THE
NEW AGE

INCORPORATING "CREDIT POWER"

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NOTES OF THE WEEK.

The House of Lords, on the 15th, rejected an appeal from a decision under the Workmen's Compensation Acts. A family, living together, pooled their incomes, which totalled £8 2s. 6d. a week. The parents had saved £500, the interest on which was presumably included in that total. A son died, and a claim was made under the Acts for compensation, in view of the loss of his earnings, for the provision of the ordinary necessaries of life. Viscount Dunedin said the expression "necessaries of life" was well understood, and indicated food, clothing, and shelter. But to extend it to such a thing as saving, or, what was the same thing, insurance, was, in his opinion, to do utter violence to the expression. The Master of the Rolls, who had allowed the claim in the court below, had remarked that he did not wish to say anything that would discourage thrift. To this view Lord Dunedin replied that it was not allowable to encourage thrift by wresting a word used in a statute from its ordinary meaning. The family, in this instance, had enough for the necessaries of life without any contribution from the dead son.

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The law apparently works two ways. If savings, particularly insurance, are not a necessary they must be a luxury. If a luxury, on what logical ground are insurance premiums allowed as an abatement of assessable income for Income Tax purposes? However, it is no concern of ours to object to the present judgment. Under the pressure of the existing financial system the individual has got to save if he seeks to avoid living in daily fear of misfortune; and it would be bad advice to tell him not to. Nevertheless saving in general is one of the causes of that very misfortune against which people insure by their individual savings—namely, stagnant trade and unemployment; for it increases industrial debt and decreases industrial revenue at one and the same time. The French peasant is one of the few people who have found out how to deal with the situation. They hoard and conceal their savings in the form of currency. If the financial authorities are content to stimulate the same practices in this country, that is their business.

* * *

The Nipponophone Co., of Tokio, was recently sold to an American concern, who dispensed with the services of the general manager. He is now leading a strike of workers and is demanding in their name a share in the proceeds of the company's reserves. These reserves had apparently been used to pay out all outstanding shares in full. The present demand rests on the general principle laid down by the strikers that when profits accrue they should be "divided between capital, labour, and the public" (*The Times*, July 22). This episode is interesting in that it brings the question of reserves into the polemics of a trade dispute. Otherwise its import seems of no particular significance. It is always most difficult to divine what is behind moves of this kind. The principles urged are so frequently susceptible of diverse interpretations. For instance, do the strikers here mean that profits should be distributed in full between the shareholder, the worker, and the consumer—that is, between private individuals in their role of customers of industry? If so, they are really arguing against the accumulation of reserves. But it is doubtful if they mean that. If they do, they are right; for all reserves arise from the re-investment in industry of money which should have been used to buy goods from industry. The effect of such procedure is to lessen consumer demand in order to increase the means of supply. No firm whose shareholders and workers constituted its only customers would dream of doing this; for it would realise at once that if out of, say, £100 which it distributed in dividends and wages it made its customers reinvest £20, it could now only recover £80 of revenue while no firm ever

does have to rely exclusively upon its own personnel for a market, industry as a whole does: and, because it persists in gathering reserves, it is daily diminishing potential future sales and therefore precipitating the very crisis against which these reserves are provided as a protection. Reserves cause bad trade, and bad trade eats up reserves. The stronger the umbrella the heavier the storm. That is the whole explanation of the Trade Cycle.

* * *

Professor Gustav Cassel is still carrying on his campaign for more economy in the use of gold. Assuming that economic progress advances at the normal rate of 3 per cent. per annum he estimates that by 1940 the production of gold will amount only to one half the world's requirements. He, therefore, urges that national central banks should manage on a "lower percentage of gold cover" (*The Times*, July 19). If not he fears the world may be forced to broaden the basis of its monetary arrangements by the "adoption of a bi-metallic system." Or might it not be by the discovery and adoption of Real Credit as the new basis? It will serve no purpose to analyse Professor Cassel's arguments or any others that confine themselves to discussing possible bases of credit. The only question worth attention is the true scientific *use* of credit. Solve the problem of *use* and the problem of *provision* will solve itself. That the use-problem is ignored is manifest in Professor Cassel's assumption that 3 per cent. of economic progress requires a commensurate increase of gold stocks. He is thereby implicitly committing himself to the proposition that a 3 per cent. increase in the world's productive capacity must of necessity mean a similar increase in its collective price for the product. The truth is exactly the reverse; and as soon as expert industrial engineers and accountants care to synthesize their respective sciences without reference to the superstitions which financiers have laid over economic facts, they will discover the truth for themselves. For this reason we welcome the recent quickening of interest taken in finance by the Liverpool and other engineering societies. Between the engineer and the banker stands the bookkeeper. Now there is an *engineering* principle of accountancy and a conflicting *banking* principle of accountancy; and at present the accountant is trained from first to last to accept and apply the latter principle. The engineer's interest is to get the bookkeeper on his side. A private conference between representatives of the two professions would be a pregnant event, and we hope that there are some readers of these Notes who can bring influence to bear in that direction.

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This is not a proposition that the engineer should seek to teach a new technique of factory costing to the accountant. It would be an impertinence, and is moreover unnecessary. What we propose is that the accountant be invited to examine with the engineer the question of *mass costing* in relation to *mass production* in order to decide whether the mass cost of industrial output is the total of the individual costs of participating industries, or *whether it is something enormously less*, as has been persistently affirmed in these pages. Little need be said to emphasise the essentially practical bearing of such an inquiry. The whole difficulty of the lack of orders which constitutes the present industrial impasse depends upon it, and can be removed if we are right. (And so, by the way, does the reality or otherwise of the danger of a restricted gold-supply.) The credit monopolists have massed their ledgers: let credit users do the same.

* * *

The *Spectator* has found out that the way to fight Communism is to abolish the slums. The number in which this discovery is announced carries nearly ten pages of banking and insurance advertisements; and if it cannot keep an even keel with this ballast (or ought we to say freight?), then journalism is not what it was. It starts off by assuming the cost of the work might be £1,000 millions. Of course, the money would be spent gradually; not all at once.

"This is the way to strike at the root cause of poverty. Here is the path to prosperity. It is no royal road. Its whole treading may be long, but the goal is sure for those of us who believe in the inherent goodness of our stock."

Very good. We pull down the slums and build better houses during a period of ten years. And, of course, we borrow the money. The ten pages of advertisers will no doubt lend it to us, upon proper terms—one page a year so as to spread the burden of the lending equitably. When the property is wholly renewed there will be a debt on it of £1,000 millions. What then?

"*Once our people are properly housed, they will demand increasingly those amenities of life which keep our industries alive. Buying power will increase, trade will revive, and the wheel will come full circle.*"

Perhaps this is the reason why dukes have left their castles to live in their lodges—retiring into the cave, like Fafner, to guard their hoard and ring from Sir Herbert Siegfried. However, let us keep our attention on the newly-housed slum-dwellers. These will have more buying power because they live in better houses. The logic escapes us, but let it stand. But the *Spectator* is not comfortable yet.

"We must not blind ourselves to the fact, however, that rehousing, immense undertaking as it is, is no more than half the battle to be waged against poverty. The other half will have to be fought in the new houses when they are built, in order to prevent them from becoming slums again."

From this one might infer that somehow or other the increasing demand for "those amenities of life" will fail to become effective, and that "trade" will not "increase," nor industries "be kept alive" as per Prospectus! But that would not be fair to the writer, because this last reflection of his forms part of a new paragraph; and in current journalism every paragraph, as is well understood, is an isolated area of correlation. Indeed, we need not defend him, for he is able to offer an alternative explanation of the evil he fears:—

"If the present slum-dwellers were moved into good surroundings, some of them would undoubtedly relapse into their congenital laziness and accustomed dirt."

Able to buy firewood, they would still prefer to burn the banisters. For "those of us who believe in the inherent goodness of our stock," this is a hard saying. And we are supported by the author himself:—

"This is a hard saying, but it makes the task of those who wish to help the poor in no way easier if unpleasant truths are not faced."

