondingly.

Is not this a restatement of Mr. Kiddy's policy? The language is different, but the principle is just the same, namely: "Let us wait to see what Industry does to improve output, and then issue or withdraw money accordingly." Is it for this, then, that Mrs. Wootton's Party would go to the trouble of nationalising the banks? Again, writing on the question of Interest, she defends the principle of charging it because the process of getting people to lend their own money to the State or municipality

> "obviates the necessity for those perpetual issues of new money for all and sundry purposes which cause inflation of prices."

or, as Mr. Kiddy has said, it tends to finance "the maximum of trade" on "the minimum of credit." But, more striking still—after saying that the true objection to Interest is that—

> "it is ridiculously extravagant that the State should have to bribe me and my heirs with 5 per cent. per annum for ever,"

she puts forward the following alternative:—

> **"A Socialist State would have the right to take my due contribution towards productive outlay for the future without any such bribe. Probably it would make the necessary deduction before any income came into my hands at all."**

Well, we are left aghast at Mrs. Wootton's candour. Financing Industry by compulsory loans raised from the whole community, and without paying them interest!—it would be the bankers' millennium. Even Mr. Kiddy has not hinted at such a thing—yet. But perhaps this last reflection will not impress her, for she boasts that

> **"A capitalist State cannot do this, chiefly because it dare not."**

So Mr. Kiddy, one may infer, is keeping his mouth shut until the "bankers' minister," as Mr. Snowden once called himself, and his old associates come back to the Treasury Bench—*then* the Socialist State will "larn the people to be spendthrifts." But, seriously, if the Labour Party want to do one thing that will ensure the Conservative Party a virtual freehold of governmental power in this country, they will turn Mrs. Wootton on to explain to the public the full implications of the thing she so light-heartedly advocates.

* * *

We suppose we shall be expected to say something of her views so far as they concern the Douglas Theorem. It will not take us long. Her second paragraph says:

> **"I do not propose to discuss the details of this particular scheme. What matters is a certain assumption which is common to Major Douglas and to most other proposals for introducing the millennium by means of currency manipulation—namely . . . that just creating heaps and heaps more money will put us straight on the road to a happier economic order."**

"*Just creating* heaps and heaps more money"! This unpardonable misstatement is nowhere qualified by her: half way through the review it is repeated as "an *indiscriminate* increase of money," and in the last paragraph as "the *promiscuous* issue of money." She is good enough to say that Major Douglas "attained great fame some three years ago by propounding a magical solution of all economic difficulties," so it is all the more inexplicable that she does not know what made him "famous." It was not merely the idea of expanding credit. That was as old as the hills. It was not merely the idea of lowering nominal prices. That is ordinary "Deflation." But it was, and is, the idea of—and the technique for—*doing both these things at the same time*, for setting in motion a permanent trade boom *accompanied by progressively diminishing prices.* There are only two possible lines of logical criticism: to say either that this cannot be done at all, or that it cannot be done in Major Douglas's way. Mrs. Wootton has chosen neither. She merely discourses on the dangers of Inflation (which Douglas's proposals are designed to eliminate!) and defends Interest as being a "brake" upon the creation of new credit, and therefore a precautionary device against Inflation. Evidently she does not want our number; so at the risk of interrupting her lecture we must hang up the receiver.

* * *

After this digression let us resume our examination of the industrial problem as Mr. Kiddy sees it. It can be roughly summarised in this way: that since the resumption of the Gold Standard policy is now a *fait accompli*, and since that policy will not permit of a present expansion of credit for increasing future output, can we—so to speak—*compress* a larger volume of production and consumption within the existing credit limitations? Given that we must not have more than fourpence (or GOLD will go abroad!) can we somehow or other work things so that fourpence will buy more than four-pennyworth? If we can, and if at the same time we do not destroy the incentive of Industry to deliver to the consumer more for the same money, then we may concede Mr. Kiddy his free gold market. But what Sir Alfred Mond, Sir Robert Horne, and Colonel Willey are waiting to hear from Mr. Kiddy, and (shall we add?) Mrs. Wootton is *how do we begin?* Let us survey the ground we stand on now. On the one hand there are the Industrialists who cannot keep solvent unless prices are raised, and on the other hand there are the Consumers who cannot keep solvent unless prices are lowered. What do we do about that? Mrs. Wootton says: "Let us aim at keeping prices steady." Steady! Steady where? It is no use talking of steady prices until they reach a point where at *the same time* the Consumer can afford to pay them and the Producer can afford to accept them. So that, even admitting the soundness of this steadying policy—"Stabilisation," as it is called—it obviously cannot constitute our *first step*. Now, Mr. Kiddy shows a sounder instinct when he recommends that prices should be "brought to a lower level." But everything depends upon *how* that is to be done. If, by immediately reducing the wages, salaries and dividends distributed by Industry (and it must be "immediately" to be a *first step*) the result is to reduce purchasing power and restrict demand. That is to say, our first step towards making fourpence buy more than four penny-worth results in giving us threepence and making it buy three penny-worth. This is pretty hopeless, but actually we should not get the three penny-worth; for there are other costs that go into prices besides wages, salaries, and dividends. These are "overhead" charges, *which remain the same whatever the volume of trade may be.* We need not elaborate this consideration at length. All that is necessary is to imagine for a moment that (by some magic) the shareholders, administrators, and workers in Industry were able to refrain from drawing any income at all, and yet continued to perform their usual functions. From a purely accounting point of view Industry would still have to collect its overheads from the now moneyless community, without delivering any goods at all to them, in order to keep "solvent." To meet the requirements of "Sound Finance" the individuals constituting the community would have to pay *some* money for *no* goods. Obviously the only way in which they could do so under the conditions stated would be by getting from the banks *as a free gift* sufficient new credit to meet the charge. Now, this illustration is not so much a *reductio ad absurdum* as a *reductio ad realitatem.* It discloses the element in the costing and pricing processes of to-day which lies at the heart of the economic problem—namely, that, broadly speaking, the incomes of the community are only sufficient to pay the *direct* charges contained in prices: they cannot pay the "indirect"—the "over-head"—the "debt" charges that have to be included as well. It is of no use replying that the community "must once have had" the money now represented by these debt charges: the point is that they have not got it now. Remark particularly that the "they" in question includes every party to the productive process, the manufacturer, the wholesaler, the retailer, the transporter, the manager, the clerk, the workman: add together all their personal incomes over any period, and you get an amount far short of the total cost price (including profit) of what they have produced between them during that period. As a result they (as Producers—sellers) are *at war with themselves* (as Consumers—buyers), splitting up into class- and party-factions in order to recover out of each other's pockets this deficiency of money which is not in the possession of any of them—money which is not in existence at all, having been long since cancelled and destroyed in the repayment of bank loans.

