

THE NEW AGE

INCORPORATING "CREDIT POWER"

A WEEKLY REVIEW OF POLITICS, LITERATURE, AND ART

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NOTES OF THE WEEK.

Of all the annual speeches of bank chairmen Mr. McKenna's is the first to which students of economics are now accustomed to turn. He may be, at bottom, an advocate of the financial system as it exists, but at least he analyses its mechanism and enables the non-technical observer to get a fair idea of the grounds upon which he bases his views on monetary policy. There is practically nothing of the I-say-so method in his arguments. His address on January 26 fully sustained his reputation in this respect. Naturally his survey of the events of last year began with a reference to our return to the gold standard, which had established our ability to "recover and hold a free gold market," an achievement, however, in which "the sympathetic factor"—from which one suspects that it would have been a task beyond our power but for the fact that it suited the book of the Federal Reserve Board to create an overseas demand for the surplus gold which is causing it so much embarrassment. It stands to reason that the greater the number of countries in which the central bank is legally bound to buy at an arbitrarily swollen price all the gold which may be offered to it the greater relief there will be to holders of unsaleable and unusable stocks of that commodity. It must be remembered that but for such legal compulsion (which is the essence of what is called the free gold market) the price of gold would slip down to a small fraction of its present amount, and its unlucky possessors would have to submit to this same "surgery" as was practised on Messrs. Vickers' ordinary shareholders, their "gold-share" being written down from its value as bulleted to what it would fetch as a material in the supply arts and sciences under the current law of any terrifying contingency—and that price is not by any means a fanciful guess should the skippers of State treasuries decide to dispense with golden anchors for their currencies.

Accordingly, it is appropriate enough that Mr. McKenna should offer his congratulations to "our

financial authorities" on the successful stabilisation of the value of their cosmic debenture—gold. But he is fair enough to remember that the satisfaction of purely financial requirements is not the only factor in economics. "We must recognise," he says, "that the transition to gold seriously impaired our export trade." Seeing that all his brother chairmen insist continually that we "live on our export trade," the ordinary man may excusably get into a fog about what the bankers are after. Less export trade means less employment, less wages, less profits, more doles, more subsidies, more quarrels, and more Royal Commissions. The spectacle of a whole population having to get down its economic weight to the extent of four ounces in the pound for no other apparent purpose than to maintain the price of gold at about four pounds per ounce, makes one wonder if he lives in the world or has got lost in a cinema. Now, in France, the people have not gone into the "pictures" yet. They are bankrupt in a financial sense, but economically they are too fat (as yet!) to get past the turnstile. "If we see," continues Mr. McKenna, "that there has been practically no unemployment in France since the war, we find unhesitatingly a partial explanation of the phenomenon in the inflation of credit and currency,"—i.e., in the melting down of the golden anchor. "No one doubts that monetary inflation must ultimately prove disastrous" (so long—let us interpose—as the "inflation" is allowed to infect prices; which it need not); "but . . . while it lasts it stimulates trade, and particularly the export trade." Conversely, in the case of Germany, with her low wages and splendid organisation and equipment, "trade is depressed and unemployment is rife." And the reason? "There is not enough currency or bank credit in Germany to carry anything like the volume of trade she is capable of conducting." The only point Mr. McKenna is making is that monetary policy has a marked effect on economic activities. The moral to be drawn from this part of his speech is that you can have a good time while you are bankrupt, but that, all the same, it is a disastrous thing to become bankrupt, because you will have such a bad time when you become solvent. This is unconvincing, for why should any people

choose to change a happy bankruptcy into an unhappy solvency. But here we come to the real point. Do they "choose"—or is the lapse into solvency chosen for them?

No one will charge us with advocating inflation as a settled policy. It is as bad as deflation in its effects on national economic unity. In either process somebody goes to the wall, the tug-of-war between fixed and fluctuating incomes is perpetuated, and innocent interests are sacrificed, whichever team is pulled over the mark. In this connection Mr. McKenna is not so clear as he might be. Speaking of the effects of the free gold market he points out that every purchase of gold by the banks creates deposits, and so expands credit. Now, hitherto he has been applying the term "inflation" to expansions of credit; so we are entitled to substitute it in his present formula, and say that every bank purchase of gold causes inflation. But inflation is "disastrous," he has said. If so, the institution of free gold markets and the compulsory purchase of gold must therefore be disastrous. But no. It appears now that credit can be expanded without causing inflation; at least, that is the first impression conveyed by Mr. McKenna's reference to American prosperity. He says that during the last four years the banks in the Federal Reserve system have reported a 30 per cent. increase in deposits. "Prima facie, this large increase in public purchasing power might be thought indicative of inflation." But there is "no serious cause for alarm" for during the same period there has been a 14 per cent. increase in employment in manufacturing industries, and one of nearly 40 per cent. in production in basic industries. In short, "the United States as a whole are enjoying very considerable trade prosperity, and the best authorities tell us that their prosperity is on a sound basis." (Notice his careful phrase, "the best authorities tell us": that is almost an explicit statement that he is not prepared to take the responsibility of supporting them.) Safeguards against inflation have been applied in America. How? Let us quote:—

"As I have already mentioned, the Federal Reserve Banks have thought it necessary to guard against inflation more than once in the last four years. The principal measure adopted to counteract the effect of the forced purchase of gold was quite simple. It must be remembered that just as a purchase by a central bank, be it of gold or anything else, increases bank credit, so a sale reduces it. The Federal Reserve Banks allowed their bills to run off, and later sold investments, as fast as the gold was paid in, and thus stopped the growth of credit. It will be observed that this process was very expensive for the Reserve Banks. Bills and investments are earning assets; gold is not. A continued replacement of bills by gold would have ended in depriving the Reserve Banks of all revenue, and they did in fact reach a point in 1924 when they were barely covering their expenses."

Here is a disappointment to anyone who has been waiting to know how the Federal Reserve Board expanded credit without causing inflation. The "simple" answer is simple enough in all truth. They did it by not expanding credit! As fast as the banks put fresh money into circulation by issuing credit against the receipt of gold, they withdrew money from circulation by refraining from renewing loan credit on bills. They expanded and contracted credit simultaneously by the same amount. From a revenue-earning point of view this involved the banks in a loss. When a bank buys gold it is really receiving a gift of gold in exchange for a gift of bank credit. The recipient of the credit, of course, pays no interest on it. It is his own. The gold itself earns no interest for the bank. So if the bank, in order to make this gift of credit, reduces the volume of its loans to the same amount it loses the interest which it would otherwise have received on it. Thus it is easily seen that the Federal Reserve system was, and still is, in a dilemma. If it piles up its store of gold it may reach a point at which it is not earning a

profit at all. If it expends credit (as, in theory, it is entitled to, and could, on the basis of the increased gold backing) it could earn a profit, but it would cause price inflation—which it wishes not to do. Its only way out is to reverse the process and sell gold, thus initially contracting the volume of outstanding credits; upon which it can create and issue new loan-credit, which will earn interest. But there is no possible customer for gold in any appreciable quantity except some other banking system. Nor will even that other banking system want gold unless it is working on the gold basis in respect of its currency. So we come round once more to Mr. McKenna's congratulations to our financial authorities. They are altruists. They have provided poor Uncle Sam with a dumping ground for his gold. And what do we get as a *quid pro quo*? Well, we get some bullion—or rather the Bank of England does. That might be something to the good if it were made the basis for new credit. But, Mr. McKenna shuts out even that hope for what it is worth, for he hints that the Bank of England will probably follow the precedent set by the Federal Reserve Board, and not increase the total volume of credit, or, if it does, that it will not let it out for circulation among the British people but use it to purchase dollars or United States Government Bonds which it will accumulate towards the instalments due in repayment of the American debt. If so, a little reflection on Mr. McKenna's remarks will show that this country will be repaying America by adopting a monetary policy which denies it access to foreign markets. In a fundamental sense we shall not pay the debt at all, but stand aside and allow America to pay herself by the process of placing herself at the head of the international queue of sellers to the world's markets.