Now at last we can slap him on the back, and shake his hand.

* * *

"'I can't believe that,' said Alice.

"'Can't you?' the Queen said in a pitying tone. 'Try again; draw a long breath, and shut your eyes.' . . . 'I dare say you haven't had much practice,' said the Queen. 'When I was your age, I always did it for half an hour a day. Why, sometimes I've believed as many as six impossible things before breakfast.'"—(*Through the Looking Glass.*)

* * *

The famous German naval annual *Nauticus* has resumed publication. It is carrying out its old policy of surveying foreign affairs on the *real politik* basis. The *Observer* complains that it is "conjuring up new nightmares of militarism," and talks of "an inevitable age of American conquest." But it is no use calling every unpleasant forecast a bad dream. The realism of *Nauticus* is not so dangerous as the

idealism of the *Observer*. For instance, what is gained by ignoring such symptoms of trouble as the incident in Nicaragua last week when United States marines and airmen killed 300 followers of the Liberal "insurgent" General Sandino? The *Daily News* pertinently comments that if such a thing had happened in India the civilised world would have been seething with indignation. Its phrase "civilised world" is ironic diplomacy; it is intended to refer to America. It is quite true that protests have appeared in the American Press, and that sort of thing is what misleads the advocates of Anglo-American friendship. The protests may be reassuring, insofar as they are indicative of the benevolent sentiments of peaceful Americans. But in the very nature of the case, protests can only follow an act; they cannot prevent it, nor undo its consequences. In the present instance it must be remembered that the victims of the bombing raid were fighting for a policy which is favoured by Britain—as was evidenced by the visit of our cruisers and the hospitality our naval commanders enjoyed at the hands of General Sandino. In fact, it is just because the Nicaraguan insurgents have the moral support of a rival Great Power that the American authorities are so relentless. Is it any wonder that America's suggestions for parity of armaments are meeting with such perfunctory courtesy by our own naval authorities? Even as they talk Britain is being stormed out of one of her spheres of influence in South America.

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Then, to turn to another item of news. A report says that a discovery in grafting methods has been made in America which will multiply the productivity of rubber trees and enable growing to take place in territories under United States control. Whether the report is true or not does not matter. It is rather the spirit in which it is being discussed. The American Press is promising itself to turn the British-controlled monopoly upside-down. If so, this would involve as great a strain on peace between the two Powers as would be direct military provocation. Yet it will probably not occur to pacifists to protest. Such people on both sides of the Atlantic seem to think that if economic luck goes against a country its people will accept the consequences in a sporting spirit. They will not, nor can. And if they would, they would not be consulted in what was actually done. Their role is to applaud or protest afterwards. And if "afterwards" is war, they quickly find all avenues for protesting closed up by the Press and police.

* * *

Mr. Alanson B. Houghton, the American Ambassador to Britain, advocates taking the discretion to declare war away from the "few persons" who now possess it and giving it to the "whole people." He would institute a pact under which no nation would go to war until hostilities had been approved under a plebiscite. Secondly, he suggests that Britain and America, among other self-governing nations, should solemnly engage, by the same kind of referendum or plebiscite, not to attack each other for one hundred years. With the second proposal we have no patience to deal. With the first, barely. But in the case of a specific issue, who is to have the power to initiate the referendum? And how is the question of To Fight or Not to Fight going to be submitted? With a lead to the public how to vote, or without? If one country gets its referendum completed before the other, and the people say "Yes, fight," may that country commence the fight at that moment? Or, knowing it must fight, is it to wait for the enemy to get ready? Will mobilisaion before the referendum be allowed? If so, will the two mobilisations be controlled as to extent and speed? If one country is mobilised first, and before the referenda, will the population of the other country be advised of the fact in order to decide whether it be prudent to fight? And . . . . and . . . . will advertisements be allowed on the ballot papers? We suggest a far simpler scheme than this. War cannot be conducted without credits. Why does not Mr. Houghton get Mr. Norman, Mr. Strong, and the rest of the great national central-bankers solemnly to pledge themselves not to issue credit to their respective Governments for war purposes? The possibility must have occurred to him. Is it that they are shy of admitting that they hold a power beyond the reach of any plebiscite?

The Problem of the Coalowner.

SIR ADAM NIMMO'S REPLY TO SIR HERBERT SAMUEL.

The trouble with the coal industry, in Sir Adam Nimmo's opinion, is that it has had "too many physicians," and that its improved prospects, which he claims to see, are due to its having fallen back on "the simple remedies of nature and experience." The Coal Commission's Report, he says, was faulty because its proposed remedies were out of keeping with its own diagnosis. Having realised that the industry could not sell its coal in the competitive markets of the world, it proposed alterations in wages and conditions of work, but rejected the idea of extending the hours of work. Then he proceeds to his main indictment (*Observer*, July 24):

"If the Report is carefully studied it will be found that the underlying framework rests upon a contraction of the industry. The industry is too big, reduce the number of units. The industry is too big, reduce the number of persons employed. Better maintain the standard of wages for the few than attempt to find trade and employment for the many. Adopt amalgamation so as to close a number of so-called non-economic collieries. Form selling agencies so as to force up the price to support the higher standard of living desired."

He next repudiates the complaint that there is over-production of British coal, on the ground that whereas the industry has produced in the past nearly 300 million tons a year, it now produces 260 millions. He also denies the charge of apathy. The coal-owners' attitude is not one of apathy; it is one of "disbelief on their part in his (Sir Herbert's) remedies."

"The only way that I know of to obtain trade is to go out in search of it upon equal conditions as regards price and quality."

The coalowner is trying to accomplish that task, and in doing so he is the "best friend of the colliery worker and of his country." There is no "magic" in amalgamations. Some pay and some do not, according to circumstances. Of the appropriateness of such circumstances industries themselves are the proper judges, and in fact soon do amalgamate without prompting if they see any advantage in doing so. Selling agencies may operate to raise certain prices, but a large quantity of coal now being sold could not be made to bring a higher price without ultimate serious disadvantage to the industry. Moreover, of all buyers, the consumer is the most exposed to the coercive pressure of such a policy, and it would probably lead to even sharper criticism of the industry than at present. Then he lays down the principle: "The primary business of the coalowner is to produce coal in its raw state in the largest possible quantity and at the lowest practicable cost," so that the "largest number of persons may find work in the mines." The "first of all necessities" is to "find an adequate amount of trade"—"to dispose of the coal that the collieries are capable of producing," which entails producing at a cost low enough to enable it to recapture its lost markets.

Sir Herbert Samuel and Sir Adam Nimmo are types; the first, of the political prophet, and the

second, of the industrial administrator. The first has to consider a general policy, and the second a particular policy. It will be commonly agreed that the general interest is of far more importance than a particular interest; but that proposition carries the corollary that a defective general policy is commensurately more dangerous than a defective particular policy, and needs so much the more care in its formulation. The trouble with Sir Herbert Samuel is that without troubling to define a general policy, for which he may be presumed competent, he prescribes an alteration in the coalowners' policy, a task for which he is not competent. Before Sir Adam Nimmo or any other representative industrialist is called upon to alter his policy in the general interest, he is entitled to have explained to him the implied wider policy to which he is expected to adjust his arrangements. And the public, who are the ultimate tribunal, have the same right. Now, as between the two protagonists, the public know pretty thoroughly what Sir Adam Nimmo's immediate policy is, and they are attracted or repelled by it according to temperament and training. But does anybody in the country know what Sir Herbert Samuel's ultimate policy is? In what economic synthesis is a "re-organised" and "efficient" coal industry designed to be merged? The answer has to be guessed.

First, as to Sir Adam's idea of expanding exports. "We are beginning to hold our own," he says, "against both German and Silesian production." "Coal-owners," he continues, "believe that the soundest policy is to fight it out with our competitors." Now Sir Herbert Samuel's affiliations are purely financial; and finance is purely cosmopolitan. Hence it is by no means antecedently necessary that the interests behind him favour the coal-owners' policy of getting back their lost trade. They may be more concerned with Germany's ability to pay reparations out of coal-profits than with the British coal industry's ability to pay wages and dividends.