* * *

The reduction of prices for which Mr. Kiddy looks cannot be brought about by reducing wages, salaries, and dividends. Then can they be reduced by a repudiation of overhead charges? No; for to do that would work out in practice to denying payments to millions of people who are legally and, in most cases, legitimately entitled to receive them. Here we are back at a deadlock. The manufacturer cannot reduce his costs, so he cannot reduce his prices. And, even if he could, why should he when he cannot rely upon getting a larger revenue as a result? If you are selling ten articles at a shilling each you do not require any economic expert to tell you that if you halved your price you could sell twice as many! You know that already—and you also know that if you can get ten shillings for ten articles you are not going to make any more unless you can get *at the very least* something more than ten shillings for the larger quantity. You like to increase your sales, but only if it increases your total revenue. Now, taking the general body of consumers together, the amount of revenue to be got out of them by producers cannot be more than the producers first pay them—and that amount is ultimately fixed by the volume of credit which the banks set circulating. So it needs no reflection to see that as soon as the banks announce a restriction of credit facilities they destroy all incentive to increase output. It is true that Mr. Kiddy offers an incentive of sorts in his implied promise of more loan-credit when Industry has won through, but, seeing that Industrialists are aware of this and are not beginning to take advantage of it, clearly shows that it is not an effective incentive. The capitalist may lift his hat in acknowledgment of the offer, but he does not take his coat off. Inevitably, therefore, the proposals of Major Douglas will force themselves on the attention of the capitalists and financiers. He *begins* at the Price end of the chain. He reduces prices straight away by financing retail discounts to consumers. The cost is not to be collected from anybody at all. Free Treasury grants are issued instead. Discount first—grant afterward. No discount, no grant. Whatever expansion of credit may result can only happen as a concomitant of *increased consumption on a lower price level.*

NOTE.

Some readers will have received copies of THE NEW AGE last week in which the indices of the "Notes" and the "Reviews" were transposed in the "Contents" table. If this matters, we will send them a correctly printed copy on receipt of a postcard. They need not return the incorrect copy.

EPITAPHS.

By D. R. Guttery.

I.

Here lie cold in common clay,
Two who died the selfsame day;
Never lie nor slander passed
The lips of Smith from first to last;
Jones saw no evil all his days
Nor coveted what met his gaze—
A pair of wonders, to my mind!—
Well, Smith was dumb and Jones was blind.

II.

Rest well, fond rascal; rogue and lover
Ever sought night to hide their lures,
And this long, last night will cover
Even the multitude of yours.

III.

Here lies old Paul, who ne'er would say,
"How-d'ye-do" to a teetotaller;
The only homage he would pay
Was to the district's crack beer-bottler.
Red herrings were the staple grub
Of this great pillar of the pub,
Who drank as quickly as clock ticks.
Beer, friend, was what he spent his wealth in;
His only sorrow that side Styx
Is: there's no beer to drink your health in.

—After FRANCOIS MAYNARD, 1582-1642.

Government By Money, and Its Effects.

By C. H. Douglas.

[An address given at the Central Hall, Westminster, on May 21, 1925.]

Any speaker on the subject to which I am anxious to attract your attention to-night finds himself confronted with at least two major difficulties. The first, and perhaps the more important, resides in the fact that the implications of it ramify into practically all human activities. As a result it is possible to approach the subject from an unusually large number of angles, and some restraint is necessary to prevent an effect of confusion, while presenting a sufficiently comprehensive picture. The second difficulty arises from the fact that the subject is highly technical, but yet is not recognised as such. A speaker on a technical subject, if speaking to a technical audience, has a common ground of agreed knowledge. Or, alternatively, in speaking to a general audience, is generally conceded the advantage of expert knowledge. But, curiously enough, neither of these situations is generally found to be the case in regard to a discussion of the money system. There is practically no agreed body of expert opinion; and the average business man, engaged in "making" or perhaps losing money is, perhaps naturally, apt to regard himself as being equipped to discuss the matter at length with anyone. The result of this, however, too frequently, is the creation of mental confusion and verbal argument, arising from the clash of two capable logicians arguing from different premises; and, therefore, naturally unable to come to any agreement or understanding. In order to avoid, so far as is possible, this position to-night I propose to ask you to memorise, or, better still, to write down, certain definitions.

These definitions are not necessarily orthodox, and you are, of course, at liberty to question them at your leisure. But they are the definitions and conceptions from which I am arguing in speaking to you. The first definition to which I would draw your attention is that of Wealth, and is, "The rate at which a nation or any other corporate body or individual can *deliver* goods and services esteemed conducive to well being." I would ask you particularly to notice that the word "*deliver*" is used in this definition, and not the word "produce," and also to notice the inclusion of the word "rate." The second definition is that "The objective of an industrial system is to deliver goods and services to the whole of the individuals included in the Nation or other corporate body, to which the system is attached, with the minimum amount of trouble to those individuals." A deduction from this definition is that on its economic side, a nation or other corporate body exists to further the interests of individuals; or, to put it in a more technical form, there is an increment of association derived from the co-operation of individuals, which should be distributed amongst the individuals, if the object of their co-operation is to be achieved successfully.

The third conception which I wish to impress upon you, is that of the artificiality of money. The best definition of money with which I am acquainted, which is an orthodox definition, is that of Professor Walker in his book "Money, Trade, and Industry," which reads that money may be defined as "any medium which has reached such a degree of acceptability that no matter what it is made of, and no matter why people want it, no one will refuse it in exchange for his product." I have no doubt that you will accept this definition, and you will see that it eliminates any specific physical characteristic from the nature of money. It may be gold, silver, copper, cowrie shells, leather discs, paper, cattle, or slaves;

and every one of these has in turn been used for money. The one characteristic that they had in common was a psychological characteristic, that of belief, faith, or credit, and if you will bear this conception clearly in your minds you will recognise the absurdity of such statements as are frequently heard to the effect that there is no money in the country, or that certain desirable works cannot be carried out because there is no money with which to do them. Such statements, of course, receive credence because they are normally true in respect of the individual, who has a very limited power to impose his own personally created money upon the community, but they are not true of nations (as was amply demonstrated between August 4 and August 7, 1914, when an absolutely novel currency system was imposed upon Great Britain without the slightest shock), and we shall see almost at once they are not true of large corporations, and particularly are not true of financial institutions.

I suppose that we are all familiar with such phrases as "The Power of Money," and others to the same effect, but the Government by Money to which I wish to draw your attention to-night is something much more concrete than that. Our thoughts of governments usually range over such subjects as Houses of Parliaments, laws, and at the other end of the scale, policemen. But you will at once agree, I think, that this sort of government is largely negative, and is almost entirely concerned with telling you what you must not do. Even in these law-ridden days, after the long suffering citizen has taken out about eighteen licences of various sorts to permit him to move about, to stay still, to listen-in, and so forth, he does not come very much in contact with the law. But from the moment that he arises in the morning to the moment that he goes to bed at night, or, more comprehensively, from the moment that he draws breath to the moment of his death, and after, his activities are governed and limited by the money system. His clothes, his food, his house, his education, either in the more literal sense or in the broader sense of ability to travel and see the world, his avocation in life, and the rapidity with which he progresses in it, are largely matters of money, and very often nothing but money. Further than that, a lack of money, if sufficiently pronounced, is pretty certain to bring him up against either the legal system, or starvation and death, and it is in no sense an exaggeration to say that in all civilised countries (so called), and the more civilised the more true is the statement, the individual lives entirely by grace of the money system.

Any system or institution which is so all pervasive in its effects, is a government, whether conscious or unconscious, and one would imagine it to be a matter of the first consequence to understand the principles upon which it is based. So far from this being the case, however, a very large number of people regard it as almost a matter for pride that they know nothing about finance, and if my own experience can be taken as a guide, any exact knowledge of the general system is confined to a number of persons in every country who might be numbered on the fingers of both hands, a lack of knowledge only paralleled, unfortunately, by the confidence with which the existing system is regarded by those who do not understand it. It is, in fact, one of the most astonishing experiences which comes to anyone who seriously interests himself in these matters to find the perversity with which intelligent people will put forward any explanation, on earth or off the earth, from sun spots to the viciousness of human nature, for the economic misfortunes which attack nations and individuals, rather than question or allow to be questioned the practical perfection of the money system.

