

THE NEW AGE

INCORPORATING "CREDIT POWER"

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NOTES OF THE WEEK.

Mr. Churchill, speaking in the House of Commons on June 27, defended the Gold Standard because it had brought about a substantial diminution of the cost of living—"which means, he pointed out, *an increase of real wages.*" (*Daily Chronicle*, June 28. Our italics.) Does it indeed! Then the regulation of wages by reference to the Cost-of-Living Index Figure is no longer operative. The Union of Post Office Officials will be intensely relieved if this is so. As a matter of fact, our postman told us the other day that it was a funny sensation while waiting to know the Award of the Court of Arbitration on his claim for a rise he was going to receive a reduction of 1s. 6d. (a Dublin man) on account of the drop in the Index.

This episode helps us to resolve another difficulty. In the same Debate Mr. Churchill denied a charge made by Mr. W. Graham that the Secretary of the Treasury "dominated" the selection of permanent heads of Government Departments. Not so, corrected the Chancellor. The official in question "advises" the First Lord of the Treasury (the Prime Minister) who thereupon "consults" the Second Lord (the Chancellor of the Exchequer) "and the Second Lord, I am sure," he continued, "is usually in agreement with the Secretary." That wipes the Prime Minister out of it by a majority of two to one. It then becomes a question of how the Chancellor is usually to be found in agreement with the Secretary. Taking Mr. Churchill's dictum on "real wages" as a measure of the technical knowledge of Chancellors in general, it is not difficult to see the result of their consultations with Treasury experts. We recall a remark once made by Mr. Joseph Chamberlain. Being answered during an argument on fiscal matters that a certain ex-Chancellor of the Exchequer had laid down such and such a principle, he asked how "a few weeks' tuition by Treasury officials" could make a man an authority on finance.

The internal economic situation of Italy has reached a crisis. Prices are soaring beyond the reach of consumers' incomes. Signor Mussolini, in an attempt to grapple with the problem, has been driven to a series of coercive acts culminating in the deportation of Signor Grassi, the Turin millionaire property-owner, for not having accepted a cut in rents which the Government had ordered. Several other property owners were arrested for the same reason in Perugia last week. In the meantime long queues of distracted tenants stand outside the rent arbitration courts. There are upwards of 5,000 of them in Milan alone; and the Prefect has had to increase the number of arbitrators. The tide, too, of the industrial-development boom is ebbing, and the sombre wreckage of once hopeful business enterprises is littering the shores of the bankruptcy courts.

It is impossible to refrain from admiration at Mussolini's consistency and courage; and if the impartial visitation of coercion could remedy economic evils Italy would now be leading the world. One may expect to see Liberalism rubbing its hands over this failure of "dictatorship," but so far as we are concerned we disposed of such moral as it is likely to draw when we wrote on "Mussolini's Opportunity" last year. (*THE NEW AGE* of September 16, 1926). One passage in our article was as follows:—

"The only way in which Mussolini can now avoid failure as a statesman is to widen his dictatorship until it embraces the means whereby he can justify his original assumption of it. That is to say, he must control financial credit, and he must know exactly what to do with it when he does control it. On those conditions alone can he save himself."

There is one phrase here that we would prefer to have written differently. Instead of speaking of widening his dictatorship, it would be better to have said "concentrate his powers of coercion." The "victims" of such coercion should be those people in Italy who control financial policy; for the practical reason that

numerically they are a microscopic fraction of the population; and for the ethical reason that what it is necessary to force them to do is something that need not, even immediately, make one of them a lira the poorer, but will, on the contrary, increase their personal prosperity along with that of every other member of the community. Italy is starving at the picnic for no other reason than that the banker is sitting on the lunch basket.

The problem set by people like Signor Grassi was thoroughly explored in an article* "Social Credit and the Landlord," which appeared in THE NEW AGE. There is no evidence that Signor Grassi was guilty of excessive profiteering, although this may have been so. But the arithmetical analysis in the above article proved that, however flagrant the financial exactions of such people, the economic consequences to the rest of the community need hardly be noticed by them. The hardships that do now arise are entirely due to the absence of a consolidated national accountancy system. If Mussolini is strong enough to decree the conditions on which credit shall be issued, he can institute the required system. And we guarantee that it would enable him to command the willing co-operation of all but a hundred or so of his fellow citizens in what he purposed to do. His purposes would have to be based on a true perception of the physical realities of Italy's economic system.

We do not want to traverse old ground at present; but we will put a case. The utmost limit of real injury that Signor Grassi can possibly inflict on Italy's economy is the sum total of the goods (and services) which he takes out of the economic system from year to year. Estimate this total (by quantity or by monetary value; it does not matter) and then divide it by the population of Italy. This gives the measure of what alleviation can be won for each of his fellow citizens by (let us say) executing him. You would want a microscope to read it. This is a rock-bottom fact. And it applies to everybody who collects more income than he spends in personal consumption.

Now, on that fact can be based the principle of a credit policy—and more immediately, a national accounting system—which reflects it in terms of money. Signor Grassi's abstinence from buying more than an infinitesimal fraction of what his money entitles him to buy, renders it possible for other people to get the goods he renounces. To make this possibility an actuality is merely a matter of restoring to them, as it were, a duplicate block of money equal to that which he refrains from spending. This is admittedly a crude, and therefore quite inadequate, indication of the remedy; but it roughly indicates what we want to emphasise, that so long as a national economic system can produce enough things year in and year out to satisfy the population's requirements, the problem of enabling them to buy them is a matter of national book-keeping. The whole trouble in Italy is that the people are cut off from the means of consumption. It is not that the goods are not there, or cannot be produced. It is simply that they are short of money. But the ultimate reason for the shortage is not the exactions of profiteers; it is the restrictions imposed on the Italian people by the financial hierarchy. If Signor Mussolini controls, as is supposed to be the case, the army and the Press, he has the power to dictate the new financial policy. And if, as might happen, he were attacked from outside, he would at least have a united people to help him make the necessary reply.

* See index of past articles elsewhere.

In an article in the *Daily Mail* entitled "The Poison Gas War That is Coming," the Earl of Halsbury, formerly Assistant Inspector of High Explosives at the Ministry of Munitions, describes the possibilities of modern gases. He repeats a statement written by him elsewhere two years ago, that taking a triangle whose three points are Chalk Farm, the Docks, and Clapham Junction, 2,000 tons of gas would create a lethal atmosphere over all that area to a height of forty feet. This is based on the assumption that a proportion of one part of phosgene in a million is a lethal dose. But since then there have been great improvements. He quotes from the War Office's *Manual of the Medical Aspects of Chemical Warfare* published on August 6, 1926—

"Marked symptoms are produced by exposure to one part of diphenyl-chloro-arsine in 50 million parts of air. . . . this concentration forms the limit of tolerance of ordinary individuals for an exposure lasting five minutes. A concentration of one part in 10 millions will probably incapacitate a man within a minute from the pain and distress."

The author remarks that "the reader may calculate for himself" how small a quantity of gas would be necessary to poison the area he has taken as his illustration, and therefore the comparative ease with which it could be done. He concludes with the remark that "it is along these lines that the next war will begin."

No moral is drawn either by the author or by the *Daily Mail*. No agitation for gas masks for civilians appears, nor even a suggestion of what the public ought to do about it. One supposes that "the reader may calculate for himself" his chances of escape and devise his own methods of saving his life. The article might have been nothing more than an advertisement for the Air Force. Possibly that is all it was intended to be. However, there is one comfort to the civilian in the reflection that there is no gas that can poison a life-policy. He may rely confidently on our assurance that when the dread time comes the big insurance houses will offer him most attractive premium-rates to cover his death risks. At a superficial glance it might appear that since these risks would be 100 per cent., the policy-holder would have to pay a premium equal to the sum assured. But a little reflection will show that since in every case all the legatees would have died at the same moment as the testator, the only claimant would be "the Crown," to whom, of course, the estates would revert. And since insurance companies are an integral part of the financial system, and the financial system is itself the Crown—or "the State"—all claims would cancel out in a most economical fashion. This is such an alluring prospect that one begins to realise why it is that our financial rulers face the dangers of chemical warfare with such cool daring.