That the concern of the coal-owners is not primarily to employ and pay the maximum number of workers may be taken for granted. Conditions of industry to-day do not encourage altruism among employers. But that does not guarantee that the interests of the miners will be subserved by reorganisation. In fact Sir Adam Nimmo asserts that the change is calculated to turn many of them out of employment. We know that the general policy of finance is to lessen the ratio that wages, salaries, and dividends bear to the price value of any given production. We also know that of all production, that of coal stands highest (at any rate in this country) in regard to the ratio of wages distributed, whatever may be said about dividends. Thirdly, the close international relations between financial houses render it quite easy for them to throw reinforcements of credit into any coal area in Europe where the ratio is lowest. Lastly we are not at all satisfied that the coal lock-out here was not used to facilitate developments of this sort on the Continent and elsewhere. Nobody will convince us that the interests in Britain which could get the Dawes Pact rushed into force in a week or two were powerless to produce a mediator in the coal dispute months before they did. So, if Sir Adam correctly asserts that reports from the Continent show that Germany and Silesia "are now beginning to seriously feel the force of our competition," we think we can resolve the paradox presented in the present attack on the coalowners' "apathy" and "inefficiency."

* * *

There is another curious circumstance in the fact adduced by Sir Adam, that the Miners' Federation itself has been disseminating the idea that the loss of our coal trade is irretrievable, some of its members even talking of a future maximum export trade of only 200 million tons. This view is no doubt sincerely held, and reasonably based on the information available to the Federation. But one would hardly have expected a body of miners to present the coalowners with a sound reason for employing fewer of them. Why cry down the prospects, and therefore the good-will, of the concern that hands out your bread and butter? But here again, the Federation is linked at the top with other large Trade Unions; and when executives go into conclave nobody knows what inspired "facts" are passed through their clearing-house. Once adopt the hypothesis that international financiers have decided to ration Europe's coal production and exports, and it is easy to see how the figure of Britain's allotted share could be passed down to be disseminated as an independent forecast by innocent subordinate Trade Union officials. The flow of this tuition might conceivably be traced back through the Federation to the N.U.R., thence through Mr. Thomas to Mr. Solly Joel; and thence immediately to Sir Herbert Samuel, Lord Reading and Sir Alfred Mond in the antechamber of Mr. Montagu Norman himself.

"Delenda Est . . ."

By W. H. McKenna.

The patriots who write for the newspapers have a habit of defending their country against criticism in a curiously inverted way. They are not content merely to magnify its virtues, ignore its defects, or even to assume, with a flourish of patriotic sentiment, that its defects are really virtues in disguise. Where they go most wildly wrong is in judging it by its incidental achievements. They point to the excellence of the laws and the perfection of the constitution as proof of a healthy and happy nation, or, even more proudly, to the poets, musicians, scientists, statesmen, and military conquerors their nation has produced, quite unaccountably, during its history. Never by any chance do they point to a healthy and happy nation as proof that the laws are just, and the constitution perfect, and one can only conclude that they do not adopt this logical method because it is too logical for their purpose.

At a first casual glance America appears to contradict this criticism. Americans are obviously proud of the facts that they make a lot of money and live in a society organised, above every other consideration, for prosperity and efficiency. But a moment's thought will show that even in that country, dedicated though it is to the utilitarian arts, the people are proud of the very qualities they do not possess. They boast that liberty is the cornerstone of their constitution, and that one man is as good as another, whether he lives in the White House or a log cabin, while the rest of the world is wondering how it is that a country whose capital is dominated by a Statue of Liberty, with a constitution which is a charter of independence, can have so little freedom and equality.

As for the older and more effete nations, they are pleased with themselves for different reasons. Englishmen boast of their statesmen and men of letters, although the truth stares them in the face that there is scarcely one English statesman who has not been a national catastrophe, and that their men of letters, for the most part, have been recruited from Scotland and Ireland.

But it is not to criticise England and America that I am writing this article, being well aware of the impossibility of indicting a nation, once pointed out by Edmund Burke. My task is the less hazardous one of criticising certain ideas which are held by respectable, patriotic people, but which are so far from being up to date that Plato explicitly repudiated them. One of them is the calamitous stupidity already referred to. In essence, it is the idea that

civilisation is justified by the creation of a few talented or favoured individuals, who are sometimes described as Great Men, sometimes confused with Rich Men; in sporting papers are referred to as London Society or Parisian Society; in mildly serious papers as the Intellectuals, and in very serious journals as the Intelligentzia. It is a very old idea, to be found even in Homer, where scarcely anyone is mentioned but gods and heroes. In short, it is the idea that Englishmen are intellectually and morally redeemed by being the compatriots of Shakespeare and Gladstone; Frenchmen by the fact of sharing their nationality with Voltaire and Napoleon; Germans by Beethoven and Bismarck; Americans by Abraham Lincoln and Mark Twain. And so on with every nation until one comes to little countries like Denmark which, having no literary giants and conquerors to boast of, can only justify themselves by demonstrating that their people live equable, contented lives, untroubled by mighty enterprises and great ambitions.

Now if one thing is certain it is that all the art, literature, and music in the world will not justify the enslaving of a single person. The cult of art and letters as the criterion by which civilisation is judged can be carried too far; indeed, it is often carried much too far, past the boundaries of sanity. No serious artist has ever believed himself absolved from the duties which fall impartially upon all other men. He does not contend that ten men's lives are well wasted to save one masterpiece from the flames, and he will not argue that a society based upon servitude is redeemed by its poets and philosophers. The man whose voice is raised in this cause is likely to be one who realises that he cannot create another masterpiece to take its place; for the point is that the cult of art is only carried too far by nations which really care nothing for art. The serious artist is much more likely to say with Nero, "Let it burn." Of all people, he is probably the least contemptuous of morals, politics and economics; the last to assert that art is above considerations of human welfare. William Morris threw poetry to the winds to follow a political movement quite unconnected with it; Ruskin abandoned his interest in art for economics. Most serious contributions to literature have been written by men with a moral to preach.

If Athens had endeavoured to create a commonwealth similar to the Republic described by Plato, she might have left fewer epics and statues, but would have set an example in liberty and justice not easily forgotten. As it was, her intellectual and artistic achievements were merely reflections of that stratum of her society—a very thin one, which broke to pieces suddenly and easily—consisting of freemen. The Greeks have left a literature unsurpassed by any other nation; they have also left a tradition of slavery. What would have happened if their society had even remotely resembled the Republic; what would have happened if Alexander had been deeply influenced by his tutor, Aristotle, are questions which will never be answered. Perhaps for that reason they will always be asked. I ask them here because they illustrate, as vividly as anything, the idea I started with—that civilisation must be judged by its own inherent quality, not by its art and great men.

The final paradox is that modern civilisation is killing Art; and I call Dean Inge to witness that its great men are no longer great. Publicity seems likely to swamp all the culture it possesses. In this age of blazing sky-signs, education is nothing more than the sensations derived from public spectacles, election speeches, cinemas, newspaper headlines; from everything, in short, except the study and contemplation which were once thought to be the only road to wisdom. In such an age, art is a fad to everyone but the artist. It is as if the Punic wars are being fought again, with history strangely reversed and Carthage conquering Rome. The analogy is not inappropriate if one can see Carthage (as probably the Romans saw her) as a symbol of commercialism, sacrificing everything to imperial prosperity. In this sense, it is true to say that she is swamping civilisation. In this sense Moloch is not a dead and forgotten deity but a devouring monster very much alive and very much to be dreaded. It is still necessary to say, with the convincing hatred of Cato, "Delenda est Carthago."