Clearly, if money is of such importance, the first point to which to direct an inquiry in regard to it must concern its point of origin, and it is one step towards this end to recognise the fact that *you do not make money by making goods or by working.* Some years ago I made this statement at a luncheon of quite important manufacturers in the North, and only their politeness to a guest obviously restrained them from considerable hilarity. I then asked them to imagine themselves doing business with each other round the table at which we sat, and to explain to me how it was possible that at the end of a given period of such business there could be more money round the table than there was when they started. Naturally, nobody could tell me. Similarly, you do not make money by agriculture. If I grow a ton of potatoes and sell them for money, I merely get the money that somebody had before in return for my potatoes, and the coming into existence or the disappearance by consumption of those potatoes does not itself make the slightest difference to the amount of money in existence; it merely affects its distribution. If anyone wishes to argue that it cheapens potatoes, I would merely point out that such cheapening makes every grower or holder of potatoes poorer, and discourages the growth of potatoes.

That is the first step. The second step to realise is that only to a very limited extent does money proceed from the State. Roughly speaking, there is in Great Britain something over 350 millions sterling of legal tender—paper, gold, silver, and copper—and the Bank clearance for 1924 of the Joint Stock Banks amounted to about 39,000 millions sterling in round figures, or more than 100 times as much. So that we have ascertained (a) that purchasing power for money does not proceed from the individual or corporations which produce or grow goods, and (b) it does not proceed from the State to any considerable extent. (I do not dwell on gold because the amount produced is trivial in comparison with other sources of purchasing power.) The matter is so important that I shall ask you to bear with me while I explain exactly from where it does proceed, but I will preface this explanation by a dogmatic statement from a recognised authority, Mr. McKenna. The Chairman of the Midland Bank, at its annual meeting in 1924, made the following statement: "The amount of money in existence varies only with the action of the banks in increasing or diminishing deposits. We know how this is effected. Every bank loan and every bank purchase of securities creates a deposit, and every repayment of a bank loan and every bank sale destroys one."

Imagine a self-contained community, say, upon an island, of ten men, each of whom has £10, we will say, in Treasury Notes. The community carries on all the operations of a modern business community, and settles its debts by handing over Treasury Notes. After a time an eleventh man lands upon the island and makes the suggestion that he should safeguard the money of the community by keeping it in a burglar-proof safe with pigeon holes for each of the depositors. This is thought to be a good idea, and for a time the original members of the community settle their debts to each other by going to the eleventh man, who we may call the banker, drawing out Treasury notes every morning and handing them over to each other. It naturally dawns on the business community very soon that this is a cumbersome and time-wasting performance, and an efficient substitute for it is found by writing little notes to the banker instructing him to readjust the contents of the pigeon holes to correspond with the business transactions of the previous day. In a very short time the banker finds that very few of his Treasury notes have left his possession, and that his business has become a book-keeping one, of which the original documents are the trader's note or cheque. When this condition has become established, Trader No. 10 finds that he could accept a larger order for goods, to be paid for on delivery, if he could see his way to pay for labour and material between the time that the order is accepted and the time that the goods are delivered and paid for. He has no exact knowledge of the amount of money on the island, but he knows that it is practically all with the bank, so he goes to the banker and suggests that the banker should lend him £10 in addition to the £10 that he has himself. The banker agrees, on terms which are immaterial to the argument, and Trader No. 10 is in a position to draw £20, where previously he could only draw £10. The crucial point to recognise is that the banker does not inform the other nine depositors with him, that owing to the fact that No. 10 has drawn £20, they must draw less in consequence. In other words, his liabilities to the other nine remain as before, but his liability to No. 10 is increased by £10, therefore, the banker's liability to the community instead of being £100, which was the total amount that they deposited, is £110; and £10 of absolutely new and effective money has been created by this process, and can be drawn, so long as it is not all drawn in Notes. But it must be remembered that this £10 of new money, which is an effective demand for goods and services, and has been *created* by the banker, has only been loaned, and therefore it may be said that the banker has created an effective demand of £10 on the goods of the community. Just as effective as if he had forged or printed £10 in Treasury notes. The repayment by Trader No. 10 of the £10 has the curious effect of cancelling both the debt registered in the books of the banker (and which the banker treats as an asset), and the £10 with which it is repaid, and the net result of the transaction (assuming the £10 to have been used for productive purposes) is to leave £10 of price values in existence in excess of the possible effective demand of the community. There is only one possible way in which the community can buy these goods, and that is by the creation of a fresh credit, or the printing of more money.

Now it must be obvious that this process gives those in control of it absolute control of the economic situation, and what is perhaps of even greater importance, this control is fundamentally dependent on a scarcity of money, and consequently of purchasing power. Individuals must use economic products, and they can only obtain those economic products by the means of money. If they are short of money, terms on which they obtain money can be imposed upon them; if they are not short of money those terms cannot be imposed. *And it therefore follows that the existence of a money control necessitates a condition of economic scarcity, quite irrespective of the advances of scientific progress or productive capacity,* and restricts economic production within the limits imposed by restricted money demand. I propose at the Cannon Street Hotel on June 3, to go more fully into this particular aspect of the question, but for the moment I would merely emphasise that you cannot reward or punish individuals by the granting or withholding of something of which they already have a sufficient supply, and that the excessive production of what are called capital goods, i.e., goods which are not used by individuals for personal consumption (which is a marked feature of present-day industrialism) is caused by the desire to keep the population at work without allowing them to obtain such control of their economic existence as would free them from the dominance of money.

The scarcity of money and the consequent restriction of effective demand is unquestionably the most important, and in fact, the vital point on which the future of the present financial system turns, and such questions as that of the Gold Standard, for instance, are only important to the extent that they buttress this restricted effective demand. I have endeavoured to show you, so far as the limit of time imposed upon me allows, that a scarcity of money as distinct from a physical scarcity of goods, either actual or potential, is an essential feature of the hidden Government by Money. But it is also necessary to understand exactly how this disparity between the amount of goods available and the amount of money with which to buy them is produced The general principle may be fairly briefly stated. Let us imagine a ship-builder receiving an order for a ship to cost £1,000,000, and let us suppose, as would most probably be the case, that on the basis of this order the ship-builder borrows £500,000 from his banker. I would emphasise that this borrowing from the banker as compared with the provision of the sum out of the resources of the ship-building undertaking, does not materially alter the general principle, but it makes the explanation somewhat easier. We will suppose that £100,000 is paid away in wages during the building of the ship, and that the remainder represents payment for material and for various charges which are known in technical language as overhead charges. Eventually the ship is completed and is handed over to the purchaser, who we will imagine to be the public, for £1,000,000 in the form of a cheque. £500,000 of this money is handed over to the banker in repayment of the loan which was created, and which was new money. The banker applies the £500,000 to cancel the loan, i.e., both the £500,000 and the debt against the ship builder disappear simultaneously as if they had never existed. You will see quite clearly, I think, that a ship priced at £1,000,000 exists, but the equivalent purchasing power in respect of this ship has not merely changed hands, half a million of it has absolutely disappeared. It will be found, upon examination, that even this remarkable result is not a full statement of the position, but the general principle involved is made clear by it.