The *Statist* has recently been showing signs* of realising the dangers of the present economic system.

*"An implacable alternative faces this country. Either it must succeed in making co-operation among central banks as regards gold policy more effective than it has been hitherto, or else, sooner or later, the Gold Standard Act of 1925 must be amended. . . . Mr. Churchill, in the course of last Monday's debate on the Treasury Supply Vote, declared that 'for good or ill we have taken our course, right or wrong, and in these currency matters it is essential to pursue a course with some consistency and persistency for a number of years.' This is altogether too unequivocal and unconditional. A monetary system is the product of human ingenuity, and as soon as it develops defects that render its maintenance positively harmful it should be abolished and a better one devised. There is no particular sanctity about gold, and the world is certainly not bound to continue using it as a monetary standard 'for good or ill' and 'right or wrong.'"—The *Statist*, July 2, 1927.

In its issue of July 9 its New York correspondent reports as follows:—

"The daily record of bankruptcies and receiverships in New York reveals strange pictures of the industrial and commercial credit situation in the financial capital of the nation. . . . The resistance of the credit machinery is going to be tested soon, beyond all possible doubt. . . . The utmost ingenuity in extending the instalment system cannot prove successful unless industrial production can be kept at its best levels yet attained, and price levels prevented from seriously declining. The stimulation of the security market does not relieve internal stress in the country as a whole, unless, of course, some outside development, such as a war, creates a genuine demand for goods, and sends the commodity markets a-spinning. At this moment there is anything but a sign of life in the commodity markets of the country; the dissatisfaction of men who deal in them can be no longer ignored."

Readers of Major Douglas's books will readily recognise the origin of the idea of war as a *creator of demand*. War, after the pattern of Falstaff, is not only a consumer in itself, but is the cause that new consuming power appears in men as well. The application of this idea in a journal like the *Statist* has a welcome significance. For the rest, the comments of its correspondent underline a good deal of what we had to say a few months ago when we were challenged to explain why it was that America had established the prosperity of her citizens without recourse to any price policy. We were invited to observe how a lavish provision of financial credit for production was itself automatically causing a cheapening of consumers' commodities. No regulation of prices, as such, was necessary: competition itself would do the trick. But now it appears that unless this competition is regulated (i.e., "price levels prevented from declining") America's "credit machinery" is going to be "tested." This was inevitable. And not only America's, but the credit machinery of every other nation must sooner or later break down in the absence of price-regulation—and even in the presence of price-regulation if not based on the Social Credit analysis of true economic costing.

Sir Herbert Samuel on Royalties.

As we suspected, Sir Herbert Samuel's second article in last Sunday's *Observer* urges the acquisition of mining royalties by the State. He rejects nationalisation of the mines for two main reasons: first, that the coal industry is too complicated to be easily managed by the State; second, that a nationalised industry would have to have the national purse behind it; that its management could not in practice be kept separate from politics, and in that case how could "sound finance defend itself against the electoral pressure of a million miners?"—how could "the diffused interest of the taxpayer" be protected against the "concentrated interest" of the "other party in the case"? We are indebted to Sir Herbert for these last phrases: they formulate an antithesis which will be useful to us when we come to plead "in another place," as they say in the law courts.

"But none of these objections," he proceeds, applies to the proposal for the "public ownership of the coal itself, of the mineral royalties." Were the State to be the owner of the coal it could "exercise a powerful influence" upon the colliery companies, "who would then be its lessees."

"Further, the workers would no longer be subject to the daily irritation that comes from the fact that every ton of coal that is hewn in the mines pays revenue to the owners of the fields on the top."

In no other important coal-producing countries of the world, excepting the United States, is the owner-

ship and disposition of mineral property "left in private hands."

Sir Herbert attacks Mr. Baldwin for not having taken steps towards carrying out the proposal. He says that of course neither the House of Lords nor the present House of Commons could be expected to regard it favourably. He quotes Mr. Baldwin's reasons, which he recently gave in the House, for not taking action. One was an objection to creating new debt by purchasing the royalties. Sir Herbert's answer is that there is "no question of going to the money-market for new capital."

"The owners of the royalties would receive their value in Government securities. The interest and sinking fund on those securities would be more than covered by the revenue that would be received from the royalties themselves."

Mr. Baldwin also objected to the cost of creating a new staff of officials to administer the royalty revenues. Sir Herbert answers:—

"But he overlooked the fact that the royalty owners' properties are now managed by somebody; the charges for solicitors' and mineral agents' fees amount to an appreciable percentage upon the gross income. When a valuation comes to be made of the sum to be paid by the State, a deduction would, of course, be allowed for that percentage. It would be the net income received that would be paid for. But when all these thousands of separate properties had passed into one hand, and were managed as a whole, the cost of management would certainly be less than now. The amount of the royalties would remain the same, but the charges to be borne by the State would be diminished; they would be more than covered by the deduction that had been allowed in assessing the compensation to the previous owners. In fact, the State would certainly be able to make a profit on this part of the transaction."

We have quoted this section verbatim, because its very repetitions of the same idea, namely, *making a profit*, reveal its author's limitations as a would-be Statesman. It impels us to endorse a sentence in a private letter from a reader this week: "I don't object to Jews here; but I want Britishers in responsible and key positions." To adopt Sir Herbert's own antithesis, we do not object to the diffused interests of Jewry, but we are not comfortable when they become concentrated.

The import of current anti-landlordism has been written upon by Major Douglas recently in these pages, and need not be discussed again at present. But the process by which royalty owners are to be screwed out of their property will bear a little analysis. Take a token figure of £100 annual royalty, and capitalise it at, say, 5 per cent., giving a purchase value of £2,000. Now, an "appreciable percentage" of the £100 goes to the landlords' solicitors and mineral agents. Let us guess 5 per cent. In that case the Government would take the royalty owner's land and coal away from him and pay him the capitalised equivalent of £95, not £100. It would pay him £1,900. But not in money; in Government securities. Assuming the interest rate of these securities to be 5 per cent., the royalty owner would receive £95 per annum, and give up £100 per annum. Out of the £5 gross profit the State would have to pay for administering the royalty fund. Sir Herbert Samuel is more than ordinarily cautious in saying that this cost would be "more than covered" by the £5. We doubt whether the whole work would not be insinuated among the other duties of Civil Servants at a cost of a fraction of that sum. We call the Union of Post Office Workers as witness to the fact that these devices are resorted to. Further: we have Sir Herbert's own statement that not only will the gross royalty receipts cover the interest payable to the ex-royalty owners and finance administration, but they will also *cover the sinking fund* applicable to the Government securities given in exchange for the coal. That means that the royalty

owners will themselves be repaying the purchase price of the property to the State in the form of deductions from their annual income.

The device of paying royalty owners with Government securities amounts to mortgaging the coal deposits of the country to the banks. Bank loans to a Government, on that Government's credit as a Government, have no *real* security. They consist of a contingent lien on taxation—contingent, because tax revenue depends entirely upon whether the Government can and is willing to collect it. The only visible "security" for the loan is the Government bonds which the loan created. So whenever the banks get a chance to exchange superfluous holdings of Government paper for a mortgage on valuable concrete property, they are after it like greyhounds. The difference is as great as though a holder of Ordinary shares in a limited company were to change them into debentures of the same face value, and yet retain all the rights pertaining to ordinary-shareholding. Sir Herbert Samuel is silent about how Government securities are to be paid over without disturbing the money market. If existing securities are to be used they must come out of the banks' and insurance companies' portfolios. Probably they hold sufficient, if the *Daily Mail* was correct in stating that the bulk of the last half-yearly disbursement of War Loan interest went to these concerns. If new ones are to be created for the purpose without an accompanying credit transaction, we shall be interested to see how it is done. Possibly by the private creation of superior Royalty Mortgage Bonds to be handed to the financial houses in replacement of the inferior Government securities.