"Eight English dukes, four marquises, a dozen earls, and many wealthy persons who claim no title, have now become 'incorporated.' In other words, they have transferred their properties to limited liability companies whereby they are enabled to divide up their estates more readily among their heirs and avoid payment of the super tax on their 'savings' and on sums spent for improvements."—*The Commercial and Financial Chronicle.*

"To correct misleading reports emanating from Geneva, the State Department has unofficially explained the American attitude on two important phases of the Geneva Conference. The first is that under no consideration whatever will the United States accept naval inferiority to Great Britain, but will insist on parity. Second is, that efforts to secure modification of the Washington Agreement will be opposed. That Treaty must remain in force unchanged until 1931, when the Treaty itself provides for a second Washington Conference. Anyone familiar with American sentiment must know that the American people would demand naval equality with England, and no Administration would dare to run counter to this demand. Technical questions need not be given the slightest thought, strategical regions are not a factor. It is useless for the British authorities to point out the necessity for protecting trade routes or that England is dependent upon seaborne commerce for her very existence. These things are brushed aside by the American. All he sees is an attempt on the part of England to be mistress of the seas, and put America in a place of inferiority. To that he will not consent."—*Financial Times*, the Washington Correspondent, June 27, 1927.

"England has no more gold in her vaults to-day than she had in 1913, while her population has increased by at least 3,000,000. She has only $800,000,000 in gold—less than one-fifth as much as there is in the United States. The price of gold is fixed every morning, precisely at 11.15 a.m., by the bullion brokers, who meet at the famous banking house of Rothschild's, in London. The price fluctuates, not only in accordance with supply and demand, but with the rate of exchange in New York. Total amount of gold now in the world, exclusive of plate and jewelry, is estimated by an English statistician to be $10,000,000,000. And Great Britain has only one-twelfth of it. So, since Britain crossed the Rubicon on April 28, 1925, when the Bank of England received a general licence for the export of gold, she undertook a rather hazardous experiment, and her bankers are now beginning to realise the difficulties that confront them."—*Wall Street Journal*, June 1, 1927.

"Mr. Wallhead (Lab.-Soc., Merthyr) asked the Chancellor of the Exchequer whether, in view of the proposed transfer of the currency note issue to the Bank of England, and bearing in mind the petition for enquiry into the financial policy pursued by the banks and its relation to trade depression, presented to this House on March 31, and the similar demand made in the speech of the chairman of the Midland Bank to the shareholders in January last, he would undertake to set up such an enquiry before the House was asked to sanction this step."

"Mr. R. McNeill (Financial Secretary, Treasury) stated in reply, that he did not think that further inquiry of the kind suggested would be helpful. The main lines of policy had been laid down in the report of the Committee on the Currency and Bank of England Note Issues, and as he had already stated, legislative proposals would require to be laid before Parliament in due course before action was taken."

"Mr. Wallhead: 'Will the right hon. gentleman consider the advisability of taking the Crown from His Majesty the King and handing it over to the Governor of the Bank of England in addition to the powers he has already got?'"—*The Daily Telegraph*, Parliamentary Report, June 22, 1927.

The Practice of Healing.

By J. W. G. Gibbon.

Simultaneously there have been held recently an advertising exhibition and two conventions, the annual meeting of the British Medical Association, and the ninth Quinquennial International Homoeopathic Congress. The first and second have received the notice usually accorded by the daily Press to such occasions, but the last-named has not secured the same prominence, though its open sessions have been addressed by men of such calibre as Sir Jagadis Bose, Sir Oliver Lodge, and Sir Frederick Keeble. Readers of this journal require no exposition of the rationale of homoeopathy. Beyond observing that homoeopathy deals primarily with persons, and only secondarily with conventional disease labels, as related to the disordered person, this article will not attempt to deal with the theoretical and philosophical aspects of the question, but will confine itself to practical and circumstantial issues.

In acute disease homoeopathy is, to state the case moderately, quite as effective as its rival allopathy. In chronic disease the homoeopathic practitioner often has to commence his work at the stage where the resources of the orthodox school are exhausted, and he achieves many cures and considerable alleviation where complete cure is precluded by the advanced stage of the ailment. Even in cases classed as purely surgical, homoeopathic therapy can offer valuable accessory medical measures to accelerate recovery, while sufferers from inoperable conditions are not always beyond the resources of the Hahnemann school. Hahnemann's influence wrought revolutionary measures in the treatment of the insane; and this achievement seems to have borne fruit in the United States, where, as Dr. J. P. Sutherland, of Boston University, informed the Congress, each State has its homoeopathic hospital for the insane. In the States, moreover, homoeopathy is officially recognised, and the graduates of its medical schools stand on an equal footing with the orthodox practitioners. The advantages of this position are obvious. A student does not have to master one system to become legally qualified, and then discard all its materia medica to acquire mastery of another that affords him richer resources in repelling disease. Yet the latter condition obtains in this realm, and the consequent drawbacks are many. The student has to find both more time and more money to equip himself to practise homoeopathy. To accomplish this thoroughly he must complete two or three post-graduate courses, without, however, being able to secure any degree or qualification to distinguish him in the lay mind from the doctor whose claims to practise homoeopathy are much less pretentious.

Conditions such as have been outlined result in a dearth of homoeopathic doctors. Those of them who do struggle in isolation in provincial localities too often are faced with a superhuman task in being deprived of specialist aid when required, for the consultant in the provinces can, if he choose, quietly cold-shoulder the unwanted general practitioner. These are, however, only the direct results of the present situation of homoeopathy. One of the most discouraging indirect results is the inability of the British homoeopathic school to give the necessary attention to further research. As Sir Jagadis Bose remarked to the Congress, the field of research for antidotes to poisons is hardly opened. Homoeopathic research would be in an even sorrier plight than it is were it not for the generosity of Sir Otto Beit. It is Sir Otto's donations, for example, that have enabled Dr. Boyd, of Glasgow, to pursue his research into the problem of the characteristic electronic emanations of both diseases and drugs, their identity, measurement, and correlation. Yet the emanometer technique which he has elaborated holds out definite possibilities of eventually providing an invaluable accessory to clinical experience in diagnosing disease and prescribing the appropriate remedy. Boyd's achievements regarding the determination and measurement of drug reactions have, after investigation, been stated by Sir Thomas Horder to be scientifically impregnable. Despite the backing of the Beit Research Fund, however, Dr. Boyd still has to engage in daily practice to earn a living, all he can devote to research being his scanty leisure. Effective research is impossible when it has to occupy a minor place in the activities of the investigator.

Like the Jewish race, homoeopathy has survived despite persecution, attack, and calumny. Historically orthodox medicine has had to discard its systems one by one as accessions of knowledge made them untenable. In the century that has passed since Hahnemann's death, however, homoeopathy has not had to abandon any stone of its original foundation. It has progressed by broadening its original basis and erecting a growing symmetrical superstructure on it. There must be considerable vitality in a method which continues to survive and expand in face of what amounts to an hereditary conspiracy to discourage and ridicule it out of existence. Homoeopathy's persistence is due as much to the enthusiastic advocacy of lay adherents who have experienced its benefits as to the competence and tenacity of its professional exponents, for, being precluded from advertising, the latter are unable to trumpet their achievements and draw custom by making a big noise. What, then, is the cause of the precariousness of homoeopathy's existence? Reference was made to this question in his address to the Congress by Dr. C. E. Wheeler, Senior Physician to the London Homoeopathic Hospital. Hahnemann's system, Dr. Wheeler explained, challenged the whole conception of drug therapeutics of his day, and also threatened the livelihood of the apothecaries. Thus he was hotly assailed by both vested interests affected. His practice satisfied the pragmatic test; it worked, as the growing number of his patients testified. But the tentative theories by which he patiently sought to explain his successful drug therapy were derided without examination or experiment by his detractors. The derision has outlived its originators, and as a medical tradition has been inherited by each generation from its predecessors in the orthodox medical schools.

Meanwhile homoeopathy itself, evolving steadily as a therapeutical system since Hahnemann's original conception, still awaits the independent investigation that will determine its validity in comparison with rival systems, and the consequent official recognition that admission and acceptance of its tenets would involve. Its practitioners plead vainly for the scientific inquiry that their achievements merit, while the benefits that their system can confer on afflicted humanity reach but a fraction of those in dire need of them. Professional and lay inquirer alike will find no lack of literature on the subject should they wish to undertake inquiry for themselves. They will find, for instance, that the principles underlying vaccine therapy, now elevated into a professional craze, are practically identical with those preached and practised by homoeopaths for years. Thus Hahnemann may come into his own indirectly, though as yet his name is not spoken in polite medical circles.