While this goes on American prosperity is not to be wondered at, even under the defects of her financial system. The explanation is simple. We have many times emphasised the fact that such a system will break down on the problem of the unsaleable national surplus of production. But if the whole world outside America continues to adopt means whereby America's surplus is rendered saleable, naturally America will perform the apparent miracle of making a theoretically self-destructive system work well in practice. But that is not all. In comparison with Europe, America has for many years held an immense natural advantage. She is a whole continent, which is at once a single credit-area and a single fiscal-system. Her territory, too, yields practically everything necessary to ensure complete economic self-maintenance, and can yield it in quantities sufficient to enable her to supply the whole world with nearly all its wants. America's potentialities for development have hardly yet expressed themselves. For years past, notwithstanding the continuous application of scientific inventions to eliminate the human element from production, she has been able to absorb streams of emigrants from all over the world. And here we touch on another reason for her prosperity. Her recent drastic limitation of immigration has been a most valuable prop to her defective system of finance. Its effect has been equivalent to a relative export of population—a throwing back on the paralysed resources of Europe of a multitude of hands and mouths which would in the normal course have found work and sustenance in the United States. The truth is that in so far as adventitious aids can come to the rescue of industry under the laws of the financial regime, America has got a monopoly of them. And in this fact lies the answer to "the best" perity is on a sound basis. Of course, it is in an immediate sense. So would be that of any country which could hoodwink all its competitors to put it there. On the other hand, it is not on a sound basis in the sense that Europe can be relied on to hitch its

wagon to the stars and stripes indefinitely. "I must live." "Oh!—I don't see the necessity." "Well, I do. And the necessity is that I'm damned well going to." This sledge-hammer retort (was it one of Jack London's characters?) will serve for the doctrinaire as well as for the cynic. Europe must find a means of financing her own resources for the benefit of her own inhabitants. And if the few dozen controllers of the world's credit query the necessity, the answer will be—as before.

Mr. J. H. Thomas is always so "beastly pleased with himself" about everything he brings off that everyone has to smile. His latest exploit has been to avert a railway strike by the skin of his dress shirt. "What," he said subsequently at the dinner, "would the delegates have thought if I had gone there in my dress clothes?" Whether Mr. Thomas had relapsed into green corduroys (green is certainly his colour) the report does not say, but whatever his costume was he conveyed an apology for it to the guests by asserting that he did not apologise for it. They received the apology graciously, as who should not from one who had saved them from a revolution? All the same, those delegates who helped him to win the vote will hardly thank him for his breezy exposure of their psychology. It will lower their prestige down below. The Communists will be divided between irritation at his frustration of their hopes and elation at his unwitting confirmation of their opinion of the average railway delegate. Perhaps in the end even they will smile. Nevertheless, the principle Mr. Thomas applies to these trade disputes will not do. It is true enough that the interests of the community are more important than those of any section of it, but to make this a prime consideration is very nearly to assert in advance that there shall be no strikes no matter what the provocation; for whether the railwaymen were to strike for light or for weighty reasons the injury to the public interest would be exactly the same. Mr. Thomas's error is in trying to combine the function of the statesman with that of the trade union leader. He ought to give up being one or the other. We should be the very last to object to the general principles of economic and social progress; but until he arrives at general principles compatible with the special principles of the union he represents, his duty is to think and act first for his own clients. If his conscience will not allow this, his place is outside his union. He is a counsel; and the essence of efficient pleading is to ignore the rights of the other party. The weighing up of the respective "rights" is for the judge. In the present instance Mr. Thomas has got the National Union of Railwaymen to assent to a lower standard of wage for all newcomers into the employ of the railway companies, thus violating a very wise rule that there shall not be two rates of pay for the same kind of work performed by persons whose necessities and legal responsibilities are identical. We do not pretend to say whether the N.U.R. were right or wrong to follow Mr. Thomas, because we do not know whether they had good reasons of their own. For instance, no one but themselves knows to what extent their freedom of decision is circumscribed by their past vicious practice of tying up their funds in railway shares—the worst possible security on which to raise money for a fight against the railway companies. And quite apart from railway shares, all share securities suffer from the defect that the more urgent your need to turn them into cash the less you get for them. Turning to the question of the public interest, how is it going to benefit the community for the railways henceforth to diminish the amount of their total wage disbursements? What the railwayman gets this week is what the shop-

keeper gets next, and the manufacturer gets afterwards. Is it a communal interest to lop something off the home demand for goods? And even if it be conceded that the reduced wages can make possible reduced freight charges, how will this be carried out in practice when, owing to a reduction in home demand, the railways will carry fewer goods? "Public interest"! The term is nothing but a moral bludgeon whereby the public is gradually coerced, "sectional interest" by "sectional interest," into renouncing what it wants—every man laying down his economic life for his friends. A lowered wage scale anywhere is a stab in the community's back.

There is no man so mean as not to enjoy the spectacle of the Treasury sustaining a rebuff. Captain Reginald Henry Henning is a holder of shares in a foreign undertaking. Up to the year before last he had been receiving dividends, and was paying income tax on them on the customary basis of the three-year average. But last year he did not receive a dividend. Nevertheless the Income Tax Collector sent in a demand note for tax on a sum representing the average of the barren year, plus the two preceding fruitful years. Very fortunately there was no Mr. Thomas present to tell him to pay up in the "public interest," so Captain Henning thought only of his own, and declined. He won his case; also the Appeal; and now the judgments of the courts are confirmed by the House of Lords. Lord Atkinson, one of the judges, said that his difficulty was in seeing how they could charge a man upon an income of which he was not in receipt. (We could wish for nothing better than to have Lord Atkinson preside at a final Appeal in which the whole policy of levying charges on incomes which do not exist were brought under review.) Sir Thomas Inskip, K.C., the Solicitor-General, did his best to improve the imperfect vision of his Lordship, but without success. He urged that the assessment had been made on an *estimated* income, and not on a *real* one. Presumably Lord Atkinson, from personal experience, was easily able to remind himself that whether incomes be termed real or estimated, there is no doubt about the tax being real. However it was, he decided that a real tax should come only out of a real income. The large fly in the ointment is that this judgment does not apply to taxes on incomes arising in this country. However, the practical import of the decision need not be discussed. Whatever money the Treasury loses through it will be recovered by a fresh legislative enactment. The interest of the episode lies in the illustration it affords of the power of the individual to embarrass the powers of finance by resisting an injustice and thus bringing it into wide publicity. The argument "Everybody has always paid up," did not weigh with Captain Henning one whit against the feeling that he was being "rooked"—and behold the stir. We congratulate him.