The technique by which this general principle operates in daily life is naturally much more complicated. One outstanding example of it is in the redemption of the National Debt. I find from reference to the monthly Review issued by Barclays Bank for the current month (May) that during the past five years nearly £750,000,000 (collected by taxation) has been applied to the reduction of the National Debt. Every penny of this represents a deficiency between the collective prices of articles available for sale and the available purchasing power for those articles, although it is quite true that many of the articles, in respect of which the debt was created, no longer exist. Exactly the same comment is applicable to the enormous sum placed to reserve, depreciation, etc., by practically all large industrial companies. These sums are earned, as the phrase goes, by the sales of goods to the public, and, consequently, must appear in the price of those goods. If they were not applied to reserves and so forth in accordance with what is called "sound finance," they would be distributed in dividends, and would be available as purchasing power. They are not so distributed, and therefore are not available as purchasing power, and do, in fact, ultimately go to the redemption of loans, in one form or another, which loans have inevitably appeared in the price of the articles produced. I would particularly ask you to notice that the difficulty is an arithmetical difficulty. If you are going to ask the consumer to pay for depreciation, etc., you must give him the money with which to pay, which you do not do at present.

From this disparity between purchasing power and goods available arises almost every material economic ill from which the world suffers to-day, including in that category the imminent risk of devastating wars. The so-called unemployment problem is not a problem at all, but a direct result of scientific methods applied to industry; becoming an economic and political menace of the first order because unemployment carries with it a failure in

economic distribution. The multiplication of the category of criminal offences, from cocaine running to "long-firm" frauds, can be directly and solely traced to a deficiency of purchasing power and the vital necessity to expand it, honestly if possible, but to expand it anyway. One of the gravest features of the situation is that the type of mind which is inherently unfitted to appreciate and function successfully under the environment which would be created by modern science if it were unhampered by finance, is, under the present financial system, put in possession of executive authority, and in consequence in a position to block any attempt to modify the situation. There is nowadays no such thing as an independent "statesman." No politician can hope to attain high office except by permission of Finance; and the corruption and jobbery in high places, although only a symptom of a defective system, are almost becoming a disease fatal in itself. I cannot claim to be an authority on Biblical lore, but I remember that prophecy deals with the doing away with "the abomination which maketh desolate." I have very little doubt that that is a brief description of modern finance.

You will, no doubt, wish to inquire what proposals can be made to remedy this state of affairs. Let me say at once that, at any rate, by itself, the nationalisation of banks is no remedy. It is, in fact, very questionable whether the nationalisation of anything is a remedy. Nationalisation is an administrative change, and in most cases is an administrative change for the worse, because, at any rate, in the forms in which we know it at the present, it involves a highly-centralised form of administration, and separates authority very largely from the facts of the situation with which authority ought properly to deal. But whatever views one may have about systems of administration, the essential point to recognise in regard to finance is the question of the *beneficial ownership* of public credit, whether public credit be administered under a de-centralised or private system of administration or by a public authority. To put this matter in a more concrete form, the question at issue, fundamentally, is whether, when a banker creates and issues a loan he should be repaid (which assumes that the loan belongs to him), or whether he should not be repaid (which assumes that credit is a public asset). That is the simple and fundamental issue of this controversy, and upon the answer which is given to it, in my opinion, the present civilisation stands or falls. But although the fundamental issue can be thus simply stated, the practical methods of carrying out changes based upon it are not so simple and obvious. A clue to them may be obtained by considering the analysis to which I have devoted some of your time to-night. The fundamental defect, as we have seen, in the present financial system is that it produces a disparity between available purchasing power and collective prices for goods for sale, and the disparity may be eventually traced to the existence in prices of sums of money which were created by bank loans and which have subsequently been cancelled without being cancelled in the prices of the goods. The remedy which is obviously suggested by a consideration of this situation involves the cancellation of these credits in *Prices*. One perfectly practical method by which this can be done is as follows:—

Suppose that the large departmental stores, such as Messrs. Harrods, Messrs. Barker's, etc., were to agree, as they probably would, to restrict their nett profit on turnover (not, be it noted, on capital) to 10 per cent. Imagine them to issue with each sale to an individual consumer, an ordinary statement of sale, commonly called a bill, and imagine arrangements to be made with the banks that these bills, when turned over by the individual consumer to the bank, should be credited at 25 per cent. of their face value to the individual consumer's account to which they refer. Such an arrangement would amount in effect to a reduction of price to the consumer of 25 per cent., without any reduction in profit to either the producer or the retailer, and as the result of such an arrangement would be to increase effective demand, the turnover of both the retailer and the manufacturer would increase accordingly, and consequently their profit would increase. So that you will see that neither the retailer, the manufacturer, nor the consumer would, under such an arrangement, have any complaint to make. You will, of course, inquire where the bank will receive the necessary funds with which to credit the individual consumer with 25 per cent. of his purchases. The answer to this is, that at stated intervals of, say, one or three months the banks would present an account of such credits to the Treasury, which would in turn pay to the banks a Treasury Draft equalling the amount, so that the banks would then be covered in the transaction.

The justification for the issue of the Treasury Draft is found in the increased real credit of the community, which accrues from the increased trade which is assured by the lowering of prices. I have, of course, used the figure of 25 per cent. for purposes of illustration, but I may say that in 1919 I conducted a somewhat elaborate investigation into this matter, and I arrived at the conclusion that the true discount to the consumer was very much nearer 90 per cent. than 25 per cent., to obtain the result which I have just been outlining. It was agreed, at that time that the result was too startling to be let loose on a somewhat sceptical public. As a result of the immense trade depression, the enormous number of bankruptcies, and the general depreciation in the real credit of this country, which has taken place between the year 1919 and the present, as a result of the financial policy imposed on this country by bankers, it is quite possible that the true discount to the consumer would now be fairly represented by about 35 per cent. to 45 per cent. I have no doubt whatever, that should some arrangement of this nature be put into operation, that the real credit of the country would rise so rapidly that it would be possible to reduce the price to consumers of articles, to a very small fraction of that existing at present, while at the same time enhancing the prosperity of all producers.

Economics and Ethics.

By K. O. Glenn.

"If man is really incapable of organising a big civilisation, what is the use of giving him a religion?"—"Back to Methuselah."

The persistent publication of the putrescent platitude that material conditions cannot be improved, unless and until, human nature is changed, has now attained the scope of a public menace. It is a theme resorted to mainly by those who cannot evolve a non-committal reply to an otherwise unanswerable argument. Economic disadvantages are somehow supposed to engender moral advantages. The change-of-heart attitude postulates the assumption that human nature controls the conditions. The teaching of science, however, reverses this and shows that environment makes human nature. "Heredity is logically reducible to the effects of past environment." "Instinct is another name for established habit." The first duty of all life is to live. Ethical considerations are not allowed to over-ride the vital necessity. Nevertheless, no ethicist would deny the appositeness of "How," and it is just at this point that environment enters. Environment decides the "How." Faced now with the necessity of replying to the question "What is Morality?" the task is found to be an impossibility. To define "Moral" as "that which works best," may be shattering to canonical conceptions, but it is eminently practical. Such a definition also predicates changing morals with changing times. This is the inevitable consequence in practice. Fixity and Failure go together.

Ethics have no natural place in the struggle to obtain the means to live, although ethical considerations may enter into, and be useful in, the ordering of social living after life is assured. Life before living, material before methods. On the other hand, if life is divine the means to support it is an expression of divinity, and the acquisition of such means should be the first consideration of any ethical code of which the declared purpose is the ordering of living. To propound universal goodwill as the basis of social living when the practical acquisition of the means of life is the basis of universal contention, affords an excellent definition of a tragedy, "an Ideal killed by a Fact."