Views and Reviews.

THE WRONG BOX.

According to the devotees of one Joanna Southcott who died in 1824, there is in existence somewhere a chest in which this farsighted lady left a plan for the salvation of England likely to be needed a century after. All that is lacking to the utilisation of this plan is the presence of twenty-four unspecified bishops to bestow upon the occasion of the opening its due importance and solemnity. Precisely as the savage going to the hunt deposits his soul in a jar on the mantelpiece, charging his wife to keep it safe, so Joanna, her followers' claims imply, placed the spirit of Christ—or is it Britannia—in a box where it would be safe from nineteenth-century materialism against the day of national need and crisis. Now, when the Southcott patriots would conjure the spirit out of the bottle, England, like certain cities of old, goes on tumbling down to destruction because she cannot muster two dozen just burghers ready to make a small sacrifice of self-esteem and ecclesiastical pride. Anyway, as the faithful claim, it is as much the bishops' funeral as anyone's.

* * *

Science has shown more sensibility than religion. Last week, before the sceptical but inquisitive Society for Psychical Research, in the prophetic presence of Professor Low of eugenic fame, with the Bishop of Grantham either shaming the church or considering that the best way of getting rid of Joanna Southcott's boxes is to open them, a box purporting to have been made up by her in the interests of posterity was publicly and ceremonially opened. It is not easy to say what the Psychical Research Society, the learned professor, and the faithful expected to find. Better managed publicity would, of course, have prevailed upon Beaverbrook, Rothermere, and other adult educators to auction among themselves the right to publish a guessing competition as to the contents, when the box would have levitated itself into a popular issue along with Betty Nuthall's offer as a tennis professional and the religion of Arnold Bennett. Perhaps a guessing competition, however, once this Society for Psychical Research had been approached, would have given an unfair advantage to mediums and telepaths.

* * *

The plan for the salvation of England can hardly be expressed in a geometrical drawing. It can hardly consist of express instructions to politicians, economists, archbishops, and financiers on the question of what to do about Imperialism, Socialism, Bolshevism, or Communism. One can scarcely see Joanna breaking her quill over such terms. It seems unassailable that the box—as must all the other boxes still to be discovered—contains religious symbols or political signs to be interpreted when revealed as though they were pictures by an oracle. Perhaps the boxes contain signs and symbols graduated in difficulty, so that we may not fail to understand the final plan. Take the box opened. Had it contained a portrait of Mr. MacDonald, a pipe, or even an L.G. Toby jug it would certainly have given a definite lead, although a number of sceptical persons might have been a little suspicious. Very difficult signs would just as certainly have led to serious disputation as to the light in which they were intended; for example, a hammer and a sickle might have been read as an exhortation to divide well between industry and land by supporting the Liberal Party's land policy.

* * *

Had the Psychical Research Society been more psychic and the Southcott fraternity more imaginative the former might have rendered more help in the nation's midnight hour, and the latter might have suffered less chagrin when the contents were turned out. A lottery-ticket dated 1796, a dice-box, a French Court calendar for 1793, some eighteenth-century religious books, a horse-pistol, a pair of gold ear-rings, some money, a night-cap, and novels of a pronounced erotic tendency need not provoke the faithful to deride the scientists for having opened the wrong box. It is questionable interpretation either to conclude that the chest in question represented Joanna Southcott's idea of Pandora's box, or that it is a forgery made up by the devil to mislead the flock.

* * *

There are invariably pitfalls in wait for the interpreter of symbols who is not content to accept the same mysteries as have been expressed in them from time immemorial. Had Moses wished to make up a casket signifying, Be sure your sins will find you out, its contents, allowing for differences of time and place, might conceivably have resembled these. This collection, taken seriously by the twenty-four intransigent bishops, would provide the whole clergy with sermons for doomsday. In such a playful assortment there is prophecy almost too accurate to be true of post-modern manners and morality. It would make a nice Christmas hamper from the modern girl to her mother. In fact, there is no moral lesson and no direction for conduct individual or national, which an earnest seeker could not derive from the knick-knacks in which Joanna Southcott, in the manner of the Freudian dream, has expressed her message of warning and hope.

* * *

"No fantasie so mad can fall into humane imagination that meetes not with the example of some publike custom, and by consequence that our reason doth not ground and bring to a stay." Since Montaigne, however, psychology, anthropology, and sociology have co-operated to get madness taken seriously. We are all patients in the asylum of the world, and some are more mad than others. Southcottism is not lunacy, it is only a compensatory neurosis. It does not deny the evil of the world, but fortifies itself by the faith that somewhere in a box within a box there exists the key of Heaven, and that the gates remain barred by reason of the obstinacy of somebody else. It must be a great consolation to be sure that a plan for saving one's country, although inaccessible by design, renders any investigation or understanding of the problem's complexities unnecessary.

* * *

It is something to know where to lay the blame, and thus to be able to focus the discontent of one's own powerlessness. The angels appear to have strange ways of blowing hope where it threatens to go out. A considerable body of very intelligent people have predicted the end of the world—or England—next year during every year for the last decade. Only the hope of being relieved of the world after another mile has enabled these ill-starred and blind Atlases to keep going. Some of the best-informed people in England solemnly discussed the question of leaving England early in 1926, because in September of that year a great earthquake would put her in no further need of being looked after. Not many months ago a great body of worshippers gathered together on a mountain to prolong the last sunset. Their motive was by no means that sunsets are a conventional æsthetic trick already sufficiently repeated; it was not, that is, to set free the creative mind to try something else, but a prayer that their own trials might soon end. When dawn came to prove them wrong they turned to resume their lives in a hard world, confident that they could have made only a slight mistake in the date.

R. M.

Drama.

The Village: Globe.

The antagonism shown by men to feminine emancipation was due, the women said, to fear. Not only was a man not a hero to his wife, he was not even a villain. She had too often seen him in the condition where one man is indistinguishable from another, and by no means the strutting peacock of civilisation. What actually emerges from women's emancipation, as is perhaps inevitable from any emancipation, is that they are blowing the gaff on themselves. When the rare man who had unwittingly overheard the conversation of women where they were sure no male-eavesdroppers were present, told the world what such conversation seemed to be all about, the world, thinking only of peach-bloom and the rustle of silk, refused to believe him. Against the accumulating realistic sex drama put out by women authors the romantic illusions of men that women and roses have so much in common that to pluck either is an act of desecration as well as of worship, can hold together no longer.

Women's emancipation appears to imply no more than the right to be conscious while doing what men have begged them for romance's sake to pretend unconsciousness about. From women's drama the inference is forced that no woman objects to being seduced if the man's conscience makes the bond permanent. Danger for her is not that the man may possess her, it is only that he may afterwards run away. If the man is crucified on the myrtle tree, all the woman's sins are forgiven her.

Vere Sullivan's "The Village" has given the London critics a divided house, which has provoked Mr. A. A. Milne derisively to publish their mutual cancellations side by side. Mr. Hubert Griffith called the play "a flawless comedy—a little masterpiece," where everything was in character, while Mr. E. A. Baughan called it "an unconvincing comedy," unpleasant in atmosphere, and out of character. May the controversy not flag, since it is as good for the canons of criticism to be called to judgment as for the canons of artistic creation. In the mind of one who agrees with neither party, a suspicion—utterly unbacked by knowledge—is born that Mr. Griffith has *really* lived in a village, and that Mr. Baughan has not. Vere Sullivan's atmosphere, dialogue, and character are so extraordinarily good that the play was not three minutes old before I leaned forward with unusual expectancy. Nancy Price as Sarah Smith, bustling about the fireside, washing up, commanding Martha to chuck the soapy water on the hollyhocks, the job interspersed with the sort of realistic comment on human motives which is characteristic of the simpler life in which they are very, very transparent, demonstrated very quickly that Vere Sullivan knew what she was portraying and satirising. Somebody, I suddenly realised, was getting English folk as O'Casey has got the Irish. Perhaps that even reveals why the critics, with few exceptions, were so soon uncomfortable.