We wish we could have congratulated Mr. Wyndham White, who, on the same day, was opposing the reduction of Messrs. Vickers' ordinary capital before Mr. Justice Eve in the Chancery Division. Mr. Clauson, K.C., who appeared for the company, stated that the reduction of £8,000,000 in its capital was authorised by resolutions based on the reports of Mr. Dudley Docker, Mr. Reginald McKenna, and Sir William Plender. The scheme was only an "adjustment between various classes of shareholders." Mr. Justice Eve granted the application, saying that the position of affairs was such that the company was bound to take drastic steps in the way of reduction, though it might turn out that the loss was not so great as expected. So now this precedent is crowned with judicial sanction, and the scythe of the debenture holder can now take a wider sweep

through the dense undergrowth of ordinary investments. There are no stones about. Mowing as usual; sigh and pay.

There is a point, however, which Mr. Wyndham White might get advice on, in view of Captain Henning's successful sortie. The point is whether the £4,000,000 of reserves in Messrs. Vickers, which sum was, of course, an accumulation of past profits, had been subjected to income tax in the years when received. If so, we think there ought to be a case for the courts. The debenture holders in the company had their interest in full year by year, so that the paying of tax on it was right and proper. But the ordinary shareholders were short paid their legitimate dividends by this £4,000,000. Now that Mr. Justice Eve has sanctioned its appropriation for writing down assets, they will never get this income. If, therefore, in the meantime the Inland Revenue has collected the tax on it, the shareholders ought to instruct the company to apply for its return for the purpose of distributing it among them. We are familiar with the argument that may be advanced officially, namely that "everything comes out in the wash" and that gains on one count will only be cancelled by losses on another; but that is not the point. The point is to get a judicial ruling on the proposition that profits are not taxable income until they are distributed. They are at the most, suspended income, and should be subject only to suspended (i.e. contingent) taxation. Perhaps Lord Atkinson might find a difficulty in seeing why an immediate tax should be levied on a deferred income. It does not meet the difficulty to say that the "Company" received the income, and that therefore the "Company" should pay. The term "Company" has no meaning other than the shareholders. To call a block of money caught up and entangled in an accounting mechanism an "income" is a misuse of language. It may become an income; but that is another matter altogether. Someone may say, "Oh, but supposing reserves escape taxation, and are ultimately distributed as free bonus shares, the shareholders would escape taxation altogether." So they ought, as a consolation for being paid insecure scrip instead of cash.

The English Review for February contains a long article by M. Caillaux, the late Minister of Finance in France. We find in it many passages which we should quote if space allowed, but we must be content with one or two of them. He remarks that

"All the other nations of Europe (Russia being the exception), while feeling the need for solidarity, while trying spasmodically to unite, are still dazed by the storm. Here there is financial disorder, there economic disorder; and it really seems that countries only escape from the one evil to fall into the other. The tug-of-war between financial stability and economic stability seems in fact to be one of the characteristics of this formidable crisis which, unparalleled in its scope and significance, oppresses the world."

This is well said. Since money is in theory a measurement of economic activity, it does seem strange that in Europe there is no country where the financial and industrial systems can be made to work smoothly at the same time. You can, as it were, have an efficient gas meter and no gas, or you can have plenty of gas and an inefficient gas meter; but there is no third alternative. M. Caillaux, speaking of the French debt, says that

"Under the name of Bons de la Défense Nationale, the State has issued paper amounting to 55 milliard francs, repayable at the end of three months, of six months, of a year. Bonds were also sold to the public, falling due in three years, in six years, or in ten years, of which the total amounts to about 45 milliard francs."

We may note here that whereas the long-term bonds have been sold to the public, whose money resources

are definitely limited, the short-term bonds have largely gone into the possession of banks and large financial holders working in conjunction with them, whose money resources may be said to be potentially illimitable. It ought to be the other way about. The owners of short-term bonds are typified by the traditional country depositor who called at the bank every week to see that his money was still there. That is to say, as M. Caillaux points out, the trouble of the French Government is entirely due to the fact that these bonds keep on falling due, thus forcing the Treasury to hunt round for the cash to pay them off. This brings him to the question of "the relationship which has developed between the political world and the Treasury." Where finances are healthy a Government of advanced views can afford to "go in for bold reforms."

"But it is a very different state of affairs when a large number of people, mainly Conservative, hold paper entitling them to make immediate, or almost immediate, demands on the Treasury."

For it is then a "simple matter for reactionaries" to frighten holders of Government notes by crying down legislative proposals as "menacing to capital," with the result that "owners of short-time paper are quick to claim their money, and those in charge of affairs, if they hesitate to adopt an intelligent and energetic policy, are compelled to surrender to their opponents." This leads M. Caillaux to ask:

"Was the Bloc Nationale, during its years of office, clever enough to create a short-time debt in such a way as to enable it, when it fell, to score off those who had deprived it of office?"

He answers that he is

"not sufficiently impressed with the prescience of the men who held the reins of power between 1919 and 1924 to admit that hypothesis," but nevertheless "the size to which the short term debt was allowed to grow does take on the appearance of a trap to catch the people of the Left."

Yet it was "a trap from which escape was easy." The Government could have announced that sufficient bank notes would be issued to meet these claims. This mere announcement might well have reassured the panic-stricken depositors. But, if not, and "had the State been forced to throw to the public new notes of the Banque de France, even then the world would have covered its face and shouted 'inflation, inflation.' M. Caillaux defends his view by pointing out, for instance, that the Bons de la Défense Nationale, which would thus be exchanged for bank notes, are themselves being used as currency. "In the large shops in Paris there are notices to the effect that those bonds are received by the cashier as though they were notes of the Banque de France." How can it be "inflation," he asks, to change one form of currency into another? He admits that the bank notes would circulate with more speed than do the bonds, and that the result would be "slight inflation," but then, "what other means is there of escaping from the difficulty?"

On the international debt problem M. Caillaux, in his ultimate analysis says:

"In order that America may recover the hundreds of millions of dollars which, for good or evil, she desires Europe to pay her, it will be necessary for European products to take the place each year of American products, both in the home markets of that country and in foreign markets. . . . The great trans-Atlantic Republic will be gathering in the money of the nations from which she has sprung, but will be doing so only by virtue of yielding place to their products and retreating before them."

"Which side," he concludes, "in the long run, will

be in the more advantageous position?" Turning to the position of Europe he reflects that

"A community of interests, the necessity of meeting the same creditor, may bring nations together as it brings men together. Perhaps, on the other hand, the harshness of the burden and the inequality of the demands made will exacerbate animosities instead of softening them."

But in any case he comforts himself that "In the end things will come right, for fallacy cannot finally win the day."

Great Press enthusiasm over here greets America's decision to accept the invitation extended to her to join the World Court. Nobody troubles now about her refusal to enter the League of Nations—except perhaps, to puzzle out why. The puzzle is not hard to solve. The difference between the World Court and the League is the difference, say, between the Bank of England and a British Parliament. The first is a Board of Dispositors; the second a Board of Proposers. There was a bitter fight in the American Senate about whether America should accept the invitation. If Europe had known her interests, there would have previously been a bitter fight about whether America should be invited.