Someone might ask, in that case, why the royalty owners should not get the Royalty Mortgage Bonds directly in exchange for the coal property. They ought to. But they would not; for in that case it would be they, and not high financiers masquerading as "the State," who could "exercise a powerful influence" on the colliery companies. The fundamental issue is *Control* rather than any question of profit on the deal. The significance of the profit lies in the financiers' ability to transmute it into power. This peeps out in an allusive remark of Sir Herbert's. One of his reasons for opposing the nationalisation of coal-mining enterprises as being difficult to carry out is that:—

"It (the coal industry) is linked, and is likely in course of time to be closely interlocked, with several other industries, with iron and steel, coke-ovens, gas works, electricity."

The reason for this interlocking is so as to bring every form of economic energy conveniently under one centralised body—the same body as controls Governments themselves. Not only the colliery proprietor, but every employer in industry, will then be a lessee of the financier.

Electricity as a Credit Basis.

In *World Power*—a monthly magazine recording progress in capital development—Mr. David Ferguson, M.A., has contributed two articles advocating the idea of an electrical standard for credit instead of the gold standard. (Issues for June and July.) In his view the unit of electricity should take the place of the ounce of gold as the unit of reckoning or scale of valuation. This would permit (at least in theory) the settlement of international trade balances by deliveries of electric current. As Mr. Ferguson himself admits, in existing circumstances the idea is impracticable: but he is entitled to discuss it because there is no physical impossibility in equipping nations with the necessary generating and transmitting plant if they all agree to it. In the meantime he would allow gold to function for international settlements, and use his electricity basis for internal finance.

The principle is sound so far as it goes; for electricity is a form of Real Credit, i.e., a correct estimate of capacity to generate current is a correct estimate of potential production, whereas an ascertained quantity of gold affords no estimate of productive capacity at all.

But the mere supersession of gold by electricity would not solve the economic problem. The expected increase in the volume of available credit would still remain a matter of *policy*. The mere widening of the basis of credit would not automatically expand credit. The gold standard is in practice really a gold-price standard. That is to say, the basis is not simply an ounce of gold, but it is the arbitrarily fixed price of an ounce of gold, approximately £4. This price has been kept fixed only by legally compelling the banking system to pay £4 for every ounce of gold that may be offered to it by producers of gold. Now, if electricity were substituted, some arbitrary price would have to be attached to the electrical unit. If one unit of electricity were to stand for one ounce of gold, the price of electricity would be £4 per unit. If not, some authority would have to decide what the price was to be; and in so deciding, it would seem to be obliged to decree that the banking system should purchase electricity at that price from anybody who offers it. At least, that would be the situation unless *something else were altered* besides merely the nature of the credit basis.

The problem would be how to standardise the price of an indefinitely expansible thing like electricity by methods devised to deal with a definitely limited thing like gold. In fact those methods have broken down even in the case of gold; for in America half the store of gold is superfluous as a basis (under the permissible ratio) for the credit America is using.

But there is a solution to the problem of the compulsory purchase of electricity by the banking system; it consists in giving the banking system control of electrical plant and production. If the banks become controllers of the thing they are compelled to purchase, they can comply with the law by producing only the quantity they are willing to buy. This brings us immediately face to face with electrification policy as it is developing to-day in this country. The banking system is taking actual steps to control electricity. Britain's production is to be concentrated upon a series of huge stations. Nominally these will be managed by a public Board controlled by the political Government. But the policy directing that control will be that of the financial Government—the high financiers and bankers. The net effect, therefore, of the change Mr. Ferguson is proposing would be to turn us all out of a gold frying-pan into an electric furnace.

We have every sympathy with anybody who sincerely takes the trouble to advise the financiers how to break through the limitations based on their gold-standard logic. But the point is whether they wish to break through them; whether in fact it is not their deliberate policy to impose those limitations, and their strategy to use gold-standard logic to justify their doing so. It has been truly said that you cannot get a quart out of a pint bottle. But you can't get more than a pint of credit out of a quart bottle if the controllers of credit decide that a pint is all you shall have. Before any change is made in the credit machine the policy of those who control it must be investigated and adjudged. That policy is, as we know, to impose abstinence on the individual in the interests of capital development. So long as the public approve such a policy they must leave methods of carrying it out to the discretion of banking technicians, who must know more about the subject than outsiders. If they want to reverse the policy that is a different matter.

The Midland Bank and a Financial Inquiry.

By C. H. Douglas.

III.

Viewing the present situation, not only in this country but in the world at large, from the realistic point of view, it seems to me that there is room for three reasonable opinions on it. The first of these is that radical change in the existing financial system is no longer possible, whatever might have been the case a few years ago; that, therefore, the comfortably situated have nothing to fear, and the uncomfortably situated do not matter. The second opinion is that there are indications, such as that provided by the Midland Bank and certain agencies in the United States, that a movement which is not completely negligible is becoming a factor in the situation. The third opinion is that various forces such as Labour agitation, competition for exports, set in motion by the mechanics of the financial system as it stands, have acquired such momentum that they must result in a breakdown of the system within a shorter period of time than is available to make the necessary adjustments to prevent such a breakdown, but that even so, the hope of true reconstruction resides in a suitably modified financial system. I have already stated that I myself incline to the third of these opinions.

To those persons who hold the first of these opinions, and they are probably, both numerically and as regards effective influence, in the majority, nothing useful can be said. They represent a combination of intellectual inertness, in partnership with influences determined to keep them inert at any cost, against which even the gods fight in vain. They are the true wreckers of society.

But the small but increasing number of persons who hold one or the other of the two latter opinions, and these probably grade almost imperceptibly from one division to the other, ought to understand their problem. In the main, that problem is *not* to get at the truth. It is to make the *truth* live. In particular it is to see that, under cover of a reorganisation of the financial system the chains of finance are not more firmly rivetted upon the individual.

If, as I have suggested, we have to take into consideration the fact of a coming conflict, then any one whose opinion is worth consideration—that is to say, anyone with sufficient experience of the psychology of 1918 and the technical origins of that psychology—must realise that the first problem which will face this country will not be an external problem; it will be an internal problem. If there is anyone outside the holders of the first of the opinions stated above, who supposes that it would be again possible to hold a large British army together for any length of time under the conditions of modern warfare, while the makers of munitions of all grades accumulate fortunes in comparative security behind the lines, such a person is lacking in judgment. It could not be done for three months. Broadly speaking, the success of any country in the next war will be far more dependent on the relationship established between individuals and the common credit of the country than upon any other single factor, military, technical, or otherwise. The success of any country may be unimportant; but the success of the culture which is associated with nationality is of supreme importance.

It is reasonable to assume from the external evidence that the Directors of the Midland Bank hold opinions somewhat similar in essentials to the second or third of the three that we have been considering. Evidently they are not satisfied to leave things as they are. It is equally reasonable to believe that, in

the main, they realise their problem. For some time they have been saying something, and sooner or later, they have to do something. For the general public, the matter of interest is—what is it they want to do? Is there ground for assuming that what they want to do is in the general interest, or are we witnessing one or more schemes to give a mess of pottage in exchange for a birthright?

Now it is clear enough that the Midland Bank has not, so far, disclosed what it is that it wants to do. Through its Chairman in particular it has carried on for the past four or five years an educational campaign of the utmost value, devoted, as is most proper, to explaining exactly what it is that happens now, as the only reasonable ground-work for a discussion of modifications in the mechanism.