The sardonic humour that proceeds from making naïve self-revelation and self-betrayal break through the thin glaze of civilisation was very O'Casey like. It explains why some critics have wrongly dismissed the play as distasteful farce. But the author has unmistakably betrayed her own discomfort in the plot. Before the end of the second act the question arose in trepidation as to how the play was going to end. Without the introduction of artifice, nothing loomed ahead but tragedy, and much as I prayed for tragedy my faith was so little that only artifice was given. It would not be incredible for a country boy to marry a girl with an illegitimate baby of some other sire. For a village boy to marry a girl with a baby on the way, the father known, and not of the village, is not absolutely impossible; but it rings more like either feminine romanticism, which is worse than masculine romanticism, or like a compulsion to produce a happy ending, than like village realism moulded into imaginative satire. O'Casey has made no such devastating mistake. Why, when the rest of the house had paired off and gone to the horses and swings, should not the curtain have fallen on Nell Smith, abandoned to herself? Or why should she not have damned the family, and gone to the fair alone?

This happy ending compelled that part of the audience which had been roused to brush the whole experience away at the end as a nightmare instead of taking it home. When the play opens the conjunction which misfortunes certainly make in actuality had necessitated the funeral of Mrs. Joe Smith's husband the day before the one fixed for Nell Smith's marriage. As luck would have it, the village fair was due to start the same evening. Nell Smith could not postpone her marriage for decency's sake, the cause having been dragged out of her by her experienced and observant, if unmarried, aunt Sarah. George Wheeler, the well-to-do bridegroom, however, was discovered to be already married; and Will Sparks no longer wanted her, having changed over to her sister Martha, for whom he was a deal more suitable. It was not until the last act that George Wheeler appeared, and it is questionable whether he could not have been dispensed with. D. A. Clarke-Smith performed the part well enough, but the man had only to give a fleeting impression of the contrast between town and village morality, and the chance for Nell to prove her membership of the women's union by rejecting his offer of divorce. Artistic disaster befell the play when Dan Sparks took Nell to the fair, leaving the audience to believe that her problem of George Wheeler's child was solved vicariously. A house labouring under the necessity of keeping up some appearance of the shadow of death, under the real need to hasten the wedding in spite of it, and filled with the shoddy glamour of the annual village fair for which the spirit of abandon had been hoarded up until it must come out, creates a fit atmosphere for tragi-comedy. So far from being a bad imitation of "The Farmer's Wife," as Mr. Baughan says, it is an effort, not wholly successful, to get away from Mr. Phillpotts' self-conscious village wiseacres; which is not to say that Mr. Phillpotts may have had no influence whatever in the play. There are points of dramatic craftsmanship in which Mr. Phillpotts' "Yellowsands" is better than "The Village," though these are points in which "The Village" suffers misfortunes due to its plot. "Yellowsands" was a particular village in a known county, dialect and locality placing it in the universe and the world. Vere Sullivan's village, because it might ostensibly be anywhere, is nowhere definite. Some of its characters appear to live a long way from London, yet the desire of the author to disgrace George Wheeler, of Beckenham, Suburbia, compels the transportation of "The Village" near to London. True, it has a name, Ley, but it has no county, and no dialect of its own, with the result that a feeling is produced of insufficient individuation.

Extended criticism of this play is merited. Besides taking the audience away from the cynical hedonism of stage Dover Street, where love is unknown and sex and babies are entirely separated in thought as in physical causation, it makes a welcome attempt to provide English actors and actresses who can perform character-parts nearer to earth and hearth than Society with serious jobs. It is true that Vere Sullivan has drawn her women with more care and knowledge than she has drawn her men, but the reverse is at least as true of many

men dramatists, including the greatest; and Fewlass Llewellyn was able to make a convincing character out of Andrew Sparks. Reginald Denham's Will Sparks was a good village study, while Dan Sparks by Wallace Geoffrey, motor-driver, sufficiently showed how London breaks up the family. As the spinster Sarah Smith, who bore a child years before to Andrew Sparks, and finally married him, Nancy Price gave a very high-class character performance of a woman who, to throw a guess, would be more likely met in Leigh, Lancashire, than in any imaginary Ley somewhere in the Home Counties. Nancy Price is rarely seen to enjoy herself to such a degree. The Martha Smith, in danger of being left on the shelf with her plain looks and old-time virtues, was played with sincere pathos by Una O'Connor. The link between London and the village which Olga Lindo was called on to make is a tough task. Actually, one has now to go a long way from London before the town type stands out as a stranger. That Olga Lindo as Nell Smith, the centre of the plot, endowed with a mind in which London and village values had to be entangled, again and again achieved convincing drama is a tribute to a very fine actress.

PAUL BANKS.

Art.

CONTEMPORARY FRANCE.

A single exhibition of modern French paintings would hint that art has at last broken down the the English sea-wall. The almost simultaneous opening of three—at the Goupil, the Leicester, and the Fine Art Society's galleries—makes it certain. The Leicester Galleries' exhibition, though semi-official, is the most interesting and the most representative. There is little to provoke enthusiasm, but less to provoke annoyance. A concession is made to the "advanced" schools by the inclusion of such pictures as M. Charles Dufresne's "Nativity," in which the artist has attempted, unsuccessfully, to combine medieval simplicity with futurist sophistication. His odd mixing of donkeys' heads and farmyard furnishings gives it the appearance of a village jumble sale. Matisse is represented, unworthily, by a "Still Life,"—a plate of decaying fish in unusual perspective. There is no reason why decaying fish should not provide an adequate *motif* for art. There is, however, a need for composition in still life, which the artist has not here observed.

Apart from these two, the exhibition has nothing of particular significance in the modernist vein. Unfortunately there is not the compensation of tradition. Most of the pictures might have appeared in an exhibition of contemporary English or American art. M. Blanche's "On the River, Lunch-time," might be either Seine or Thames; M. Jean de Gaigneron's "In Morocco" might have been done by Mr. John Smith, and M. Daragnès' "Le Revest" shows the sort of toy-box town to be seen in every London exhibition. National style seems to have been killed in the war. Perhaps that is why one is actually relieved to see M. Raoul Dufy's "On a Paris Boulevard." It has been done countless times, but at least it bears unmistakably the mark of its origin. For the same reason one welcomes M. Deluermoz' "The Lion and the Rat." The subject goes back to La Fontaine. The style is reminiscent of Delacroix. But so characterless is much of the other work that it is actually a compliment to say that a painting is traditional.

Two pictures stand out for qualities which can without irony be called modern—M. Maurice Asselin's "Country Girl Reading," and M. Hugues de Beaumont's "The Visit of Poor Relations." In "The Visit of Poor Relations," the composition is excellent. The rich are seated to the left, slightly raised, bringing memories of a king on his throne. They listen, as attentively as is fitting, while the poor man talks volubly, hat on knees. "Country Girl Reading" is a monochrome study, the light brown of the chair merging into the grey background, and this in turn into the white dress. The face has a character and beauty distinctively French.

The Fine Art Society's exhibition justifies the earlier grumbles at the Leicester Galleries. Here, too, are "Moroccan Horsemen," "Grand Canal," "Morning on a River," which might be either Seine or Thames. There is a picture of "Youth Playing," by Paul Chabas, which is like any other picture by Paul Chabas, or John Jones, or Heinrich Schmidt. There are glimpses of something better in M. Montagné's "Autumn Sun near Avignon," which has caught the iridescence of the southern atmosphere, and in M. Bonamici's fishing studies. But one comes away with a dismayed feeling that internationalist propaganda has long since achieved its aim.

WILFRID HOPE.

The Smile.