NOTICES.

Readers are reminded of Major Douglas's first address next Friday. Tickets may be obtained at Caxton Hall.

Readers who propose coming to THE NEW AGE Dinner on Saturday week (February 13) will assist us materially if they will apply for tickets without delay. Those who hope to be present, but are not certain of being able to, should send an intimation to that effect. Evening dress is optional. We hope to see a large number of ladies present.

Mr. Mitrinovic's meeting will take the form of a luncheon address, at the Boulogne Restaurant, Gerrard-street, Wardour-street, Piccadilly, W., on Sunday, February 14, at 12 o'clock. Tickets (including luncheon) 2s. 6d., to be obtained from 70, High Holborn.

FORTHCOMING MEETINGS.

Friday, February 5.—Major Douglas on "Finance and British Politics. I.—Internal," at Caxton Hall, Westminster. Time, 6 o'clock. Tickets, 2s. 6d., from W. A. Willox, 70, High Holborn, W.C.1. Tickets for this and the succeeding address, 4s., if taken before February 5. Leaflets announcing this and the following meeting will be sent on application.

Friday, February 12.—Major Douglas on "Finance and British Politics. II.—External," at Caxton Hall, Westminster. Time, 6 o'clock. Tickets as above.

Monday, February 8.—Bank Officers' Guild. No. 18 (Foreign Banks Branch). At Talbot Restaurant, London Wall, E.C. Mr. Arthur Brenton on "The New Economics." Open to all bank officers, whether members of the Guild or not. Otherwise private. Time, 6.30 p.m.

Saturday, February 13.—THE NEW AGE Annual Dinner. At the Florence Restaurant, Rupert-street, Piccadilly, W. Tickets, 7s. 6d. (See advertisement.)

Sunday, February 14.—Lecture by Mr. D. Mitrinovic. Particulars later.

THEOSOPHICAL SOCIETY LECTURES.

Mr. C. F. J. Galloway will be lecturing on Social Credit as under. His titles are "Towards a New Social Order," and (at Folkestone) "Theosophy and Economics."

Tuesday, February 2.—Middlesbrough, Temperance Institute, Woodlands-road, 7.30 p.m.

Thursday, February 25.—Maidstone, The Old Palace, 7 p.m.

Friday, February 26.—Chatham, Masonic Hall Library, Marrion-road, 7.30 p.m.

Sunday, March 14.—Folkestone, "Adyar," 58, Shorncliffe-road, 3 p.m.

On Educational "Reform."

Education, it seems, came into the world deeply stained with original sin. Her sponsors have been reforming her ever since; it is only by reform that she is kept alive, or at least in that feeble state of health which is her normal condition. Every stir from her wonted lethargy has been hailed as a time of "reform."

At the moment such a period is upon us. There is bustle in the school. Once more education is being reformed, now in the name of "freedom." Discipline from without is to be replaced by discipline from within, the child is to be allowed to choose—even made to choose. From infant school to university the amount of study, the times of study, the nature of study are to be determined by the pupil.

It is plain that this is partly no more than a change in the fashion of the philosophical finery which some schoolmasters affect. It is reaction against a severer discipline—give the child the reins rather than drag him struggling at the tail of the curriculum or than drive him before it. We do not doubt that fractiousness and tears have become as rare as the whip—but is there any change in direction? The school may be a happier place, but where is education going?

For at closer quarters this freedom turns out to be little more than a teacher's device. The schoolmaster's business, he will tell you, is to teach definite subjects; that is for him the aim of education. These subjects may be traditional, as Latin; or they have been admitted after terrific bombardment, as Chemistry; or they are semi-vocational, as some forms of Arithmetic. But their place in the school is unassailed. That a knowledge of them constitutes education seems a truism until we inquire a little more deeply. Then the teachers will have to admit that education is forgotten in the pursuit of knowledge. They will even admit that they are aware of their failure to educate, but will bewail their impotence in the face of examinations, the modern magic gateway to the land of promise. But this frank rejection of the burden does not absolve the teacher from responsibility. In essence, he himself is the author of examinations—which follow the schools as well as lead them. The teacher is fully a part of the circle.

The truth is that the schools hardly understand any education which is not "subjects." The teacher's own training has consisted of nothing but subjects, and his livelihood depends upon his ability to impart this limited knowledge. The theorists are in no better case. They will give you broad enough views of education; its aim is the creation of "a Christian gentleman," or to secure "harmonious development"—to quote two recent writers. But whatever the aim, the way is always through the accepted curriculum.

It is not strange, then, that all the new plans for "freedom" should be only new methods for teaching the old subjects. The new process no doubt feels different—the child is made to teach himself, but only to teach himself very much what the teacher desires him to know. There is not one school "reform" of to-day—Montessori "Method," Dalton "Plan," "Play Way," "Path to Freedom"—which is not actually a means of teaching a definite syllabus, made up as hitherto of school subjects. The exponents of these newer systems are indeed careful to assure us that they prepare for examinations as successfully as ever before. They may well say so. When all is in working order, the new machinery will prove excellently well devised for this very purpose.

In one direction only there seems to lie some hope—the growing belief in play. But so long as this, too, is a mere cloak for instruction, a "Way" of

training, it is little better, if at all, than any other method. But while it is truly play it may have a valuable function. It may serve the growth of the body. It may have something even to give of that deeper morality which springs from the social life—a morality which withers in the atmosphere of competitive study and which cannot be found in books. There is hope in play—so long as the teachers leave it free. There is hope in Scouting for boys, which is vital education so long as it is allowed to retain its essential identity with play. But play and Scouting are positive forms of education only in its physical and moral aspects. They are fruitful enough to make the field of education a little less arid. To the development of the intellect they contribute little or nothing.

It is in this inability to teach the intellect that education to-day stands confessedly sterile. Against this, "reforms" avail nothing. Education has long been wandering without guidance. The schools change what is, and valiantly hope that change is progress. They will admit as a truism that the aim of education cannot be determined by those practising it. They will allow that their function is to prepare the young for the business of living. They realise that for the majority they totally fail to do this. But how it might be achieved they do not seem to have the merest glimmer of insight.

The work of the school to-day would be admirably suited to the needs of a society consisting entirely of teachers, clergymen, and clerks. It was, in actual fact, designed for a society where only those went to school who were intended to teach or to preach. Education and learning were once synonymous. The education of the unlearned is a new conception, the full meaning of which has not yet penetrated the walls of the schools, and is little more than echo beyond them.

Within the last half-century the function of the school has entirely changed. The view that education is part of the normal life of every individual has gained tacit acceptance, but the change thus wrought in the scope of education itself is very imperfectly understood. The extension of literacy was the main object of the doctrinaires of educational politics fifty years ago. This is now well within the compass of achievement, but the most superficial observer would hesitate to add that education has been equally extended. The printing press is bitterly convincing us that literacy is not equivalent with education.

At the same time, the doctrines of economic and biological philosophy within the last half-century have greatly changed the general view of the scope of the individual. The belief in personal responsibility has grown, and with it the recognition of the value of idiosyncrasy. Education has come to mean the development of the powers of the individual to meet his needs in society. That these needs are widely varied means that education must be widely varied. Mere literacy has its place because it is so powerful an instrument in achieving education. The question is now no longer, Literacy for all? but, With literacy—whither?