"The Inversion of Science," the new gibe at the Old Economics, is justified when the physical realities of the situation are considered in connection with the academical conceptions upon which the supposed facts are alleged to be founded. Is it not remarkable that a fundamental field of practical inquiry such as is available in the sphere of applied economics should have to wait till the second decade of the twentieth century for the application thereto of the inductive method? Hitherto reliance has been placed upon the deductive method proceeding from a set of premises which the Old Economics failed or neglected to verify. Consequently, in formulating remedies primary attention was fixed on "the end" rather than on "the means." The "ethicals" followed the former course, while the "scientifics" follow the latter. "Ethicals," observing a defect, formulate a remedy, often mentally fossilising it, designed to attain a certain end, devising their machinery with "the end" wholly in view, but without reference to the fundamental causes of present defects. They are in the position of men working at a science, but not working scientifically. Counterblasts to existing forces are set up, in contradistinction to the analysis of the bases upon which those forces are founded, in order to establish their true nature and to proceed thence to prescribe a remedy. Diagnosis before prescription is a sound medical motto. The diagnosis of the New Economics is "Credit Issue," its remedy "Prices." The negative opposed to the positive, a truly scientific neutraliser. Superlative critics will retort, "Yes, but it all depends upon the diagnosis." That, of course, is quite true. Precise synthesis can only follow accurate analysis. In this connection the New Economics are in a singularly favourable position. The appositeness of its criticism is demonstrated by reference to facts exposed by contemporary economic failures, in the face of which the Old Economics are remedially impotent. Consider the opposed monetary policies of Inflation and Deflation. It may be remarked, in passing, that no other monetary policy is practised at the present time. Stabilisation, so called, is not a policy since it excludes the vital element of expansion (for if it includes expansion then it is not stabilisation). Inflation, it is argued, by bringing into existence new money causes prices to rise. The Old Economics concludes: "Then stop new money coming into existence"—Deflation. This example of reasoning is a concrete instance of the failure to verify premises and inadequate appreciation of what the system ought to do. It ought to avoid rising prices. The New Economics, with its inductive reasoning, inquires, "How does new money come into existence?" and finds the solution. Money may have no soul, yet money is the soul of economics.

"The Royal and Ancient Game."

By "Old and Crusted."

How then cannot men perceive that they be no gods, which can neither save themselves from war, nor from plague?

. . . .

They can save no man from death, neither deliver the weak from the mighty. . . . They can show no mercy to the widow, nor do good to the fatherless.

. . . .

And ye shall know them to be no gods by the bright purple that rotteth upon them: and they themselves afterward shall be consumed, and shall be a reproach in the country. Better therefore is the just man that hath none idols: for he shall be far from reproach.

(*The Book of Baruch.*)

No doubt but ye are the People; who shall make you afraid?
Also your gods are many; no doubt but your gods shall aid.

. . . .

Whatever your heart has desired ye have not withheld from your eyes.
On your own heads, in your own hands, the sin and the saving lies!

(*The Islanders.* R.K.)

It has often puzzled me to find any satisfactory reason for the continued existence of the London School of Economics. But now the debate between the Earl of Balfour and Mr. Leo Maxse, under the aegis of this branch of the "grand academy of Lagado," on the all-important question, "Does golf do more harm than good?" has taken a load off my mind and removed all doubts as to the benefits that will eventually accrue to the people of England from the lucubrations of the high priests of the orthodox faith. Such catholicity in choice of subjects as is indicated by this discussion opens out an endless vista of fruitful exercitations and such an extension of the curriculum offered to the students that one ventures to hope the day is not far distant when the "New Economics" will be included. So cheery is the feeling evoked, one can predict with confidence the dawn of some fine day when a professor—probably Sylvie's friend who wore the umbrella top-boots for protection in "horizontal weather"—will announce to the "Other Professor"—the dreamy one—that he has made another wonderful discovery transcending in importance the "Active Tourist's Portable Bath," constructed from a table-napkin. Said discovery being, that it is the duty of a School of Economics to consider how the triumphs of science may be best applied to the distribution of goods and services necessary to maintain His Majesty's liege subjects in wealth, peace, and godliness, and how the present "scarcity and death may . . . be mercifully turned into cheapness and plenty."

In the meantime the old hurdy-gurdies are grinding out the time-worn ditties for the people to dance to. Sir Felix Schuster boasts:

"We have kept faith with the world (he might have included the flesh and the devil) and those who trusted the £ sterling during and after the war have not been deceived."

Now, whoever "those" may be they are certainly not John, Mary, and the children! Perhaps Messrs. Warburg and families!

In the *Morning Post* a certain Mr. Shaw Desmond leads off in a recent issue with a great effort labelled, "Produce or Perish!" in blissful ignorance of the fact that some of us would prefer as a slogan, "Consume and Live!" But hearken to the much-travelled S.D., who had been communing with captains of industry in both hemispheres. Hear what was told him by Mr. Bernard M. Baruch, "the American with the most widespread national business experience living"—

"Big wages for big work is the secret of success in the modern business world,"

which, divested of Yankee flummery, is suspiciously like "long hours for tired toilers!"

Our flesh is then made to creep by the announcement that Germany is training for "the Day."

"She is dead set upon two things. The first the capture of the European and overseas markets from England, and the second, a war of revenge against France."

However, in spite of the fact that in order to realise these amicable peace-promoting dreams German shipyards are "putting in a nine, ten, and even an eleven-hour day," it appears the Copenhagen boys can go even one better and beat the Germans at their own game by working twenty-

four hours per diem in three eight-hour shifts! Now, it is almost incredible, but this fatuous publicist actually urges the adoption of a similar strenuous policy by Great Britain with a view to beating the whole world at cheap production! Well, how shall we set about it? The simplest and most effective plan, as far as I can see, would be to repeat history and send a successor of Admiral Gambier to Copenhagen with instructions to put an end to this "unfair competition" by a dose of Machtpolitik. Somehow or other there does not appear to be room for all of us in the "high production business" under the present dispensation.

. . . .

The fact is S.D. has been consulting the wrong Baruch and got mixed up with golden images and other doubtful company. I would recommend him to get a copy of the "Jewish Apocryphal Writings" and look up the Book of Baruch, especially the final chapter, "The Epistle of Jeremy," where he will learn how Israel got into trouble by trying to be too clever and how, in punishment for turning aside from the law of God,

"He . . . brought a nation upon them from far, a shameless nation, and of a strange language, who neither reverenced old man, nor pitied child."

The modern Baruch has probably a very fair idea which the "shameless nation" is that will attempt, sooner or later, to upset the financial apple-cart. Hence this ominous, feverish energy to get a firm grip of the assets before some nimble-witted people make the brilliant discovery that one way of preventing war and reducing "costs of production" would be to declare all war debts irrecoverable.

. . . .

Verily golf is a great if deleterious game, but the most "royal and ancient" of all games is the gold ramp as played by the Pharaohs in the years of Baruch, the friend and companion of Jeremiah, and in these latter days by Baruch, the crafty councillor of Uncle Sam in the reign of the Federal Reserve Banks.

"Commercial Art," Dividends, and Copyright.

By Haydn Mackey.

The great artist doesn't so much mind the "Broker" being "in possession" of the home;—that's generally inevitable. What he really objects to is the "Broker" being "in possession" of the mind and spirit, which is precisely what has happened to the mass of the rank and file, the lesser men, the average moderate talents forced into the production of the skilled work called by that contradictory term, "commercial art." But even while receiving the "Broker" in the spirit, they have mostly failed to keep him out of the home. This failure is more tragic than in almost any other type of industry, because of all kinds of labour, theirs is one that, of its very nature, must be most keenly exploited when paid by a wage instead of by a dividend; for it is a craft used to bring individual human interest to the mass-production of the machine and to rob individual craft, to give some semblance of poor spirit to the soulless, to steal the market of the spirit!