A second stage might be said to be entered upon with the suggestions made by Mr. McKenna for an inquiry into finance and the credit system. It would be under-rating the intelligence at the disposal of the Midland Bank to believe that there was any serious expectation that this suggestion would be accepted by the Chancellor of the Exchequer, and it is not unreasonable to conclude that, having gone through the formality of suggesting a Government Inquiry, the Bank has plans for an inquiry of its own.

Just what purpose could be achieved by this inquiry? It may be assumed that the Midland Bank knows exactly what facts it would like disclosed. We are concerned to know what it will do with these facts when they are disclosed.

There is a vital difference between the inquiry that we are considering and the petition for such an inquiry, which was extensively signed and presented to Parliament some time ago. That petition achieved the greater part of its object before it was ever presented to Parliament at all. It brought to the attention of at least its 28,000 signatories, and probably a good many more who were not signatories, the fact that, at any rate, there does exist a financial problem, and it brought that fact to the attention of a large number of people who are not normally interested in the subject, and who would not read the reports of an inquiry conducted by the Midland Bank or anyone else unless that report were brought to their attention in some rather unusual way. So that we can assume that mass or democratic propaganda is not the objective of such an inquiry, as is proposed by the Bank.

But if we imagine that the logical sequence between saying something and proceeding to do something is sufficiently appreciated in quarters which are important, then it becomes clear enough that the taking of all the necessary steps to provide a theoretical background for a practical proposition partakes of the nature of practical politics. We can assume that the usual big business policy of "rationalisation"—the justification of something—the doing of which is already decided upon—is in operation. To estimate the nature of that something requires, I think, a digression on Mr. J. M. Keynes, and excursions into the politics and control of the Liberal Party.

(To be continued.)

"The trade of the manufacturer and the merchant, it is a truism to say, depends upon the credit facilities obtainable. Trade, allowable, expands when the facilities widen; and contracts when they narrow. But here comes the illogic of opponents of instalment selling. Up to a certain point in trade, everything pivots on credit; but past that point, credit has suddenly to disappear and dry up. Its facilities are for the few; many are beyond its pale. Without credit facilities, it is agreed, wholesale business would be knocked into the proverbial cocked-hat. Why, then, in the name of all that's sensible, should not credit facilities under safeguards be projected into the branches of retail trade adapted to them?"—*Financial News*.

Galsworthy.*

There was room for another book on Galsworthy, and especially for this interpretative analysis by Mr. R. H. Coats. Mr. Coats is a catholic critic; he can honour for their particular qualities dramatists as varied in their manner and objects as Galsworthy, Shaw, Yeats, and Maeterlinck. His book is not irrelevantly lengthened by any personal touches or biographical details, but goes straight through on its subject of Galsworthy as a dramatic artist. Though much that the author says with the enthusiasm of approval arouses a *naïv* as definite as its own *yea*, he keeps up interest from beginning to end as he analyses the plays from first one and then another point of view. He does not indulge himself in psycho-analytic probing. These are the people Galsworthy makes, these the places where they comport themselves, and these the themes for which they are engaged, Mr. Coats says in effect, and the reader may disapprove or approve. It is almost the method of Galsworthy applied to Galsworthy.

Mr. Coats, however, praises Galsworthy for his faults. Sincerity, sympathy, pity and indignation are not of necessity positive qualities. In Galsworthy there is too much pity, as there is too much irony, the excess disabling him as an artist. His impartiality, so strongly emphasised by more than Mr. Coats, has been as strongly doubted by equally competent judges, though there seems no good cause for making us judges of his impartiality. Balzac, accused of propaganda, replied that the public do not need educators to keep them in doubt, with which Shaw would agree in fact and Wells in theory. Galsworthy, explicitly trying "to see things as an umpire," white coat and all, refuses to give decisions, preferring to render the cricket slower than ever by summing up at every appeal. Diagnosticians—Mr. Coats justifies the word—will get social life and drama into as hopeless a mess as report says they have got medicine.

Nobody has been more ironical at the expense of welfare workers than Galsworthy. Yet he is himself a welfare worker. His incessant appeal to the public to see the other fellow's point of view, "to put yourself in his place," his sermons on egotism, his holding up the awful consequences to busybodies, considered as tracts, leave the audience lost in futility. Although he represents his dramatic method as the disinterested portrayal of social life, which is left to evoke its own moral, there is little doubt that Galsworthy more or less consciously aims at creating mutual understanding. Accordingly with Galsworthy the audience must feel that it has been sent back to a social school, whereas with Shaw it feels to be engaged in social life. In spite of Galsworthy's dislike of Liberalism, only extreme moderates among progressives find meat for thought in his plays. So far as understanding goes, his themes—from man's inhumanity to man to the barren prolongation of strikes by leaders' and directors' fanaticism—were established to the full extent of their truth by the tract-writers who preceded him. That there is one law for the poor and another for the rich has been patent for thousands of years to the poor, and for nearly a century to the middle-classes. Nobody but Galsworthy could have made a theatrical demonstration of such a proposition. He rather resembles the newly arrived Irishman who assaulted a Jew.

If Galsworthy had had less pity, less compassion, less sympathy, and cared not a straw for people's feelings, he would have been a greater artist, and would have done more social good by that token. He has crucified himself on a platitude, and seems more than half aware of it. Epigrams are good for

conversation, but life goes wrong in action if we forget the platitudes. Thus depressing experience teaches, yet the lesson is a false philosophy for art, even for realistic art. That Galsworthy has roped the institutions of modern capitalism, legal, political, and economic, into the drama, and endowed his plays with meaning, is immensely to his credit. Though his own themes are characteristic of the platitude in that they lead nowhere, both his themes and his methods celebrate the final egress of the theatre from the feudal system. Mr. Coats describes him as "a typical representative of modern humanitarianism." Humanitarianism is characterised by conscious suffering under the tyranny of systems and institutions without courage to destroy them. For Galsworthy's criticism of organised religion, that it has no force to bring about "that essence of Christianity—mutual goodwill and a sense of service" he deserves to go down to posterity as the first Rotarian.

In extending the province of the stage beyond love, marriage, death, and the affairs of Royal Families, Galsworthy's benefaction to drama, then, is greater than his dramatic work, though his service would have been greater had his work been greater. His striving for impartiality has forced him to turn his characters to suit the theme, to balance them nicely on the scales of justice. In consequence his characters do not grow. They finish the same shape as they began. Mr. Coats' remark that "Galsworthy's work is mainly grey" is a criticism far too devastating for him to soften down. Galsworthy, as Mr. Coats says, is devoid of religious fire—almost of any fire—and compassion is no substitute. Although Mr. Coats compares his subject with a number of other dramatists, he does not refer to O'Casey, who although his plays are as yet few, is a far truer realist than Galsworthy; and his people, their ideas, frailties, and sayings, are memorable as Galsworthy's are not.

PAUL BANKS.

VILLANELLE.

I out of sight and out of mind
A moment, you looked elsewhere,
And knowing well your fickle kind,
I found another lass more fair,
No more, light beauty, shall you hold
My heart in leash for your good sport,
And we shall see ere either's old,
Which one shall first be sorry for't.

While in sad tears my days out-run,
Grieving that we should be apart,
Light girl who will love anyone,
You held another to your heart.
There never veered a vane of gold
More prompt to play the wind's own sport,
But we shall see ere either's old,
Which one shall first be sorry for't.

What of your sacred vows and those
Sad tears you wept at our farewell?
And can it be such sobs arose
Out of a heart so variable?
God! but what lies you glibly told!
Who trusts you shall have luckless sport,
And we shall see ere either's old,
Which one shall first be sorry for't.