For it can no longer be pretended that the school is able to educate every individual. The retainers of the traditional modes as well as the protagonists of the newer systems alike pour scorn on the notion of "vocational" education, and proclaim Education for life and not merely for a living. But what is their much vaunted general education but a technical education of the narrowest kind, in preparation for the life of the desk and the inkpot? Is the multitudinous variety of modern life—even city life—best served by an education of this sort? On the one hand "business" complains of lack of preparation,

on the other the teachers cry out for more time for culture. Meanwhile the school continues to chase its own tail.

Let us ask ourselves whether this need be. Education we shall say consists in living while learning how to live. There are some, no doubt, for whom the surest medium of education is books. For these, the school, at its best, is ideal. But very many others, actually the great majority, can never achieve education through the curriculum whether "free" or otherwise. At most, the school can give them an instrumental literacy, skill in the indispensable tools of modern life—language and number, both comprehension and expression. Beyond the period in which this may be achieved, the school has no right to detain them. For these, education is only possible without the school.

Let us be frank with ourselves and admit that for nearly every child education shall begin when schooling ceases. Our civilisation is already so organised that the training of the young might readily be made part of every form of adult work. We need not fear the bugbear of vocational education if we made sure of mental activity and intellectual life springing from work of vital interest to each individual. For some, it is true, such work might be book-learning. For many more, after the minimum of schooling, human life would have more to offer than its reflection in literature, or than the puerile imitations of it which satisfy some educators to-day. With living work as its centre, the education of each child would grow to wider spheres of culture, only determined in scope and nature by temperament and needs. Already in some forms of technical training we may perceive an uneasy groping in this direction. It is for us to hasten a return to the fundamental value of education after a period long enough of blind extravagant wandering in schools and "reformed" schools. To secure universal education we must abolish the universal school.

L. M.

Prospectus for a New Australia.

V.—SINGLE-TRACK AUSTRALIAN.

What is wrong with the Australian mind, if any, is that it has no terminal facilities. It is a single-track concern at the best, and when one idea—be it ever so small—is in transit, all the rest of the possible freight business in Ideas has to pile up. To hark back to a former comparison, if the typical Englishman be a compass-minded person, and if the average American be an incarnate hammer-head, then this is where I introduce you to the spinning-jenny-headed Australian. I mean the kind of spinning-jenny that is used, not for weaving cotton, or for anything at all so practical as that, but for gambling. The typical Australian is, indeed, a small-town gambler to the core. He seldom or never gambles on anything really great and enduring, such as the future of his own continent; but he is a persistent gambler in threepenny-bits. What he possesses, in reality, is the Chinese-coolie type of mind. The racecourse is his opium. Gambling in threepenny-bits puts inconvenient Reason to sleep.

Stating these views in THE NEW AGE, I am informed, will not win me a Labour nomination for Parliament in Australia. Besides, if I want to say things about Australia and my fellow-Australians, why not say them in some big American magazine? Why not get highly paid for them? And so on, and so forth. Permit me, in rebuttal—for with this article I shall stop talking for a while—to urge that I am, in some respects, an incurably Conservative sort of person. I first began, in January of 1922, to discuss Australian matters in THE NEW AGE, and I prefer, other things being equal, to deliver my

present flow of fact in the same channel. Americans can reprint my views if they like. And Englishmen can do the same. Furthermore, although I am a very earnestly pro-Labour sort of an Australian, I want no political nomination of theirs. Writing this article in Brisbane, Queensland, where Labour has been in power for the past ten years, if I wanted a job as a politician I would fill this page with adulatory references to Jack Fihelly, Labour leader in the Brisbane City Council, ex-Agent-General for Queensland in London, etc., etc. I would also write very profusely about Mr. McCormack, Premier at last and head of the State. Instead, I would rather say something about a Mr. Hanlon, editor of the Brisbane Worker. But I have neither space nor time. In this Prospectus for a New Australia I am not looking for promoter's shares. I have stated what I consider to be the just price of my services—five thousand guineas. And I have every confidence that that fee, in due course—be it by England or by America—will be paid.

Success? So far as I know, the secret of success is to create a vacuum and let your enemy fall into it. Maybe that is what America is doing to England now. That is how woman invariably masters man. She is a sort of moving vacuum, forever gathering in the masculine tribute-substance of success. The law courts, again, are another species of vacuum-trap. So with America. A policy of smiling at the United States just now would be a better policy, I think, than that maintained by THE NEW AGE. Why not try it for a change? See how it works.

Dead Theodore Roosevelt can teach us more, maybe, than living Calvin Coolidge. Certainly there are few comic characters in history to compare with that bygone political man-eating tiger of the American Middle West. He saw that a New York foundation was no good. And so, following in the steps of the Lincoln family—Abraham Lincoln's father, I believe, crossed the Ohio River as a pioneer with a kit of carpenter's tools and a barrel of home-made whisky as his stock-in-trade—Theodore Roosevelt invaded the West. He was a spectacular young man with a very Chinese look. Say that he was a sort of equivalent of the German Crown Prince, with Imperial Hamburg dock labourer. Roosevelt did something like that. The pose was a success. And so a cute young man from the East, via the West, arrived at the Presidency: showing us how a vacuum in the public intelligence, when skilfully enlarged by the illustrated newspapers, will always pay.

But Australian politicians, with their single-track minds and utter lack of terminal facilities, are very crude. Their one idea of impressing America consists in the making of a speech which condenses automatically into this: "Yes, sir, I agree with you, Mr. President, that America is the greatest country on earth. Lend me ten million dollars. Make it snappy, will you? My Treasury contains one dollar fifty, and the salaries of twenty-seven thousand eight hundred and five civil servants are overdue."

That is how they finance. But it is not my way. To be able to speak to the earth for my people and back again from the earth itself, as a sounding-board, to my people themselves, is a privilege for which I am prepared to pay. I pay down, slap upon the world's counter, the entire sum of my two years' labour in the Australian depths. For it gives me the moral centre. It puts men upon that interior line, that axis of dynamic power, whence a Lincoln-patterned man may deliver his unexpected thrust. That is the strategic position in Australia which I now hold. No man living can take it from me. And why? Because it is mine. Because I have paid for it, and am afloat, as it were, upon a sort of spiritual Ohio with this barrel of home-made whisky and my kit of sharp and emphatic carpenter's tools.

That is where I am. No man in all the world—no matter if he be Henry Ford—can take the crown of thorns from the brow of Jesus. That is a financial deal beyond his powers. While I am no sort of Messiah, and while my crown of thorns is only a modest one, still, it is mine. I shall finance myself, in the heart of English Labour—aye, and in the heart of all that is best in America—with that. Not by pawning it, but simply by wearing it upon my brow, where men may gaze and see.