If, in our machine age, the lesser artist has an inevitable job in the sugar-coating of the mechanical pill, he should at least be given an escape from the wage system of payment, by the granting of a royalty or dividend on his copyrights.

I recently designed the general "get up" and labels for a small set of articles, articles which it was emphasised and impressed upon me would very largely depend for their sale on their "tasteful get-up," and in which about half the total cost of production would be in the printing, package, and "make-up." When I stipulated for payment for my designs on a "royalty" basis, it was at first regarded as "most unusual, never before heard of in such work, etc.," but as I had to deal with a fair-minded director, I succeeded when I pointed out that here was a case in which the usual practice really meant that everyone connected with the production and sale of these articles would receive payment on the number sold, *except the designer of the so-very-important labels!* The printers of these labels would receive payment on every edition they printed. The commercial travellers, working on commission, would receive a percentage on every sale they effected, *including all "repeat-orders" from new customers they introduced.* The labour employed would have to be paid a continuous wage. Some payment must accrue to every individual concerned with the production and distribution, that is, to the makers, wholesalers, middlemen, retailers, office-staffs—to hidden profits, overhead charges, rents, and interests. And all these payments would continue so long as the article sold, *except in the case of the producer of the scheme, the design which it was admitted was for the express purpose of being an important, continuing, and permanent factor in the effecting of sales!*

In such a case to insist on an outright price to buy all and sole rights in a design was to give skilled labour an even lower economic status than unskilled. Yet that is precisely what happens in the transactions of most "commercial art," which nevertheless absorbs one way and another, many of the cleverest of our contemporary artists (many of our posters, showcards, illustrations, labels, patterns, designs, and arrangements show more ability than will often be found in a gilt frame at the Royal Academy).

Mr. Will Dyson, years ago, tried to arouse some interest amongst artists for an Artists' Guild or trade union; and it does seem to me that some combination might be usefully employed in working for the extension of "royalties" to the works of the humbler artists and designers, and so extend the idea of payment by dividend which, whilst it would not enlarge available purchasing power, would in many, many cases distribute it better. Think of the fortune that "genius" should now be squandering, who designed or schemed the label on a bottle of "Guinness," if only a minute royalty were paid him on each copy sold! (the price of which contains a profit on every constituent of the article, for *brewers don't sell even their labels and trademarks at a loss!*) Or think of that other "genius" who must be a mainstay to the fortunes of Messrs. Bryant and May, Ltd.

One of the gramophone manufacturing companies recently pensioned, in his old age, the artist who had produced their trade-mark; but had they paid him for it on a reasonable royalty basis, it would doubtless have been unnecessary, and would not have had the unpleasant suggestion of the charitable donation. This transaction really worked out as a limiting of the artist's economic liberty during much of his life, for an added advertisement gained by the "charitable" act on the part of the company, years after the original contract had been made.

But times are very hard and things are very difficult—think only of the difficulties a lawyer can make of the Copyright Acts!!!—and the unfortunate "commercial artist" is "blacklegged" and undersold by "amateurs," "studio"-factories, design-"agencies," and such like, so that we see designs the *sole* property or even purporting to be designed and conceived by limited liability joint-stock companies!!! The healthy objection to "ghost" work in works of invention or design seems to have disappeared just as the healthy objection to usury!

So!—if the "commercial artist" would escape penury, he must drive the best bargains he can for the credit inherent in his ideas when next he finds himself accommodated with a chair and a cigarette (cigars are only for potential *customers!*) in a private office, hideous with the paraphernalia of "board-room-taste" and is listening wearily to an energetic, flat voice which is explaining that a "brilliant" idea is required, to be expressed graphically, in five or seven or whatever-the-proposed-cost-may-run-to printings in colour, for a poster or showcard or label, designed to impress upon the public that some ridiculous soap or sponge-cake or sardine or jam or jim-crack or jamboree—is the best and greatest ever!!!

Reviews.

Young Winkle. By John Hargrave. (Duckworth. 7s. 6d. net.)

"The faithful portrait of an ordinary, uneducated, quick-witted, healthy, normal British boy," says the publisher's announcement, "and how he was taken in hand by the Great Doctor and made into a new being with a new knowledge and a new outlook. . . ." It is just because Young Winkle is healthy and normal that we doubt the voracity which Mr. Hargrave makes him display for the new knowledge in this book. It is rather your pale-faced, bespectacled, weakling who would find pleasure in Dr. Lammas's declamations, such as this: "I am the Striving Thing with the Will to Change. I am the Bisexual Mystery of Life—Adam and Eve (and Pinch-me)." What attracted Winkle was the long tramps with the Doctor—the camping-out—the night fires. Given those, he could put up with—"And, furthermore, my son, be admonished: of the spinning of words there is no end. . . . Keep your mind and body as part of the One Evolving Whole. . . ." What Winkle wanted was "Myst'ry and Adventure," so he was sensible enough to bear with the necessary incantations of the magician. A taste for jam is not a taste for pills. However, there are some true touches here and there. Winkle's search in a dictionary to find out the meanings of taboo words and to discover "new bad words" is one of them. But we could have done with a lot less of his soliloquising. "The plot thickens—not 'arf it don't. It's an unpresented clamity. Crative magication in a triffic hurry. Over-positive thinkulations swooshing right round the whole blinkin' world. . . . DEAHly beloved brethren the ScripCHAH—so let's 'ave Onions—with Irish Stoo! . . ." This is not young Winkle: it is young Hargrave. It is not what Winkle would say to himself, it is what Mr. Hargrave would like to think Winkle would say to himself. However, these are minor blemishes. The merit of Mr. Hargrave's book lies in the atmosphere he evokes. It stimulates the combative impulse. It encourages the Donnybrook-Fair spirit—"When you see a head, hit it"; only the heads in this case are not craniums, they are axioms. Mr. Hargrave is out to upset the apple carts of the educationists; and as, in the person of Dr. Lammas, he strides along through the jungle of orthodox curricula, there is a continuous crecking and breaking. Religion, art, politics, economics and finance direct an indignant glare on his irreverend back as he brushes through them, clearing the path for the young players of the Great Game of Life. Readers of this journal will find especial interest in that part of the book where Winkle is initiated into the mysteries of Money. This is done with particular pains, and is well done. So is the exposure of the "Work" principle. "Where gold ruled, men had to work for IT, and there grew up the terrible legend that men were created by some Horrid Being whose one desire was that they should work, and *work*, and WORK. And the legend about the Nobility of Work was invented, either by sad men to keep their hearts up, or by cunning men to keep the others contented with a very evil lot." . . . "Anything which is agreed upon *can be money*." Then (to Winkle) "There is not much likelihood of this being perceived by the mutton-headed generation to which I belong, but *yours may spot it*." Mr. Hargrave picks everything up and turns it over. Mr. Hargrave is the sort of man whose mission in life is to confiscate price-tickets lettered: "**2d. per ½ lb**" and to substitute others lettered "**4d. per lb.**" That's what upsets apple-carts.

The Economic Illusion. By Arthur Bertram. (Parsons. 6s.)