Whoever wins my place must lack
Love like to mine, but fair and true
I'll find the girl that now gives back
The faith so wanting once in you.
Watch lest your gallant's love grow cold!
This love of mine is not Time's sport,
And we shall see ere either's old,
Which one shall first be sorry for't.

WILFRID THORLEY.
(After Philippe Desportes.)

* "John Galsworthy as Dramatic Artist." By R. H. Coats, M.A. (Duckworth. 6s.)

"Uncrowned Kings."

A Financier-Philosopher's Ideal.

The inexhaustible potencies and possibilities, for good or for evil, inherent in vast hoards of money have greatly exercised the imaginations of men of thought and invention during the XIXth and XXth centuries—from Poe in his "Domain of Arnheim," to Bernard Shaw in his "Socialism for Millionaires." Jules Verne and H. G. Wells have indulged their passion for romance and pseudo-science by building up their Utopias with the riches of Golconda. Many modern German novels, such as Kellermann's "Tunnel," make use of American millions for vast international enterprises or for re-shaping this sorry earth "nearer to the heart's desire." Sums of dizzy dimensions attain a power almost divine; and Gold becomes God—and Prometheus. Gold, the root of war, would even, by some strange alchemy, become the seed of peace in the hands of Henry Ford. Visionary optimist and organising business-brain, who sought to strike the steel from the hands of the nations, bent madly upon the crime of fratricide.

But all these brilliancies pale beside the vast and comprehensive practical programme for the spiritual regeneration of the world, as set forth by that remarkable German philosopher and man-of-affairs who writes under the pseudonym of "Heinrich Nienkamp."* The principal work in which his ideas find expression is entitled "Fürsten ohne Krone" ("Uncrowned Kings").† Completed before the World-War, and published during it, this book has called forth the enthusiastic praise of many of the most advanced thinkers in Central Europe, and the foundation of numerous study-circles to prepare for the realisation of the Community of Culture which is its *Leitmotif*. And the object of this present paper is to put English readers into possession of the main points of a working scheme which merits the careful attention of all who have at heart the betterment of mankind.

"Heinrich Nienkamp" modestly describes his book as "*almost a Romance*." It is, in fact, the *Reality* of a nobler world produced by an international organisation which is to spread over all the civilised nations and which is rooted in the soil of each; a pyramid of productive interest, co-operation, judgment, and administration; a Super-State above all States: a spiritual Empire of ascendant men and women.

This colossal enterprise is called into being by one Richard Fry, the enlightened son of an American multi-millionaire pledged to carry out his father's wishes. He comes to Europe to found his League—an institution based upon business principles applied to the purposes of progress and higher civilisation. (The author adopts the original idea of telling his story in the form of newspaper-reports from various notorious European journals. The sharp and subtle characterisation of their various tendencies and policies makes highly edifying reading, and is wonderfully true to type.) The great League, or *Ligilo*, is established, and an official organ is published—in Esperanto—the *Kultur-Gazeto*. The League for Universal Culture finally attains a moral power and prestige which carries all before it. So much for

* It is an open secret that "Heinrich Nienkamp" is identical, in civil life, with Dr. Ernst Kliemke, a director of the Deutsche Bank and of the Deutsche Petroleum-Gesellschaft, one of the most brilliant financiers in modern Germany, of daringly enlightened views for one of his profession.

† The book is published at the Vida-Verlag, Berlin-Charlottenburg. Unfortunately, an English version does not as yet exist, although the need is urgent.

the "Romance"; let us now briefly review the "Reality"—the practical philosophy which underlies the story.

Richard Fry has recognised the essential soundness of the aristocratic principle applied to mental, aesthetic and spiritual values. It is a principle biologically just and true, and connotes not only the survival of the fittest and the best, but also their selection and fostering. This is a factor, a law, all too frequently trampled underfoot in this age of "Democracy" triumphant in darkness and free in helplessness. "*Men are different*" is the Nienkamp antidote to the XVIIIth Century fetish: "*All men are born free and equal*." The constitution and administration of the League are therefore based upon the principle of a gradual blending of quantity into quality, of numbers into individuality, of potentialities into power.

In each community a local centre is formed of members interested in the ideals of the League. A graduation of rank forms the ladder up which the efficient may go to the highest places (and ascend to the highest salaries!)—Member, Citizen, Count, Prince, King; or sound Republican titles if preferred, such as President—the names matter little. We have here a practical, modernised conception of the principle of the Samurai rule; but without the feudalism of the hereditary succession. It is nothing less than a social machine or organism for working towards the sublime ideal of the Prophet Nietzsche: "Man is something to be surpassed." The interests of the individual are gradually sublimated into the interests of the Race—whose summits, composed of high and higher types, leaven and elevate the mass.

The forces which now go to waste in the anarchy and chaos of that everlasting struggle for life (or "a living") may thus be co-ordinated, controlled, and directed to drive mankind along the upward path, and to advance Civilisation and its finest flower, Culture. Genius, that precious ore in the dross of humanity, will be given the right to demand opportunity and recognition: no longer will it be left to chance discovery.

The element of money is conceived not only as the foundation-stone and "Open Sesame" of this new world, but as a vivifying force, or life-current, uniting it with the life and functions of the Cosmic World. The power of the Press becomes what it should be, but is not in the world of to-day: a medium for influencing multitudes for their own good, the vehicle of the people's daily mental food and sustenance.

The author appears to have tested his theories from many possible points of objection, and to have studied out his system to the smallest working-details, such as advertising and even fines. Two supplementary volumes, "*Kultur und Sprache*" and "*Grundlagen der Fürster ohne Krone*," amplifying these practical details, have been issued. The whole forms a ramifying framework of untold possibilities too full of promise for humanity to be lightly dismissed with the sneer of "Utopia!"

That precious quality of mind known as Universality—a sense of Cosmic Spiritual Relationship to Life and Mankind as a whole—shines luminously throughout "Heinrich Nienkamp's" work. It is the lack or lesser development of this quality in the average men to-day which will form the most formidable obstacle to the establishment of a Cultural World-League or State—a modern intellectual and ethical analogue to the Holy Catholic Church of the Ages of Faith. The war, from which we have barely emerged, has shrivelled up and even severed many of the channels and arteries through which currents of sympathy and understanding once flowed from land to land. But it has at the same time proved

to all thinking men the unity of interests which is the *sine qua non* of the Cultural Civilisation for lack of which we are perishing to-day.

After an age of foul commercialism, the accumulation of vast and ill-gotten fortunes, the national jealousies, envies and struggles for new markets—may not an Age of *Wealth*, as opposed to an Age of *Money*, arise—golden, Augustan—dominated by a sadder but a wiser spirit, after the mournful, infinitely tragic lessons of to-day? Such is the hope, such the vision, of the Uncrowned Rulers of men.

But there is no doubt that the dominance of Mammonism, the worship of crass material success which has become not only a fetish but a religion, will continue to form the rocks against which such dreams will break—until the dream itself become hammer and dynamite.

The intensification of nationalism, emotional patriotism, the bane of the gutter-Press, the ferocity and stupidity of the mass-mind—will gold, rivers of gold, avail to conquer these? The answer is that only the Elect can be expected to become converts: moreover, that when these Elect have at long last learned to exert their Will—to Economic Power, the wise scientific organisation of Social Credit will suffice to build up a phalanx of the best minds in each land—no longer dispossessed intellectual aristocracy, but an intellectual hierarchy lifted above the multitudes, and made independent of material want, yet urged on by high incentive. And these—the Uncrowned Kings—shall be the Arbiters of Human Destiny.

SAMUEL F. DARWIN FOX

"Exclusive."

A SKETCH OF A NEGRO NIGHT CLUB IN NEW YORK.

By Stephen Graham.

"You're not a dawg catcher, are ye?"