Years ago, A. R. Orage said that I had the enormous energy of a W. T. Stead, Hilaire Belloc, and John Burns of Battersea, all rolled into one. I don't know; I only know that it is of no use having the energy of the whole universe, unless you can lead it by steam-pipes and imprison it—for a time—within certain specific cylinder walls. So that is what I have tried to do. Very quietly, like a piston emerging from a well-packed gland, I deliver through THE NEW AGE my thrust. I believe that, even as an Australian penitentiary is a place where nobody ever feels penitent, so the British Empire is a place where nobody ever acts in an Imperial way. It is run, instead, like a damned village; with the Prince of Wales for the wonderful young heir upon his travels.

Here are 3,000,000 square miles of the earth's surface, mortgaged to the tune of £1,000,000,000. Part of the British Empire, that. And what is the British Empire? Where is the British Emperor? That is what I want to know. Is he the common British working man? If so, it is time for him to visit Australia, upon a battleship, with all expenses paid, instead of a special delegation of representative British working and thinking men, upon the Wales. Why not a special delegation of representative British working and thinking men, upon the Renown? Cook, Douglas, H. G. Wells, Chesterton, Herbert Smith, Sir Josiah Stamp—let them all come. Kill off all cricketers, all fool tennis players, for the term of one year. Let us have a real Imperial year instead. Let us find out where we are at. Let us find out who is the British Emperor. If it be the ordinary English workman, then for God's sake let him be a visible Emperor. Tell Mond to stand out of the way. Let us see our industrial Emperor at the top.

GRANT MADISON HERVEY.

(The End.)

"BLESSED ARE THE MEEK."

DEDICATED TO THE DESCENDANTS OF THE YEOMEN OF ENGLAND.

More noble than those men of old
Whose angry passions rose
If tyrants, growing over bold,
Upon them would impose,

In humble reverence we wait
To hear our Lords' intent,
And, driven to whatever state,
Therewith we are content.

Does earth yield up at harvesting
A thousandfold or more?
We take a mortgage out and bow
To economic LORE.

Does science shatter Eden's curse
And loosen Adam's coil?
We spurn temptation and extol
The nobleness of toil.

Be happy; our reward is sure!
In token of our worth
To each shall come as heritage
SIX FEET OF ENGLISH EARTH.

ONE OF THEM.

The World as Insanity.

It occurs to most people, at some time or other, to feel sceptical about the whole of existence. They figure it out, perhaps, in this way. A dream is fantastic and unreal, but it seems to be real enough while we are dreaming. It is only our experiences while we are awake that show us the comparative falsity of dreams. But suppose we were to wake up from *life!*—at this point they allow themselves a casual shudder and bolt back to the security of common sense.

Or it may be that they approach the question in a more sophisticated aspect. *Nihil est in intellectu quod non prius fuerit in sensu.* The world as we know it comes through our senses. Then where is the means by which we can test their evidence? All our knowledge of objects is subjective; it must be; there is nothing else for it. But when we consider that we have only five senses, and that there is no intelligible reason why we should have just those five, then it becomes obvious that our world of perception need not be in any measure descriptive of the external world.

A third ground for doubt occurs to the ordinary self-mystifier. It is impossible to convince a lunatic that he is mad. There is no plain boundary between madness and sanity. All men can be regarded as partly mad. And what refutation could there be to an argument that all men are completely mad?

Such thoughts come naturally and spasmodically to multitudes of men; but it is one of the oddest and rarest things in the world for a man to keep them steadily in contemplation. Even philosophers are accustomed to bring them out just for a moment, to provide an agreeable sensation of goose-flesh; then to shut them up quickly and reassure us that they are mere phantoms. It is the chief mark of the debility of modern philosophers that they betray a painful anxiety to prove that, after all, their views are in accordance with common sense.

Now the first thing a decent metaphysician would do (I shall not say philosopher, since the duties of philosophy are multifarious) is to take away all the groundwork of security and "common consent" from under our feet. And, if he were a man, he would never give it back again—not even in the most rationalised and refined and educated fashion. He should conduct us into the void and leave us there, gaping. He might then, if he chose, plot out his geography of the void, coercing the terms of sense to bear an utterly metaphorical and wilful meaning. But the one blasphemy and unnatural procedure would be for him to pretend that he was the servant of the natural sciences and was merely engaged in confirming their postulates. There is a place in philosophy for the man who is *autocrat* of the sciences, who shows their assumptions, who deduces them, who builds a "science of sciences"; but none for the two-faced, blackleg Bertrand Russell who are agents of the sciences in indifferent disguise.

The quarrel between metaphysics and institutional religion is, or should be, this: Religion enters the void purposively, in order to kidnap metaphysical ideas, and by their help to stabilise and enrich the ordinary conduct of life. It builds up a "faith" that shall enable mankind to trust in the reality of high and immaterial values. It keeps a hold upon sense, and translates common sense into divine sense. But metaphysics enters the void sportively, for great and ecstatic joy in breathing the air of *valuelessness and blank scepticism.* Of those eternal twins, Byss and Abyss, first cause and absolute causelessness, first reason and absolute irrationality, then Byss is the face and fear of God, the idol of all religions; but Abyss is the playmate and perpetual astonishment of metaphysics.

The aim of this article, however, is not metaphysical, but religious. It shall therefore be asserted most vehemently that man contains within him the possibility of seeing things as they really are. The tables shall be turned on the metaphysician by defining the reality of the world as its appearance to the perfect and typical man. There can be no meaning to the word "truth" other than "truth-for-man"; there is no existence but existence-to-mind, and the far-hunted ding-an-sich, the unknowable, what is left when everything perceptible is abstracted from an object, resolves itself into *the percipient himself*, the conscious being. The five senses are there because they testify to their own universe, and they create their own universe, and their witness for consciousness, if consciousness receives it purely, is not only true; it is the substance of truth. There is no other visible universe than the universe of human sight. Madness and sanity have no meaning except in comparison with the standard of sanity created by the man who is the mould of men, the archetype and idea of men.

It will be seen, therefore, that every man who is not the mere type or standard of man, is to some degree insane and ignorant of reality; his senses are liars to him, and his thoughts confirm him in his absurdities. And it is not as though we might call ourselves part-mad; the spheres of error, in observation and conception, are so complete and interactive that we are all, in varying degrees, entirely mad. Every phrase we utter, no matter how much broken intelligence or beauty it may seem to convey, is tainted with insanity, wrong in purpose, wrong in expression, wrong in effect. And, as with neurotics, the more we rationalise the worse we become; we are chasing our madness into the inner chambers of the soul; we are tying so many more knots in the abominably complicated skein of our consciousness.

Is there nothing to be done to escape from this madness? There is something, indeed; but the first works must come first. The knots must be untied; we must set ourselves to deny our horoscopes. Charity is not decreed because charity is meritorious, but because it is difficult. So with all virtues of the Aryan Path; they are virtues as solvents of ignorance, not yet as positive values.

But this is truly chimerical, unless we have one of two conceptions: either the Nietzschean conception that the sane and typical man is yet to be born and that we can conduce to his birth, or the Christian conception that the sane and typical man was once for all made flesh. Otherwise we are doomed to everlasting madness, and there can be no standards of truth or right conceptions in the eternal history of mankind.

THETA.

STATISTICS IN GOVERNMENT PUBLICATIONS.

To a greater or less extent practically all official publications will be found to contain statistics, but a considerable knowledge of departmental organisation is necessary for an enquirer merely to know which annual or other periodical reports or returns are likely to provide the statistical information for which he is seeking, quite apart from the large number of special reports exhibiting the results of enquiries or researches, most of which contain statistical data.