No genius has thought it worth while to compile a catalogue of smiles. There are many reasons to explain this: mankind is either too busy slaughtering itself, catching buses and trains, conniving, scheming, or indulging in rascality, that perhaps it would be a waste of time. Genius is nearly always starving like a gentleman and thinking like a superman, or wondering how the wind can be raised to re-seat an only pair of trousers. Therefore, when music has reverted to the *tempo* of Elizabethan airs, a faint hope may grow that my catalogue will take form; all the copies will be written by hand on imperishable parchment; they will be illuminated by the summer sun's evening gold, and the perfect blue of the sky on a day in June.

There is the smile on the face of La Gioconda, but that is not my subject. There was the smile on the face of the man when a shrieking shell had just missed him. There is also the smile mentioned by Remy de Gourmont, which is characteristic of the power of children to disarm anyone. And here I am getting closer to my theme, although why I write this I know not, for it is a true and faithful record of one fleeting moment in eternity which will never come again.

In June, on a sunny day about two o'clock, a knock came at my door. I was alone. A hundred figures jostled through the mind; plague them all. It might be the baker, a beggar, a pedlar, a caller tired of his own company, a man soliciting votes, a woman collecting subscriptions, a ragman who, with flora and fauna, would remove old clothes and prevent the moth from carrying out its appointed task. Should I answer it? It was rather a timid knock, and I opened the door. Three little boys had grouped themselves in a natural picture. The one in the middle held a rough wicker-work basket in his left hand; in his extended right he offered me a bunch of mint. At the same time his small thin face lit up with a smile.

For a second I was spell-bound. Never before have I been thrust so surely in the golden age, which "Æ" assures us is ours for the seeking. In that one smile I was swallowed up. Some freak of fortune had been for millions of years preparing this moment when I seemed to stand on the brink of a wonderful world that in youth I had fought for, in middle age striven for, and in old age—only dreamed about it.

I didn't want any mint. And whilst I stood petrified on the spot having had a vision, the three went away, for the moments of ecstasy are like the snowflakes on the river described by Burns: "One moment seen, then gone forever."

Against myself: Whip me, ye fiends of remorse! Why did you not empty your pockets of pennies to the three little garnishers of lamb? Why did you not smile, pat the little boy on his head, and patronise him?

For myself: Time, I have an account with you. What's your game? Have you not lacerated my heart, torn it, toughened it, made it as soft as butter and hard as steel? What's your game? At this moment you caught me in a mood, transfixed me, paralysed me. I make no excuse to you. Go to, and meddle with those millions who are not yet conscious they are alive.

Such then is my story of a smile. Elective affinities, sympathies, relationship in a wider sense than that of

family, I know not. But at times in unspeakable horrors of despair, there comes this puck-like spirit, redeeming, hopeful, encouraging. This afternoon in front of me on a London street, a spindle-shanked *fille de joie* has scattered pennies about in a vain attempt—typical woman—to throw them into the hat of a pavement artist.

With my little boy, *and his smile*, with the generosity of the lady above, with "Heinrich Nieukamp," we shall one day set out with trumpets blowing, with white steeds prancing, with truth speaking, to storm the heights of heaven. For we are children of eternity, and mankind is not evil; it is only sick and miserable living in the uncertainty of livelihood with greater fear than that of sparrows, molested with the Tantalus of money, recovering from centuries of hell-fire threats, yet lacking help and guidance from the choice spirits who in the words of George Santayana "cannot make any private motives their own."

WILLIAM REPTON.

Verse.

Wilfrid Thorley.

EPITAPH ON A DRUNKARD.

(After François Maynard, 1582-1642.)

Bereft of life, beneath this stone is
One who drank more than all his cronies.
The only God that he adored
Winked from the pint-pots on the board.

Rowing one night, alas! too merry,
He fell out of the homeward ferry.
This was the only time he drew
Water in with his barley brew.

POSTHUMOUS REMORSE.

(After Baudelaire.)

When thou shalt sleep, O beauty ebon-hued!
Beneath a marble blacker than thy thighs,
And thou shalt have to honour thy dead eyes
Only a clammy cavern; when the lewd
Head-stone upon thy slumber shall intrude,
Bruising thy flank, thy bosom; when thy sighs
Shall ebb for ever, and thy feet likewise
Fail on the path of peril once pursued,

The grave that to my endless dream gives heed
(For with the poet doth the grave conspire),
As night by night the unsleeping hours retire,
Shall say, "Why, foolish harlot! hast thou need
To flout dead grief? Then on thy flesh like fire
The worm Remorse for evermore shall feed."

STRANGE EVENINGS COME. . . .

(After Albert Samain.)

Strange evenings come when souls awake in flowers,
The air is full of penitential sighs,
And the slow, heavy flood-stream overpowers
The secret heart that on the sad lip dies.
Strange evenings come when souls awake in flowers—
Then go I like a woman with soft eyes.

Clear mornings come, a crown of roses bringing,
The soul laughs like a rock-spring in the wild,
The heart's an Easter heaven all a-ringing,
The flesh unflawed, the spirit undefiled.
Clear mornings come, a crown of roses bringing—
Then go I happy-hearted as a child.

Come mournful days whereon the soul wears sackcloth
For baleful years and all the boon so brief,
When the fond Past seems like a faded back-cloth
Set for a mummer and his make-belief.
Come mournful days whereon the soul wears sackcloth—
Then go I like a grandsire bowed with grief.

Come nights of doubt that wring the soul and rive you,
When on the dizzy stair, aghast and wan,
You quail before the dread wind that would drive you
Into the pit's immeasurable span.
Come nights of doubt that wring the soul and rive you—
Then am I in the dark like a dead man.

A Credit Analysis.

I.—The Source and Nature of Credit.

The instrument by which purchases are made is Money. Money to-day is practically wholly made of paper. It is *intrinsically* valueless; its value lies in what it does, not in what it is. That is to say, its value rests on *Belief*. Hence the name Credit, or to be technically accurate, financial Credit, which we now apply without distinction to all forms of money.

Financial credit, or, as we shall say for brevity, credit, has its origin in the banking system. It flows out always as a bank loan and flows in ultimately as a repayment. It comes into existence in the process of flowing out and goes out of existence in the process of flowing in. It has no existence inside the banking system, but only outside it. If one were to observe water flowing out of a tank, and then flowing back again, and yet on looking into the tank saw that it always remained empty, he would see an accurate picture of the banking system. Credit comes into existence through the act of borrowing from a bank, and remains in existence until the borrower returns it; whereupon it disappears.

Looking at a bank's balance sheet it would appear as though a bank did possess a store of credit. That is to say, a bank records Deposits and other items called its Liabilities, against which it records Loans and other items called its Assets. These Liabilities and Assets balance each other. But the figures in the balance sheet are not credit existing in the bank, but merely a record of the credit existing outside. This will be clearer if it is realised that a loan of credit by a bank is not a loan as ordinarily understood: the bank does not part with any credit: it has none to part with. What the bank really lends is its permission to a borrower to create credit himself, permission to write cheques and pay them to his neighbours up to a given amount; and the bank agrees to "honour" them. This "honouring" is a term meaning that the bank will record transfers of the credit while it is in existence outside—showing into whose hands it comes. Thus if a borrower A pays a cheque of £100 to B, and B pays it in, the bank is said to receive a Deposit from B. But it has received nothing from B but A's cheque, and this document it returns to A. Such cheque is to be considered as nothing more than B's intimation to the bank that he now possesses the credit which A was permitted to create. The credit itself is not in the bank. All that is in the bank is a ledger recording customers' intimations of what they are doing with their credit. The bank's ledger is thus a history, and its balance sheet a half-yearly chapter.

But the banker is more than a historian. He has the power to shape the history he writes. For, having the power to concede or refuse customers the privilege of creating credit, he has the power to decide whether there shall be any history to record. Moreover, beyond questions of borrowing or not borrowing, he has the power of refusing to accept the account of any customer—*i.e.*, to refuse to record his transactions, and thus to cut him out of financial history. Lastly, he has the power at any time to revoke his permission for credit-creation: whereupon each borrower must gather up from his neighbours the sum he first created and surrender it to be extinguished by the bank—blotted out of the history.

These truths are not inconsistent with the convenient saying that "banks create credit." They do, in the sense that they are the arbiters of credit-creation and credit-extinction.

