THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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NOTES OF THE WEEK.

Mr. C. F. Strickland, who was invited last July by the Secretary of State to visit Palestine "*to study the economic position of the fellahin and to instruct the officers of the District Administration as to the objects and methods of the working of co-operative credit societies,*" has recently finished his report, which has been issued by the Palestine Government. He was at one time Registrar of Co-operative Societies in the Punjab. He finds that the fundamental problem is how to release the small Arab cultivator, or fellah, from debt. The total debt is not a large one as debts go nowadays—it is about £2,000,000 spread over some 90,000 families—but sufficient to account for Mr. Strickland's expressed conviction that an important proportion of the cultivators are bankrupt. "Neither co-operative credit nor State loans," he says, "can restore them to solvency if the whole nominal claim of their creditors is to be repaid." He recommends the formation of a co-operative credit society to supply the Arabs with current resources—leaving the clearance of the major debt to a later time. He suggests that the society should propose to the merchants and moneylenders who hold this debt that they agree to a reasonable compromise, reducing interest to a moderate rate on condition that the payment of such instalments as may be fixed is rendered possible by loans from the society. If the creditors refused the society could stand aside and leave them to seek their remedy through the Civil Courts, which could be relied on to reduce the interest and arrange for practicable terms of repayment.

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The structure of the society proposed is after the model of the "Raffeisen Society" which is in operation in Germany. Its features are as follows:

Small areas of operations.

Modest contributions by members towards share capital.

Equality of voting power among members.

Unlimited liability towards the creditors of the society —the Government or some commercial bank.

Close internal control over the borrowings and repayments of all members.

Loan-policy not to be based on the property of the borrowers, but upon their honesty and punctuality. The society would admit landless men, whether tenants or labourers, if their character were satisfactory, and exclude persons of the highest status in whom the members of the society had no confidence.

In Mr. Strickland's opinion the general demand which is being made for an agricultural bank is usually the repetition of a catch-word which the fellahin have heard from other people: he is "immovably convinced" that an agricultural bank in Palestine would be as great an evil as any Government could introduce. He does not favour joint Arab-Jewish co-operative societies. As regards Jewish co-operative institutions already in existence he suggests more systematic auditing and stricter application of regulations. He records his disapproval of the principle of lottery being covered in a co-operative system, and declares that a group of persons residing principally in Rumania is not entitled to operate in land transactions in Palestine under the shelter of the co-operative law. He suggests that the Jewish banks might combine to form a mortgage bank to provide long-term loans for rural development: also that there could be a Jewish Co-operative Council and audit unions.

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The only alternative general policy would be a Government Loan Fund—loans to be given only on a first mortgage and to not more than two-thirds of the value. The Government of Palestine might finance this by raising a loan of, say, £1,000,000, of which a quarter could be offered to the Jewish community. This sum would also finance the Government's share in a Jewish Mortgage Bank, and short-term loans to co-operative societies.

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Leaving the Jewish side of the problem out of account, and confining attention to the situation of the Arab cultivators, it will be seen that Mr. Strickland's co-operative scheme embodies the principle of what is known in Britain as Reconstruction—namely a writing-down of invested capital at the expense of shareholders. Whatever our feelings may be as to the character of the "money-lenders and merchants" who hold immediate mortgages on the various parcels of Arab land, we must not mix moral with technical considerations, and we must recognise that these lenders are technically shareholders. Every *bona fide* investor everywhere is a money-lender. Mr. Strickland's proposal amounts to filing a petition of bankruptcy on behalf of Arab agriculture, and offering to compound the £2,000,000 debt at some figure—possibly less than half—with the creditors, and even then only returning the agreed balance to them over a long period of time. The effect of this is to scale down the capitalisation of the land to a figure at which it becomes safe for the banker to put money into agriculture. For notice that the immediate lending institution—the co-operative society—is also to be a borrowing institution, standing in a position of "*unlimited liability*" towards its "creditors," namely, "*the Government or some commercial bank*." Since governments are themselves dependent on banks for finance we may ignore them and say that the new creditors of the fellahin will be the bankers. Notice again, incidentally, that when creditors happen to be merchants and moneylenders, or, for that matter, any private individuals or business concerns, the debtor is allowed the protection of limited liability; but there is no limitation of liability to the banker; or at least not until every other creditor's claim on the debtor has been confiscated and the debtor is yet compelled to default—a contingency which the banker is in a position to foresee and avert, and consequently only has to face in extremely rare and exceptional circumstances.

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The Times of January 2 publishes a leading article complaining about a statement published by Mr. Ramsay MacDonald which was as follows:

> "A few financiers in New York, in London, or in Paris, pursuing their own ends and looking after their own fortunes, are able to destroy the fruits of good harvests and the productive accomplishments of human energy."