To assist those wishing to avail themselves readily of official statistical information, the Permanent Consultative Committee on Official Statistics prepares an annual *Guide to Current Official Statistics*, volume three of which has just been issued (His Majesty's Stationery Office, price 1s. net, post free 1s. 3d., pp. 252). With its aid the enquirer is immediately directed to all current official publications that contain statistics bearing on his subject, and especially is made aware of the nature of the statistics he will find in the volumes to which he is referred.

The Guide will be found in practice to constitute a unique work of reference to almost every branch of public administration, both central and municipal, and to be indispensable to all interested in public affairs.

Islam and Nationalism.

By O. G. von Wesendonk.

(Translated from the *Europäische Revue.*)

Can Islam, a creation of the East, make any claim to be taken into consideration in connection with European problems? That Muslims, remnants of the former glory of the Osmanic kingdom, exist in the Balkans in considerable numbers, and that Turkey still rules over Constantinople and Adrianople, this affords but a quite external and spatial point of contact. As an object of colonial politics the countries ruled by Islam come within the purview of the West, which for centuries was on the defensive against the Mahometan Powers. But the connecting bonds are far more intimate. Recent investigation has shown that Islamic culture has its roots to a great extent in classical antiquity, so that the basis of European and Islamic character is the same.

The original teaching of Mahomet is indeed spread entirely by Arabian and Eastern influence. But not in this form has Islam become a world Power. So far as existence as a State comes in question, the Arabs, simple sons of the desert, with the self-assurance born of their free aristocratic way of life, followed at first Persian models, to which after the conquest of Syria Byzantine influences were added. From the time of Diocletian, Rome itself was in many respects dependent on the arrangements of the mighty Sassanians. If under the Ummajades there might be traced a reaction of the chivalry of the Arabian desert directed really against Mahomet's democratic efforts, the dominance of the early caliphs of Bagdad, together with classical cultural elements, for the most part introduced by Syrians, and the Persian tradition, meant the creation of a cosmopolitan system of Church and State, which had a most enduring influence on Europe both in philosophy and science; until, after the destruction of Byzantium, the West again drew directly on Greek authorities.

The relation to the West of the Islamic world belonging to the cultural circle of the Mediterranean is, then, closer and older than, e.g., that of Russia to Western Europe. It is true that there is no relation between Islam and modern Europe as mechanised by America: the connection is only between Islam and Europe before the age of the machine; and indeed the Europe of the Middle Ages was familiar in the conception of Christianity, with the ideal of world-citizenship. Probably no other religious community has so completely as Islam obliterated the boundaries of nations and States. He who accepts the teaching of the Prophet is Muslim with all rights and duties. It would be of interest to investigate how the medieval European conception of Christianity as religious-political complex was formed in the struggles of the West against Islam. For the Islamic State is a continuation of the idea of the Roman Empire, not of the Iranic National State of the Sassanians, however many details of Persian institutions were assimilated.

That Islam stands for world citizenship while the idea of nationality has been transferred to the East by Europe has led to the gravest conflict which the Moslem system at present has to face. The caliphs have always claimed to be rulers of the whole earth, however small might be their actual domain. Iran, as adherents of Schia, the party of the fourth caliph Ali, the Spanish Moors, Morocco, and many smaller potentates have gone their own way; theoretically, even these have maintained the world-wide validity of their rule. When the Mameluke sultans received in Egypt the caliphs driven out of Bagdad by the Mongol Halagus, and at the beginning of the sixteenth century Selim I. transferred the caliphate to the Golden Horn, they knew that, weak as the actual power of the caliph might be, his person incorporated the sovereignty of the world. The world, of course, comprised, in accord with the classical conception of the "oikumene" as opposed to the "barbarians," only the Islamic countries. To spread the Mahometan teaching in regions holding other faiths was one of the chief tasks of every Islamic ruler, and above all this missionary activity is the duty of the caliph. At the same time the subject population may remain non-Islamitish; as to this there is great tolerance, only the sovereignty must be Mahometan.

Characteristic of the new disposition of the Islamic peoples is the fact that the different nations no longer give prominence to their deeds in the service of the Mahometan cause, as was formally a favourite reproach of a certain kind of literature, but they go back to their own traditions. The Persian, who in the mass has since the days of the Sefewide dynasty been artificially made especially fanatic in order to emphasise the political opposition to the Osmons, calls to mind the great deeds of the Achaemenides and the Sassanians, the Turk recalls Genghis Khan, Timur, and other "Turanian" heroes of the past, while the Egyptian

thinks of the Pharaohs. And each of these nations goes its own way. By the removal of the caliphate the nationalist Turks have intentionally drawn a line between themselves and the Osmanic-Islamic past, and are counting on the Turkish national State in Asia Minor, while certain circles go further and think of a "great Turanian" kingdom embracing all Turkish people.

Now it is true that these ideas have as yet by no means penetrated deep into the populace, and there is a cleft more or less decided according to the different localities between the masses which adhere to tradition and the elements influenced by foreign ideas. The bridging of this gulf is the fundamental problem of all Islamic countries. The spiritual equipment of all reform groups in the Mahometan East comes from France. August Comte, positivism and sociology, are the guiding stars of these modernised elements which see salvation and progress in the transference of institutions influenced by France to native conditions. That this was often undertaken quite uncritically, and that the adaptation of Islamic-Oriental conditions to the demands of Western theory was violent and precipitate is not to be denied. The reformers went no further than the external and the superficial, and covered over the old kernel with a foreign whitewash. Laws, constitutions, and sounding resolutions do not alter the spirit of a people.

On the other hand, England, in spite of her long practical contact with the Islamic world, has never influenced the leading circles so strongly as France, as appeared especially in Egypt, and is chiefly explained by the Anglo-Saxon conception of Christianity as the decisive factor of State and social life. Germany again has acted in the realm of technical progress through its military men, its engineers and physicians; but in general the Muslim lacks appreciation of German mentality, prominent as Germany is in opening up the cultural wealth of the East.

The all-too-sudden collision of the yet medieval Islamic world with mechanised Europe has led to the shattering of the foundations of Mahometanism; and external evidence of this is to be found in the fact that extensive regions have lost their political independence. An agreement of Islam with the Occident of the present day does not seem possible. It would be thinkable only in case of an internal reform-movement, which, however, would not leave the fundamentals of the structure of Islam unaltered, retaining only externals. Thus, as political factor, Islam has probably played its part, however strongly its social influence cleaves to the peoples of the East. For this reason, too, the overtures of Bolshevism have little prospect in the Islamic East. Much as Western technique and success may impress the Muslims, the whole European character, with the materialist-industrial basis of communist ideas, remains quite incomprehensible and strange to them, especially as the industrialised masses are lacking in the East. For, as *religion*, Islam remains full of vitality, however the educated classes may have gone over to "enlightenment." Even for these classes the Bolshevik solution fails to preserve the order which with all these innovations lies at the root of the French-Western character. The Bolshevik attitude of gross hostility to religion, which has nothing in common with the refined scepticism of the French, repels the Islamic populace.