These words were addressed to me by a loafer outside the brightly illuminated entrance of a cross-street club in Harlem. The negro porter found difficulty in admitting me, and had gone to talk to the boss. But the loafer, a white man, also was in the club's employ and mistook me for a revenue officer. When I explained that I was English he said:—

"Well, I guess that's all right. Come off a ship, eh? Well, all you have to do is to grease the nigger's hands. Right Joe, he's O.K."

I found the grease and was then affably welcomed by the door-keeper, who took me downstairs.

A clerk handed me a statement to read over, which looked like the Declaration of Independence. "This heah's an exclusive club," said he. "Ye cahn get in unless ye sign the rules." I was asked to fill up a form which, among other things, said, "If you are naturalised, state when you took out your papers, and where."

"I can't fill this up, I'm a foreigner," said I, with relief.

"All right boss," said the clerk affably. "Just sign over that number and pay a dollar."

So after all I was admitted.

The Club was in a gaily adorned and beautifully painted cellar. There were tables all around, there was a pit with a jazz band in it, and in the centre pranced coloured girls, some in pink satin pyjama trousers, others in roseate cami-knickers. The company was white; the entertainment was black. Negro waiters danced about with tiny straw hats on the sides of their fuzzy heads. I sat down and ordered a

bottle of beer, but I felt somewhat abashed and not quite at home when a voluptuous pagan at once shimmied to my knees and languished up toward my face.

To cover embarrassment I wanted to say "Take a seat, girlie," but the words froze on my lips.

My neighbour at the next table appeared to be a "butter and egg" man, and his form of amusing himself was crude. He had come from Indianapolis for a three days' business spree in New York, and I gathered from his remarks that the capital of Indiana did not offer him as much scope for his way of enjoying himself. To me his behaviour was part of the show. It would have been worth an extra dollar to see him. But his part was given away free.

There were fifteen coloured girls, all of them young and good looking. My neighbour from Indianapolis had on his table beside his bottle of hooch a wad of dollars. Each of the girls in turn danced up to him so close that they were nose to nose and knee to knee, and fingering her one garment unlaced it in front of him, and when she had done so to his satisfaction he lifted a bill from the table and solemnly presented it to her. One of them with a five-dollar bill in her hand, the Sheba of this Solomon, came Charlestoning from him to me, so closely I could feel her breathing, and looked at me so intently as her legs trembled and her body shook that I felt she was not using her eyes, but was looking at me with her shapely thick-lipped compelling mouth. Her face at close quarters was like that of a shaved cat, very African and jungly. She possessed a hypnotic glare and I involuntarily whispered as she moved away from me, three lines of Lindsay's "Mumbo-Jumbo who lives in the jungle, Mumbo-Jumbo will hoo-doo-you." It was quite a Congo scene.

The parade of girls gave way to an orgy. Red paper hats were put on all our heads. I took mine off, but a waiter hurried up, replaced it, and waggishly slapped my head. Some other guests who took off their hats got slapped too. That slap seemed to fix the hats on for good. After that they stayed on; we dared not remove them.

The coloured lights were turned out, and instead four spot-lights played on the centre of the room out of the dark corners. We were given coloured balloons, squeakers, and rolls of coloured strips of paper. In the darkness the waiters brought flasks of Scotch whisky wrapped up in paper and confidentially slipped them into the side pocket of the visitors. There were no small drinks or "nips." You could not buy less than a bottle of the stuff.

Out came a wild array of almost naked singing girls, dancing as they sang, shouting, posturing, contorting, and going through those African rituals so well described in the French-Negro novel, "Batouala." What they did is indescribable here. The white guests threw serpentines of coloured paper over them till every girl was incredibly tangled; we blew out our balloons, squeaked on the squeakers, burst balloons with resounding pops, shouted and sang and drank. The flasks were handed to the half-demented band and to the chorus girls, and the scene ceased to be one of dance. It became vice, as depicted on the screen. Perhaps the orgy was studied from the cinema, from the shadow reflections of picturesque sin in Los Angeles.

This, in its variations, lasted an hour or so, and the waiters dancing in with the girls got very drunk and carried the club president, a ponderous African, round the room, holding him by his knees, so that his huge body swayed about as if it were a stuffed figure. Then the whites got up and danced with the coloured girls, then there was the Black Bottom and a rivalry in solo dances and repellent contortionism, and every time a girl "rang the bell" with some unusually daring show-off the sombre gentleman

from Indiana with the decaying wad of dollars got up, solemnly interrupted the dance, and presented the girl with a bill.

Most of the girls took their tips across to the pianoplayer in the band, and he stowed them away in his capacious pockets.

The waiter came up to me. "Hope yo's 'joyin' yosef, boss," said he. "Any gal you like you c'n have, jus' lemme know."

Presently I had a rather cute, breathless, perspiring hussy sitting at my table drinking "inspiration" where I was drinking inspiration of a different kind.

Something curious was yet to happen. Two small boys came in, and the girls left the centre of the club and sat on white men's knees or leaned against them with their arms round their necks, lipping cigarettes and blowing the white smoke into their partners' eyes. The painted cellar at that time was full of tobacco smoke and whisky fumes and odours of other kinds. It was nearing three o'clock, and into this strange atmosphere and Bacchic scene came two children and sang "blues" to us in piping treble.

I felt sorry for them, they humanised us a little. They had an exaggerated success. The drunkard was made tender and emotional, the man from Indianapolis handed a waiter money to give them; everyone found something for the boy singers and, self-satisfied and smiling, they strutted out of the room. Neither was more than twelve years old, and I wondered what they did with the money so easily earned and what their future would be.

I talked afterwards to the police at headquarters about these singers, and one told me how he arrested a Negro boy of the kind about four o'clock one morning in Harlem. He found that the boy went from club to club all night, taking a taxi each time. He was so little he was provided with a stick with which to reach up to the bells on the club doors. He had over a hundred dollars in his possession; he appeared to be a child without father or mother, and lived more or less on his own. Not a child that father and mother would desert, you would think, but he started his profession singing for nickels outside theatres and graduated to the cabaret and the club. The police set the little waif singer at liberty, but something of his story was reported in the Press.

The children, however, were quickly forgotten in this club. The waiters sang instead. Indeed, the waiters were having such a good time one felt that they ought to have paid for admission the same as the guests. They danced, they sang, they got drunk, but they also collected their tips. The floor was covered with confetti, burst balloons, and paper hats, but they did not bring brooms and sweep it clear. But when the band rested the waiters improvised on their instruments.

There seemed to be no control, but there was no fight. The good-natured president went to various tables and drank with his guests, petted and patted and purring, and his great frame in voluminous black frock-coat looking like a human wall. The girl with the face like a shaved cat seemed to be his favourite, sang to him repeatedly, and heaved her great bosom in front of him as if over confident of her beauty and desirability.

I caught the coat tail of a dancing waiter, gave him ten dollars, and went home. Lenox Avenue trailed on in the dark. The subway was dreary beyond words. I changed and waited at 95th Street. A few seats were occupied by homeless men stretched out full length and sleeping. I weighed myself and found I had lost eight pounds during the evening. It was very tedious. I went to another weighing machine and found I had lost four more pounds. I bought a morning paper and read the latest details of the latest murder.

The Liberation of Childhood.

By Philippe Mairet.

The perils of childhood are now so advertised that we are in danger of dismay. Teachers and parents who go to modern psychology for help in their work often feel that it would be better to go to bed with a nervous breakdown than to continue taking any responsibility for the coming generation, since it would almost appear that the usual effect of adults upon children is to warp their souls for life. The future of the "only child," for instance, is beset with misgivings only surpassed by the apprehensions which attend on a "second child's" development, and as to the "youngest child," "favourite child," and "spoilt child," it is only a wonder that so many of them manage to grow up fit for decent society. Without uncommon intuition and experience it would seem impossible to show firmness without thwarting the growing mind, or gentleness without making it dependent.