Norman Angell wrote of the *Great Illusion*, Robert Maclaurin of the *Overseas Illusion*, Jacob Wasserman the *World's Illusion*, and there are probably many others. It might be supposed that there was a financial illusion on which all the economic ones rest; the theory that labour should be laborious and money scarce, but this is not mentioned by Mr. Bertram. The Illusion which he considers to be fundamental is nothing but the old Socialist criticism of production for Profit instead of for Use, Privilege masquerading as Function, though he describes it as Acquisition instead of creation—"the attitude which regards industry as carried on for the benefit of those engaged in it rather than for those whom it should serve." This is not new nor is it very helpful; Acquisitiveness though not ineradicable is at least widespread, and it is much easier to direct than to reform. When it is no longer curbed and stimulated by poverty it may be expected to be less insistent; for vices are the expression of needs. Mr. Meulen and other individualists claim that freedom of credit would harness the acquisitive instinct to the creative functions, but Mr. Bertram, beyond a doubtful reference to Major Douglas, sees no way of increasing the means of exchange without raising prices. He realises that actual production has not increased proportionately with productive power, but he tries to show that this is entirely due to the wastefulness of Business methods. The increasing proportion of prices represented by marketing, estimated in the United States at 50 per cent. (*Modern Economic Tendencies*, S. A. Reeve) is, of course, a most important factor in reducing the amount of real wealth by diverting money into unproductive channels, and it is possible that production might be trebled by eliminating Solicitation and the money market. The claim that the increased sales resulting reduce costs he refutes by asking how all sales can be increased when all advertise. He comes nearer to the Illusion when he points out that work is expenditure, yet it is regarded as if it were receipts, and the charges for advertising, etc., as production, and that export should only be a means to import, and here at last is the economic difficulty:—

"Under existing conditions there simply exists no reason why the demand for men to perform the services required by those who can afford to pay for them or who can profit by using them, should even approximate to the number of men who must depend on such employment. . . . If we can conceive of the concurrent combination of our system, the growth of labour-saving inventions, and the acquiescence of the workers, it is quite possible that the combined demands of the wealthy for attendants and of the profit-seekers for employees might together offer employment for no more than half the workers."

This is one half of the dilemma; the other, the denial of Life to all but a leisured class, is touched on in the last chapter—

"We admit in words the transcendence of spiritual things, but we have not ordered our scheme of life as though we believe it. We cannot live until we have disabused our minds of the infatuation that a man's life consists in the abundance of the things that he possesses. This is the great lie of the Devil and the real Economic Illusion."

The Theory of the Leisure Class. By Thorstein Veblen. (George Allen and Unwin. 10s. 6d. net.)

This study is marked by Mr. Veblen's usual tireless minuteness of analysis (within the limits of his outlook), and by a considerable measure of acuteness of insight (subject to the same qualification). It is tinged, too, throughout by that delicate, and largely latent, irony characteristic of the writer. As an *ex parte* indictment of the leisure class and its ideals, it may be pronounced excellent. But there is, of course, a great deal to be said on the other side, which Mr. Veblen simply ignores. He shows successfully indeed how deeply the ideals of the leisure class are infected at every turn by the worship of money values. But it remains true that, beneath all this, there are much nobler aspects of life and character which have been developed by that class and have never been completely vulgarised by the plutocratic trend. Mr. Veblen appears at times ready to acknowledge this, but when he seems on the verge of making it explicit, he always switches off with the plea that he is only treating of the *economic* effects of social institutions. In answer to this there are two things to be said. In the first place, is an economic doctrine of any value—is it indeed, in the last resort, really possible?—which shall cut itself so sharply out from the total texture of real life? And, secondly, Mr. Veblen does frequently pronounce purely psychological or social judgments on the effects of certain customs or activities, and only pleads his estoppel when the course of the argument calls for the balancing of his plentiful dyslogy with a little eulogy. As it is, some of his judgments are extravagantly overstated and one-sided. Like a good Marxian, too, he is as anxious as the most bigoted psycho-analyst to bring all phenomena under a few conventionalised rubrics. It is sheer linguistic licentiousness to give so lax a meaning as he does to the idea of "predatory." Nor are the "economics," which he would make the measuring-rod of all things, by any means impeccable. He has the hardihood to declare that the "material interests" of "advanced industrial communities" are "no longer incompatible. . . . No one of them any longer has any material interest in getting the better of any other." The conclusion of the whole matter would seem to be that an exclusive leisure class has so far served as a fairly satisfactory makeshift for the development and preservation of culture in the widest sense, but that such culture is also exposed to much corruption from the conditions of its incubation. Has not the time now come when we can, with immense ethical and social advantage, turn the whole community into a leisure class?

Question Time.

DEBATE ON CREDIT CONTROL.

Canadian House of Commons, March 4, 1925.

On the Motion,

That, in the opinion of this House, it is not in the interests of the country at large that the privilege of issuing currency and of controlling financial credit should be granted to private corporations.

IX.

Sir Henry Drayton's Speech.

Hon. Sir Henry Drayton (West York): Mr. Speaker, I am afraid I shall have to burden the House for a few minutes in saying something upon this issue. It is a matter I did not expect to speak on, but a good deal has been said as to what has happened in the past in connection with deflation policies and the like. The whole subject is interesting. I like to hear it discussed, but much more than hearing it discussed, I should like to get one ray of light as to future, as to something practical, from the gentlemen who delight to discuss it.

Mr. Good: I will give it to the hon. member later.

Sir Henry Drayton: I shall be delighted to get it. So far I have not been able to get it. To-day we have had complaints all round. There is a complaint if you go to the right. There is a complaint if you go to the left. There is the complaint of inflation by the banks. There is the complaint of deflation and the like. There is the complaint of Government inflation. There is the complaint against

rapacious financiers. Then there is the plaintive complaint voiced by the hon. member for Brant (Mr. Good) as to ignorant politicians having anything to do with financial matters. I believe many economic thinkers will agree with my hon. friend. I wonder if, after all, we cannot get somewhere with these complaints.

I wonder if we cannot possibly clear the ground just enough to begin to appreciate the difficulties of the situation. Everybody should want to endeavour to improve the situation where any avenue of improvement is opened up, and I think that is the desire of everybody. The trouble is that we have so much talk, and what the Acting Minister of Finance (Mr. Robb) says is perfectly true. If we have any interest in the smaller banks, one of the worst disservices we can do them and the public generally is to create suspicion in the public mind as to our banking system. It is well to criticise these institutions if by so doing we can accomplish anything useful, if we have some concrete, sensible proposition which will advance their interests instead of hurting them. But in the absence of such a proposition I want to endorse entirely what the Acting Minister of Finance has said.

Hon. gentlemen say that the previous Government were to blame for deflation. Following that out, they would have to say that the present Government is to blame for continuing the same policy. There has been no change. Everything is the same. Many questions have been asked to-day and I am going to put a question. What step did the former Government take, or what step has this Government ever taken, to force upon Canada deflation? Not one. There was never a Governmental action taken in this country calculated to create a position of artificial, forced deflation.

Mr. Millar: Was currency withdrawn from circulation in 1920? And if so, how much, and by whom?

Sir Henry Drayton: I wonder if the hon. gentleman really thinks that any Government or bank, or anybody else, can expect to feed out dollars in this way and keep it up? Is there anybody to-day who does not realise that the issuance of money means interest and that the people holding money which they cannot use return it in order to avoid the burden of that interest? Can anyone be in ignorance of that fact? What Governmental step was ever taken, either by the present or by the past Government, to bring about sudden deflation? There never was such a thing.

Mr. Irvine: Did anyone make that charge to-day?

Sir Henry Drayton: Yes, I have heard it to-day.

Mr. Campbell: Not from this section.

Sir Henry Drayton: Yes, from that section. Some hon. gentleman, I cannot remember who, read some report or other of Sir Frederick Williams-Taylor's in which the statement was made that, agreeable to the policy of the Government, or words to that effect, something was being done. I did not quite get it, but I remember having heard something of the kind. But my point is that there never was anything done in Canada, either by the former Government or by this Government, which would have anything at all with price levels.