The nations have to-day undertaken the renovation of the Islamic East, and this development has brought about contact with the West. The different peoples, Turks, Persians, Arabs, Indians, enter into the plan. The results for which they are striving and the reactions which will thus be felt by the great colonial Powers depend no longer on the Islamic idea, but on the efficiency, energy, and skill of the respective nations of the East.

Method of Recovering the Payment of a Debt, practised by the Fanti of the Gold Coast, West Africa.

The creditor goes early in the morning to his debtor's residence, covered with white clay, or in sackcloth and ashes, he seats himself on a mat, or on the bare ground, with a supply of food enough for a single meal. He informs the debtor that unless the debt is paid to the last farthing he will not go away, and if the debtor goes out the creditor follows him everywhere. Instances are known where, the debt not having been paid, the creditor has died of starvation. Sometimes, as the day draws to a close, the creditor swears to commit suicide if the debt be not paid before sunset. If in such a case the debt be not paid, and the creditor doth commit suicide, the debtor is bound to bear the funeral expenses, in addition to paying the original debt, and making substantial compensation to the family of the deceased creditor.

(Extracted from E. S. Hartland's *Primitive Law.*)

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Credit Research Library.

MONEY. By W. T. Foster and W. Catchings. Price, 15s. Postage, 8d. Mr. Foster, formerly President of the Reed College, is now Director of the Pollak Foundation for Economic Research. Mr. Catchings, formerly President of the Central Foundry Company and of the Sloss Sheffield Steel and Iron Company, is now a member of Goldman, Sachs and Company, and a director of numerous industrial corporations. This book attempts to show the fundamental difference between a barter economy and a money economy; to show how business depressions and unemployment arise out of that difference. It traces the circuit flow of money from consumer back to consumer, and the obstruction in the flow. It is a foundation for the work entitled "Profits," next quoted.

PROFITS. By W. T. Foster and W. Catchings. Price 17s. Postage, 9d. This book, in the authors' words, "is the only considerable attempt to present the statistical proof that industry does not disburse to consumers enough money to buy the goods that are produced." The following is a summary of their conclusions:—
"Progress toward greater production is retarded because consumer buying does not keep pace with production. Consumer buying lags for two reasons: first, because industry does not disburse to consumers enough money to buy the goods produced; second, because consumers, under the necessity of saving, cannot spend even as much money as they receive. There is not an even flow of money from producer to consumer, and from consumer back to producer. The expansion of the volume of money does not fully make up the deficit, for money is expanded mainly to facilitate the production of goods, and the goods must be sold to consumers for more money than the expansion has provided. Furthermore, the savings of corporations and individuals are not used to purchase the goods already in the markets, but to bring about the production of more goods. Under the established system, therefore, we make progress only while we are filling the shelves with goods which must either remain on the shelves as stock in trade or be sold at a loss, and while we are building more industrial equipment than we can use. Inadequacy of consumer income is therefore, the main reason why we do not long continue to produce the wealth which natural resources, capital facilities, improvements in the arts, and the self-interest of employers and employees would otherwise enable us to produce. Chiefly because of shortage of consumer demand, both capital and labour restrict output, and nations engage in those struggles for outside markets and spheres of commercial influence which are the chief causes of war."

The Pollak Foundation offers a prize of five thousand dollars for the best adverse criticism of this book.

THE CREDIT RESEARCH LIBRARY, 70, HIGH HOLBORN, LONDON, W.C.1. Telephone: Chancery 8470.

"Letters to the Editor" should arrive not later than the first post on Saturday morning if intended for publication in the following week's issue.

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The Social Credit Movement.

Supporters of the Social Credit Movement contend that under present conditions the purchasing power in the hands of the community is chronically insufficient to buy the whole product of industry. This is because the money required to finance capital production, and created by the banks for that purpose, is regarded as borrowed from them, and, therefore, in order that it may be repaid, is charged into the price of consumers' goods. It is a vital fallacy to treat new money thus created by the banks as a repayable loan, without crediting the community, on the strength of whose resources the money was created, with the value of the resulting new capital resources. This has given rise to a defective system of national loan accountancy, resulting in the reduction of the community to a condition of perpetual scarcity, and bringing them face to face with the alternatives of widespread unemployment of men and machines, as at present, or of international complications arising from the struggle for foreign markets.

The Douglas Social Credit Proposals would remedy this defect by increasing the purchasing power in the hands of the community to an amount sufficient to provide effective demand for the whole product of industry. This, of course, cannot be done by the orthodox method of creating new money, prevalent during the war, which necessarily gives rise to the "vicious spiral" of increased currency, higher prices, higher wages, higher costs, still higher prices, and so on. The essentials of the scheme are the simultaneous creation of new money and the regulation of the price of consumers' goods at their real cost of production (as distinct from their apparent financial cost under the present system). The technique for effecting this is fully described in Major Douglas's books mentioned below.

The adoption of this scheme would result in an unprecedented improvement in the standard of living of the population by the absorption at home of the present unsaleable output, and would, therefore, eliminate the dangerous struggle for foreign markets. Unlike other suggested remedies, these proposals do not call for financial sacrifice on the part of any section of the community, while, on the other hand, they widen the scope for individual enterprise.

Attention is directed particularly to the following amongst the considerable literature on the subject:—

- "Through Consumption to Prosperity," by Arthur Brenton, 2d.
- "The Community's Credit," by C. Marshall Hattersley, 5s.
- "Social Credit," by C. H. Douglas, 7s. 6d.
- "Real Wealth and Financial Poverty," by Capt. W. Adams, 7s. 6d.
- "Cartesian Economics," by Professor F. Soddy, 6d.
- "The Flaw in the Price System," by P. W. Martin, 4s. 6d.
- "The Deadlock in Finance," by A. E. Powell, 5s.
- "Economic Democracy," by C. H. Douglas, 6s.
- "Credit Power and Democracy," by C. H. Douglas, 7s. 6d.
- "These Present Discontents: The Labour Party and Social Credit," by C. H. Douglas, 1s.
- "The Solution of Unemployment," by W. H. Wakinshaw, 10s.

A preliminary set of five pamphlets, together with a complete catalogue of the literature, will be sent post free for 6d. on application to the Credit Research Library, 70, High Holborn, W.C.1, from whom the above-mentioned books may be obtained.

The undermentioned are willing to correspond with persons interested:—

- Bournemouth: W. V. Cornish, 77, Maxwell Road.
- Dublin: T. Kennedy, 43, Dawson Street.
- London: H. Cousens, 1 Holly Hill, Hampstead, N.W.3; Major C. H. Douglas, 8, Fig Tree Court, Temple, E.C.4; E. A. Dowson, 14, Dulwich Road, S.E.24; D. Wemyss Lewis, 176, Camden Road, N.W.1; E. Wright, 38, Bromar Road, S.E.5.
- Manchester: F. Gardner, 24, Mansfield Avenue, near Blackley.
- Middlesbrough: Mrs. E. M. Dunn, Linden Grove, Linthorpe.
- Newcastle-on-Tyne: W. H. Wakinshaw, 12, Lovaine Crescent.
- Rotherham: R. J. Dalkin, Wickersley.
- Hon. Secretary, W. A. Willox, 70, High Holborn, London, W.C.1.

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