Fortunately, however, these newly-charted dangers of childhood are not likely to paralyse the resolute of those who have the most living contact with children. Psycho-analysis has produced a mass of knowledge of enormous importance for education, but we are only beginning to be able to make use of it. And we have to make a certain deduction from this new child-psychology. We have to remember that it has been almost entirely obtained from *adult memories of childhood*, normal and abnormal. It is a strange fact that Freud, working only with adults, should have increased our knowledge of the child more than any objective student of children themselves. In its first results, however, this has given us a picture of childhood rather negative, from the view of the soul struggling to escape from its limitations, and, like every phase of Nature, childhood is not only a means, it is also an end in itself, with as much right as any other period of life to its own specific expression.

Fritz Wittels's "Befreiung des Kindes" is a work which brings the results of psycho-analysis into more practical relation with education and the care of children: it presents the child-mentality and way of thinking, as a human stage with certain clearly defined rights. Through this author's perspective, we do not see children as raw material which we have to mould into the forms of civilisation and adult life. They are more like another race, living in our midst, with a life of their own, which, though strongly coloured by ours, is quite different. They are, of course, destined to take up our kind of life, but they will do it in a way of their own choosing, and in their own good time. Dr. Wittels demonstrates the distinctive quality of children's thought (in by relating it to neurotic habits of thought) and also to the which the childish modes persist) and also to the thinking of primitive peoples, which Levy-Bruhl calls "prelogical."

Prelogical thinking is thinking in images or concepts which are inseparable from an emotional or activity-arousing quality. It generally ignores logic altogether, but it is not anti-logical. In logic, however, a thing is either so or it is not so (the law of identity), whereas to the prelogical mind, a thing may be and not be at the same time. The totem animal, for instance, is to us a "symbol" of the tribe; but to the tribesman himself it is a very feeling reality. If the totem is a crocodile, he feels himself to be a crocodile. "We are the crocodiles," is a thought which has a tribal value, and any attempts to distinguish these savages from the saurians in question, upon grounds of comparative anatomy or psychology, are regarded by them as beside the

"Die Befreiung des Kindes." Dr. Fritz Wittels, Vienna. Hippokratès Verlag, Stuttgart.

point. What we call the *facts* of the case, conceptions divorced from their instinct-arousing nature, seem to the savage valueless, mere pictures of nature with all that is of interest left out. "Of course, we are not crocodiles, but of course we must be crocodiles all the same," is what the savage would say, if he could bring himself even so far to analyse his idea:—but he cannot do so, any more than a Catholic can consent to question the foundations of the faith. Among certain savages the missionaries have had great difficulty in preventing the sacrament from being taken in a horribly literal sense as flesh and blood; for this rite is only civilised by the delicate philosophical distinction between "substance and accidents" without which it would be pure spiritual cannibalism. Like all primary religious concepts it is prelogical, a conviction that a thing is so, and not so at the same time; but the Christian worshipper is bound to give a logical account of his prelogical doctrines, in order that he may be kept conscious of their prelogicality.

That is by the way, however. Dr. Wittels's point is that the position of the child in adult society is very much like that of the savage in contact with civilisation; so that the essential work of education, both individual and racial, is the transition from prelogical to logical thought. Our most fruitful error in this field is to take it too much as a matter of moral training, in the sense of truthfulness. A child's early use of speech is true to its own feeling—much more so than ours—but it is fairly indifferent to facts and to logic. A heavy-handed moral protest against this only increases the child's real resistance to adult social standards, which works out in much more dangerous lying in later life. Children's communities, where they exist, are probably the most truthful societies we know, there is so little lying for convenience in them.

Dr. Wittels's conclusion is that the child's adaptation to our adult way of thinking can rarely or never be achieved without painful experience. But it is only so far as it has the genuine friendship and example of its elders that it comes spontaneously to see the value of their ethics and logic. So far as it does not get such friendship and example, its adaptation to life is freed, and its subjection to civilisation is felt as imprisonment, to which it will always oppose some kind of rebellion or passive resistance.

Economics.

VALUE.

Discussion of currency may have driven many folk mad, but has hardly brought less profit to the world than the voluminous discussion of *Value*. Many people seem under a compulsion to believe that all the things men desire and use must embody some common intrinsic worth, and that the price of each either is or ought to be determined by the quantity of this worth which it contains. The best known form of this belief is the Labour Theory of Value, which a large part of the Labour and Socialist movements still embrace. Every commodity represents a definite aggregation of units of labour power; with a few exceptions, commodities are exchanged according to a scale of the hours of Socially Necessary Labour Time needed to reproduce them according to their kind; profits are the difference between the real value of the goods and the value which the capitalists allow to the workmen who make them. On this basis an abstraction, Value, is explained by another abstraction, "S. N. L. T.," as the Marxists abbreviate it, which seems to have no relation to such concrete facts as the price variations in the West End shops between December and January.

The only *intrinsic* value a thing can be said to have is its value to itself. If this is not to be meaningless for inanimate things we must adopt some philosophy according to which everything is in some degree self-conscious. Otherwise all values are relative to some valuer, and are different for different valuers, and for the same valuers at different times, places, and conditions. The English loathe fried rats as heartily as the Chinese loathe salted butter.

The economic doctrines of *laissez-faire*, *laissez-aller*, were based on the complete subjectivity of value. They assumed that all grown-up people knew what was most valuable to themselves, and consequently could and would co-operate one with another to the maximum benefit of all. This was reasonably sensible as a theory; free co-operation of citizens based on common interests and enabling individual aspirations is an ideal many of us cherish. It contrasts favourably with the current theory of social organisation that people shall have things done for them rather than be empowered to do them for themselves. But in so far as it was tried, the benefits were mixed with such a mass of inefficiency, oppression, and misery, that all parties to the anticipated co-operation have tried to get it as much regulated as they could in their own particular interests, as they perceive them, and none more earnestly than those who prate loudest on the merits of Individualism. It broke down for two sorts of reasons. First, *laissez-faire* began its trial when only a few of the vested interests and organised obstructions to free co-operation had been removed; and second, because certain all-important conditions chiefly connected with Credit were not yet understood, much less fulfilled.

The absence of these indispensable conditions, and the very vicious state in which economic and social life continues, give an air of futility to the great monument of subjective value—the Marginal Theory of Utility.

The systematic study of economics should supply three results: a description of what is happening within its purview (and a description as good as can be got of what has happened), reasonable forecasts of what is likely to happen, and the power to predict the chief consequences of any alteration effected in those forces. But the Marginal Theorists appear to do none of these things. Their descriptions often appear so wide of the mark that they can be explained only on the assumption that they refer to a partly hypothetical society: the same excuse had also been made for the Marxian system.

Three advantages only appear to follow from the detailed study of the subjective values attached to goods and services. It adds to the world's stock of knowledge. It helps people to realise their own values. And in any national programme of production, it helps us to say what things are more urgent than others; houses before cinemas, for example. But even this last advantage is equally to be gained by common sense and non-professorial observation. If, of course, a national programme is designed for a specific end, such as the conduct of a war, its items are determined by that end.

HILDERIC COUSENS.

Reviews.

Seamarks and Landmarks. By Surgeon-Captain O. W. Andrews, C.B.E., R.N. (Benn. 18s.)

We are disappointed. These weatherbeaten yarnsters of the ocean, who have such chances to see and hear and enjoy such a changeable medley of life, should be able to present it to us with greater art or native genius than this popular Navy sawbones, who writes baldly, as if it was the devil of a trouble, when it is quite obvious that it would be great fun to sit in a smoking-room armchair and listen to him. He ought to have had a shorthand writer to take down his memories when he wasn't aware of being overheard. Then we should have had a better book.

The Starling. By Doris Leslie. (Hurst and Blackett. 7s. 6d.)