Mr. Irvine: But should not something be done?

Sir Henry Drayton: There we are getting on to something else. But there is no difficulty about that point.

Mr. Woodsworth: I think the hon. gentleman is referring to a quotation which was submitted to the House this afternoon from the evidence given by Sir Frederick Williams-Taylor before the Banking and Commerce committee.

Sir Henry Drayton: I thank the hon. gentleman for the information. There is no mystery about the matter at all. By one of those strange accidents of fortune, it happened that price levels were affected just through one of those vehicles which some hon. gentlemen think the Government should adopt. Now, what is it that has to do with price levels? Commodities, is it not?—commodities and the outside market for commodities. Canada has no special supply market of her own for raw commodities.

Mr. Irvine: Does the hon. member mean to say that the only thing that affects prices is commodities?

Sir Henry Drayton: There we are getting into an academic discussion that would afford us room for discussion all day long. But let us keep to one thing at a time. Does the hon. member suggest that inflation is a condition which is not mirrored in an inflated value of commodities?

Mr. Irvine: I would ask another question. Does my hon. friend mean to say that the inflation from which Canada suffered during the war was caused by commodities?

Sir Henry Drayton: If we go back to the war it will take us a long time to get done. But that was a period during which, from the very nature of things, inflation was inevitable. It has been said quite often, but I will repeat it, that inflation is due not merely to a redundancy of currency but largely also, as was shown during the war, to a redundancy of Government credits. Every single Government issue of bonds for war purposes, which does not produce anything, goes to reinforce a greater foundation for credit. Wars have to be financed, and at the end of every war there is bound to be inflation. Hon. gentlemen seemed to indicate to-day that, while things were going first-rate after the war, and when we had high prices and inflation, through some governmental policy or some policy of the banks, or both, there was sudden deflation, which was a very bad thing for the country. I think I am safe in representing this as the burden of their complaint. But the deflation that took place at that time was almost entirely a deflation in commodity prices. And I was about to point out that Canada's commodity markets were the same as the markets of other purchasing nations. Unfortunately, in that period of post-war inflation, there was, as there always is, a great deal of speculation. For example, there was an immense amount of sugar bought up, as well as of rubber. And what happened in the sugar situation? Do hon. gentlemen remember what occurred then? All of a sudden the federal reserve bank of the United States came to the conclusion that there was too much sugar paper out and so refused any more re-discounts or anything of that kind. And the same thing happened later in rubber. These are only two illustrations. Raw sugars dropped to something like one-sixth of their former value; they dropped to such an extent that the very collateral which the banks held and which under former values was perfectly good, became entirely uncollectable, and the whole thing had to be carried. Does any hon. gentleman think that what happened in New York was not mirrored in Montreal the next morning? Does he think that there was anything in the world which the Canadian banker could do to keep up the value of a collateral in something which played relatively a large part in the nation's business? Sugar raws were down to 3 cents; could the Canadian banker do anything at all to increase its value to 18 cents, where, I think, it was before? And what could the Canadian Government do? Take another large raw material, rubber. What could either the Canadian banker or the Canadian Government do in that situation? And so, in the case of any single one of the large staple commodities, there was nothing in the world which this country could do to maintain prices. What would any hon. member expect? Do hon. gentlemen think that the Canadian Government or the Canadian banks could go into a "corner" for the purpose of artificially holding up prices in order to maintain an inflation that had disappeared? And what else was there that could be done? Take wheat: has any hon. gentleman the temerity to suggest that any Government in Canada either did, or could, do anything to hurt the price of wheat?

(To be continued.)

LETTERS TO THE EDITOR.

CANADA AND THE UNITED STATES.

Dear Sir,—In the "Notes of the Week" of your issue of March 5, a reference is made in regard to Dr. Manion's statement in the Canadian House of Commons that at least one-third of the population are in favour of secession from the British Empire and annexation to the United States.

May I, an Englishman, a resident of Western Canada for thirteen years, be permitted to remark that such a statement is merely bunkum, and some of us are of the opinion that it is mainly used for "big stick" purposes by members of both of the big political parties, who are well aware that the only basis for that sentiment is in their imagination.

About fifteen years ago, when a brother of mine arrived in Winnipeg, it was a common sight to see mentioned in advertisements regarding vacancies that no Englishmen need apply, and I have heard this also from the lips of other victims. As time went on, however, things changed, and when I arrived the antagonism towards the English had moderated considerably and the big surprise to me was to see the amount of antagonism abroad towards Yankees. During the war this latter feeling became somewhat heightened, and a number of American residents of this country openly expressed their disgust with the early policy of the States and enlisted in the Canadian Forces. Since our reaction in favour of a policy of liquor moderation has taken effect, the feeling towards the States with its attempt to enforce Prohibition is not likely to be favourable, and only the other day our newspapers were discussing the possibilities of friction arising over the increased activities on the part of the American officials in preventing the smuggling of liquor on the Great Lakes. I think the dependable view to take is that Canada wishes whole-heartedly to remain in the Commonwealth of the British Nations and at the same time desires full independence within that circle.

If you have paid any attention to some of the speeches of Western Progressives during the recent Budget debate at

Ottawa, you will no doubt have noticed the desire expressed on their part for free trade with Great Britain, and that is a policy that is receiving full support from the farmers in the West, and in that connection it is rather amusing to read in the *Irish Statesman* a reference to the necessity for Ireland of following the footsteps of the other Dominions and adopting Protection. If the gentleman who wrote that could be persuaded to pay a visit to Western Canada, he no doubt would be greatly surprised at the amount of feeling in the prairie over what the farmer considers to be the "milking" of the West for the benefit of the manufacturers of the East. In a couple of years I think the strong under-current of discontent amongst the farmers will receive conscious guidance and then I think you will see the "fur fly." Mr. Woodsworth's speech in the House was one sign of the times and Mr. Spencer's was another, and no doubt you will agree that these signs are very promising. Instead of one hundred thousand Cornishmen, we will have one hundred thousand prairie farmers wanting to know the reason why. It is very encouraging.

With best wishes to the Social Credit Movement and THE NEW AGE. Yours faithfully,

W. DIAMOND.

FINANCIAL NEUTRALITY.

Sir,—The "Finance" and the "neutrality" of which I wrote had nothing to do with financial houses and their subscriptions to political objects. (The subscribers named by Miss Neilans figure much more largely on the confidential list of the Salvation Army.) All the same, I do not follow her logic. In a previous letter she said that what paid the Suffragists best was to get their claims *talked about*. If so, the financing of an Anti-Suffragist movement was the surest way to ensure that they *were* talked about. The conclusion seems to be that the financiers in question were not afraid of extending the publicity of the agitation. To that extent it goes to support the "neutrality" theory I advanced. Most economic students will know what I mean.

J. B.

WHAT CAN WE DO?

Sir,—Not far from your office is the Royal Exchange, over the front of which can still be read, "The earth is the Lord's and the fulness thereof, the world and they that dwell therein." This fact realised + Douglas Theorem = Prosperity. Christ's professed followers to-day are renegades for the simple reason that they (I am one) do not observe the spiritual and natural law taught by Christ. Endeavour to open the eyes of professing Christians, and they alone, when converted to Christ, are amply sufficient to enable New Economics to be an actuality. At the moment I am broadcasting "Through Consumption to Prosperity" in so far as time and means allow.

COMMONWEAL.

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