II.—The Cycle of Credit.

Now for the practical bearing of the argument. The agreed immediate cause of industrial stagnation is financial stringency—a scarcity of credit. This scarcity is not actual, but relative. The same quantity of credit can be scarce or not scarce, according to what can be bought with it. Financial stringency therefore is bound up with Price just as much as with Credit.

The course of the credit cycle is as follows:—

Credit becomes Cost as it flows through industry; the Cost then becomes Price (ignoring profits for the moment)* the Credit then turns round, pays the Price, and cancels the Cost. But all Credit originates in bank-loans. Hence the collection of Credit through the charging of Price is ultimately the collection of a bank-loan. Price represents Credit on its way back to the banks. When the Credit gets back it is extinguished. So Price represents *Credit earmarked for extinction*. This principle embraces the prices of everything whatsoever, both consumable goods and capital goods. Once they change hands for a price an equivalent quantity of Credit is, as it were, set aside for destruction.

The principle that Credit shall be destroyed when it has paid a Price is sound; but it is wrongly applied under the existing economic régime. The error is that the destruction takes place on the payment of all prices without distinction, whereas it should take place only on the payment of prices by consumers for the goods they take out of industry.

The practical evils arising from this error are enormous. The life-cycle, to use the expression, of any Credit is a matter of a few days, weeks, or a month or two; whereas the life-cycle of certain industrial products made *by the use of that Credit* may run to twenty or thirty years. For instance, a loan of Credit may bring into existence a railway line. To-day such credit is destroyed almost before the line has commenced to show signs of wear. In a sound financial system it would be destroyed only at a rate equivalent to the wear. It would not die until people had ridden the line to death. And, as with a railway, so with everything of any sort while it remains inside the industrial system. The fixed capital (factories, machinery, and tools), stocks (raw and semi-manufactured material and finished products) existing in possession of the industrial system at any given time together represent an aggregate of past costs, which were brought into existence by loan-credit. Therefore Credit to that amount (whatever the sum may be: it is of enormous magnitude) ought to be available,* at that time and held, as it were, in trust for the community as their legal property and distributed among them as they required to spend it. The principle to be fulfilled by such distribution is as follows:—

"That the cash credits of the population of any country shall at any moment be collectively equal to the collective cash prices for consumable goods for sale in that country."—C. H. DOUGLAS. Lecture at Swanwick.

The principle followed at present may be expressed thus:—

That the collective cash prices of goods offered for sale in any given country shall be equal to the cash credits of the population.

A complete inversion of the right principle. Instead of industrialists being able to say: "Let us manufacture *up* to the level of the credits that consumers *can obtain*," they have to say: "Let us manufacture *down* to the level of the credits that consumers now possess." They cannot say otherwise so long as they have to work under a system of premature loan-repayment, for this requires them to sell as little in *quantity* as possible for as much in *price* as possible, so that their ability to repay the banks on demand *at any time* (which are the conditions on which they borrow) may be strengthened by a maximum credit surplus. Since, from the previous analysis, Price represents Credit earmarked for destruction, the present policy results in a maximum destruction of credit for a minimum delivery of consumable goods; whereas the destruction and delivery should be co-equal.

There is a vital difference between the purchase of goods *from* industry and the purchase of goods within industry. The sale of furniture to a private householder is a transaction of a fundamentally distinct *order* from that of a sale of timber to a furniture manufacturer. But at present no distinction is made between them. When a retailer takes £10 for a table a Credit of that amount is earmarked for destruction. Properly so: for the equivalent goods have gone out of the industrial system. But when the timber merchant takes £10 for his material, that £10 is similarly destroyed. But the material itself is still within the industrial system, and its cost still persists and has yet to be recovered in price. Meanwhile the £10 Credit, which, as an arithmetical axiom, should eventually be available to pay that price on the retail counter of the industrial system, will have gone out of existence. What will remain will be an irrecoverable cost, floating on nothing, like the grin of the Cheshire cat.

The foregoing concepts and reasoning are difficult for people to accept, because these are so habituated to the experience (a) of possessing money as *their property*; (b) of seeing the money proceeds of sales laid out again directly by the seller without any destruction of money. But the suction of Credit from industry as a whole is taking place all the time, as a consequence of this price-charging, and commensurately with the rate of the charges. The confusion arises from the fact that the suction is not always applied at the point where any particular transaction takes place. A fairly clear concept of what is happening is afforded by a piece of honeycomb. Let the comb be industry: the cells of the comb business firms, and the honey Credit. Now imagine (if it could be done) a hole, or holes, being pricked in each cell so that there is intercommunication between them. No cell need necessarily communicate with all its immediate neighbours: the essential thing is that each must communicate, however deviously, with all the others. Now it is clear that suction applied at any outside cell or series of cells can exhaust the comb of honey. Conversely the comb could be filled by injecting honey. Now consider the external layers of cells as corresponding to borrowers from, and re-payers to, the banks. The comb is, we'll suppose, empty. The external cells (or some of them) borrow enough honey to fill the comb; and eventually every cell is full. Now imagine all the cells to be sentient "business" cells. The inner layers would not be in direct contact with the injector, and therefore they would regard the honey as their "property" when they received it. (One may suppose them to be performing some activity which they regard as entitling them to own their honey.) But their proprietorial rights to their honey would not alter the fact that every scrap of it had been lent to the borrowing cells on the outside. The honey would represent to the interior cells the "price" they had received from neighbouring cells for their activities. But the comb as a whole would be in debt to the injector for all the honey. The injector now wants the honey back; and sucks at the borrowing cells. Inevitably the inner cells will become exhausted of their honey unless they stop up the holes. But to do so would be equivalent in industry to a cessation of business relations altogether; and must be ruled out. What will happen is that the external cells will perform services for the "price" of the honey passing out through them to the original injector. Make the whole comb a single sentient being and it would realise that its aggregated internal Price was the same thing as its aggregated external Debt, and that every single "cell-price" was a part of the debt and was therefore earmarked for extinction. Of course, industry to-day is not alternately filled and emptied of Credit. The banks are hourly causing flows in one direction or the other at this cell or other of the industrial honeycomb: but if it were possible to dye each original Credit-injection with a distinctive colour, and so isolate and watch its travels, the truth of the general principle illustrated would be established by such a visual test.

III.—The Purchasing Power of Credit.

Purchasing power, in its true definition, is the power of *consumer* credit (personal incomes) to buy *consumable* products *from* industry. It is *not* the power of business credits (loans and revenue) to buy business goods (machines, materials, and so on) *within* industry. Therefore any practice which has the effect of destroying credit before it has become *consumer* credit reduces purchasing power. Therefore the practice of including in consumption-prices charges corresponding to prematurely destroyed credit reduces purchasing power. That is to say that whereas the expenditure of any business concern in wages, salaries, and dividends tends to increase a community's purchasing power, its expenditure on supplies from other business concerns tends to decrease it.

Purchasing power is thus a question of the relation of retail prices to consumers' incomes. The objective of every individual is to get an increase; not necessarily in his income, but in his purchasing power. Whether his income goes up or retail prices go down does not matter to him. This is true equally of the individual capitalist and the individual workman. It is their common interest; and thence a general, a national interest. If therefore a means can be found to eliminate from retail prices the redundant charges above described, public opinion would strongly press for such a benefaction.

The Social Credit Proposals embody a new costing-technique whereby this can be done, without disturbing the routine of business accountancy and without imposing any monetary burden on business exchequers. Its adoption could in a few months bring about a collective expansion of purchasing power equal to an increase of 25 per cent. on everyone's present income measured against current prices. Thenceforth, by continuously progressive stages, purchasing power could be raised to a multiple of that represented by consumers' incomes of to-day.

ARTHUR BRENTON.

*In this theory distributed profits are considered part of the cost just as wages and salaries—all being forms of personal income.

* By "available" it is not intended that the credit need all be circulating. What is meant is that Credit up to the given amount would be created and issued gratuitously to consumers as and when industry converted its stocks into consumable goods and was ready to deliver them.

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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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