Capably constructed, well told, always sincerely and sometimes subtly written, though without original art, this novel is a good piece of work, and the attractive authoress is here assured that it has the makings of a best seller. The reviewer, having heard the plot from her own lips before the book was written, warned her that it needed care to pass even a publisher's muster, and is sincerely glad that he can add a little meed of praise to the achievement. Not that Mrs. Leslie's heroine, Marcia Fennell, an attractive young widow with a pretty lisp and a pathetic desire to be loved by a real gentleman like her first husband, deserves three hundred pages of our sympathy, seeing that she turns down a perfectly nice and wealthy suitor just because the passion she feels for him is chiefly financial, and she does not think it fair to reward him by mere compliance with the conjugal rights. But after her best friend, a siren of forty, has stolen the boy poet to whom Marcia would not yield until there was no further reciprocal demand, and after trying in vain to tie up with the younger son of a duke by naughtiness in a top floor flat in Florence, she goes back to the respectabilities, bites her lip, and decides to have a baby by lawful arrangement with her rich, adoring dullard.

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IN VOLUME XXXVII. OF "THE NEW AGE." (MAY TO OCTOBER, 1925.)

Energy as a Credit Basis. Editorial37/88
Production and pricing discussed in relation to the idea of a "penny-per horse-power" notation of measuring costs. Products imagined to be variously ticketed according to the horse-power energy represented in them. How, and on what principle, should the tickets be issued and destroyed? What should happen to the tickets representing fixed capital? The problem of overhead charges and cancelled credits.

Machinery or Finance. Editorial37/207
An examination into the basis of Mr. Penty's hostility to machine production as a mechanism of enslavement. Capital development pictured under the analogy of porridge-making in a kitchen in which an engineer introduces a large boiler to supersede the use of separate saucepans, and thus enables one man to cook as much as ten did previously. Is the leisure of the superfluous nine men an evil? Or is the evil due to the fact that because they now have leisure they are deprived of the right to eat porridge?

The New Accountancy. Editorial37/291
A committee of accountants is imagined to have assembled to discuss a national system of costing and pricing based on Mr. McKenna's declarations on Financial Credit. The Federation of British Industries is assumed to embrace all industry, and to have taken over the function of credit-creation. What entries should it make when it issued credit for its own purposes? This question is argued in dialogue form by the hypothetical committee.

Purchasing Power and Prices. C. H. Douglas ...37/246
In this article is presented a method of considering the "A+B" (or "Flow") Theorem.

Free Banking. Question Time ...37/94, 107, 118, 132
A discussion with Mr. Meulen and Mr. C. P. Isaac on whether price-regulation is necessary to avoid inflation arising from an expansion of credit.

IN VOLUME XXXVIII. OF "THE NEW AGE." (NOVEMBER, 1925, TO APRIL, 1926.)

Social Credit and the Landlord. Arthur Brenton38/96, 106
Two articles dealing with landlordism and the Single Tax, showing how the mechanism of pricing goods under a Social Credit régime would automatically render rent exactions innocuous to the community, and thus obviate the necessity for discriminating taxation.

"A Few Per Cent." An Aspect of the "A+B" Theorem. Arthur Brenton38/70
In Foster and Catchings' *Profits* they took objection to a statement by Major Douglas in *Economic Democracy* that "the only effective demand of the consumer is a few per cent. of the price value of commodities." This article explains why that statement is correct.

Draft Scheme for the Mining Industry. C. H. Douglas38/136
A reprint of Major Douglas's scheme.

Social Credit, Dumping and War. Question Time38/285
The possible international effects following upon the institution of Social-Credit pricing in Britain are here discussed, taking as an illustration the rubber-tyre industry. Would foreigners be able to defeat the object of the new system by raising prices for raw material? This and other questions are considered.

Administering the Just Price. Question Time ...38/296
This is an examination of some possible technical difficulties attendant on the new pricing system. It also puts forward a suggestion for solving the problem of the small retailer's book-keeping difficulties.

IN VOLUME XXXIX. OF "THE NEW AGE." (MAY TO OCTOBER, 1926.)

Labour-Saving Inventions and Employment. Answer to Correspondent39/111
Labour-saving inventions do not provide more employment. Employment increases because population increases, not because machines have increased.

The Usury Problem. Answer to Correspondent ...39/280
Showing that the theoretical evil of compound-interest is not a practical evil. Calculations of what an invested penny will amount to in a thousand years are of no economic consequence.

Profit Sharing. Answer to Correspondent39/292
The major problem of industry is *insufficient demand*, due to insufficient personal incomes. No redistribution of these incomes will increase their quantity nor their purchasing power.

Production for Use. Editorial39/235
The ideal, "Production for Use and not for Profit," is here interpreted as "production to a consumers' programme instead of to a bankers' programme." The argument is based on a picture which presents organised industry as taking place on an island in the middle of a lake. It discusses the relations between the island and the mainland where the consumers dwell; and by this method shows the difference between existing economic methods and those suggested in the Social Credit proposals.

Through the Subsidy to the Dividend. Editorial 39/14
This article was published during the General Strike. It explains how the coal subsidy was created as an issue of bank credit; how all bank credits are additions to existing money and not mere transfers; and thereby shows that the objection to the subsidy is that it is afterwards recovered in taxation from people who have not had it. The National Dividend envisaged in the Social Credit proposals is shown to be free from that defect.

IN VOLUME XL. OF "THE NEW AGE." (NOVEMBER, 1926—MAY, 1927.)

Analysis of Price, An. A. W. Coleman40/201
An analysis of *physical costs*, showing, in a series of equations, how prices can be less than nominal financial costs.

Bank Reserves. Editorial40/52
An investigation of what ultimately constitutes the reserves of the banking system, showing that these reserves are not money, but the unused productive powers of industry, which the banks control under a perpetual mortgage.

Community's Bank Account, The. Arthur Brenton 40/10
Arguing the principle that financial credit is the property of the community, who should therefore be *credited* with whatever sums are *debited* to producers by the banks as loans and advances. Thus industry as a whole would "owe" its capital equipment to the community, who, being consumers, would be satisfied to receive payment in the form of goods. This is contrasted with current procedure, whereby industry is trusted with current procedure, whereby industry is forced to repay its debt in money to the banks before the output becomes available—which results, practically, in the maximum output never being attained and distributed.

Barter economy and credit economy contrasted under the respective figures of (a) cog-wheels turning each other, and (b) smooth wheels connected by a belt. In the first case both wheels revolve at the same rate. In the second the belt may slip. The inability of consumers to buy goods at the same rate as industry can make them is due to the slipping of the "credit belt."

Just Price and Redundant Money, The. Arthur Brenton40/212
An answer to the objection that periodical gratuitous issues of financial credit for quickening consumption ("Consumer Credits") must necessarily accumulate and cause an over-expansion of circulating credit.

Just Price and the Swindler, The. Answer to Correspondent40/252
An answer to the objection that people would abuse the "Just-Price" system. But the incentive to do this would be almost completely eliminated, as would also be the practical harm done by the abuse.

Labour Saving and Employment. Answer to Correspondent40/276
An answer to the argument that labour-saving inventions provide more work.

Real and Financial Credit. Arthur Brenton40/176
An analysis of these forms of credit. Every member of a community, as the repository of some fraction of a nation's Real Credit, has the theoretical right to create an equivalent sum of Financial Credit. For practical reasons this function is delegated to the banking system. But for equally practical reasons the community should have the power to control the banking system's exercise of this function. It should control financial policy.

Work, Leisure, and Creative Energy. Editorial 40/267
An investigation of the conditions under which the creative impulses of individuals may be exercised in an era of mass-production. An argument that under a Social Credit régime organised industry would encourage the activities of leisured craftsmen who wished to remain outside it.

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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.

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.

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