The ground of the complaint is that this statement was allowed to appear "on the very day when the King was reminding his Australian subjects that their present difficulties could undoubtedly be overcome by the reserve strength inherent in their manhood and in their soil." Mr. MacDonald's statement "virtually denied all comfort to so sensible a message of encouragement."

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This would be all very well if the writer had been able to fix on Mr. MacDonald the responsibility of having advised the King to issue his word of encouragement, and had then trumped it with his own message of discouragement. But as a matter of fact the King drew his inspiration from the air. His message was of exactly the same tenour as we have always been accustomed to hear from financiers and other publicists when people are undergoing economic hardships. And on New Year's morning the B.B.C.'s and the Archbishop of Canterbury's broadcast addresses to the public were elaborations of the same theme. "Have courage, and all will be well" was the common keynote. Such exhortations are sound enough when related to problems which are the necessary lot of humanity; but for that very reason they are instruments of deception when related to the particular problems which were implicitly and explicitly referred to in these three messages. In the realm of spiritual relationships, Faith, Hope and Charity are rightly idealised as prime virtues. But in economic relationships under a money-economy it is much more appropriate to talk about faith, hope and currency. For currency—meaning money in all its forms; in one word, *Credit*—is the evidence of things unseen in terrestrial life. Credits are Rights of Action; and in the absence of rights of action, faith and hope based on the concept of action accomplished are barren virtues, which is to say that they are not virtues at all. Readers who listened to the broadcast messages may have noticed that never once did the speakers relate their exhortations to submissive courage with problems and difficulties which arise out of nature. For example, there was not a single "greeting of encouragement" to persons anxiously watching by sick beds, to parents of wayward sons or daughters, or to any similar victims of the common ills and accidents which all flesh is heir to: in every case the reference or allusion was to some hardship which was directly due to a shortage of money. "Render unto Cæsar the submission due to God," is a faithful paraphrase of the exhortations which came over the wireless on New Year's Eve.

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Mr. MacDonald therefore happened, probably by accident, to say something opportune. *The Times* leader-writer makes the irrelevant jibe that Mr. MacDonald's motive in saying it was to excuse his Government for its ineptitude. The motive has nothing to do with the truth of the statement; and on the question of its truth the writer offers no evidence, but contents himself with poking fun in this strain:

> "Every government [it would seem] . . . can only cower before a handful of anonymous criminals. . . . The present Government have apparently been impotent to prevent these malefactors from increasing the number of unemployed by over 1,000,000; from devastating British trade; and from threatening the nation with a deficit on this year's Budget. It must be confessed that the joy of the financial world at these developments has been very ably concealed. . . ."

This is very unworthy stuff for a newspaper like *The Times* to print. Fancy a writer being permitted to score a point by remarking on the absence of "joy" from the faces of "anonymous" people! Does he happen to know them?

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It is a pity that the King's authority is used to cause a general pre-judgment of open issues—especially issues in which financiers are concerned. As a Constitutional Monarch he observes neutrality as between controversial political questions, and presumably acts on the principle that any sentiment or belief to which all three Parties of the State subscribe is a safe one to endorse. But a great number of people whose opinion is worthy of respect have realised that the only real conflict to-day is between the banking interests and the general body of consumers. Parliament as a collective body is a legislative instrument for bankers. No party represents the consumers. The Conservative and Liberal Parties represent the employer-producer and the Labour Party represents the employee-producer: the funds of the first two are derived from profits, and those of the third from wages; and the respective objectives of these Capital and Labour sections of the House are identical, i.e., to obtain privileges which must involve sacrifices on the part of consumers. For instance the National Union of Railwaymen, when it finances candidatures for Parliament has no more concern to secure better or cheaper travelling facilities for the public than have the Railway Companies when they finance their own political representation. At times, it is true, there are arguments used in the House based ostensibly on a concern for the consumer, but on close analysis it turns out that the so-called consumers are firms (e.g. as when manufacturers attack railway rates as a burden on their costs) or, when *bona fide* consumers receive attention and Parliament manifests concern over *their* burden of costs, the ultimate objective is not that they shall consume more but that they shall consume the same with lower wages. That even Labour is content with such a consequence is manifest in its tolerance of the principle of adjusting wage-bonuses to the retail price-level. The Cost-of-living Index Figure is a visible symbol of Parliament's obsession by the producer-objective. It follows that if the King desires to maintain an impartial attitude on all matters where economic interests conflict he will do well not to rely as a guide on the common assent of political administrators and their followers in Parliament. Post-war credit-research has established that the visible superabundance of physical wealth in the world is rendered inaccessible to consumers by humanly contrived restrictions on supplies of money. Whoever enjoins people to submit cheerfully to this inaccessibility is really enjoining submission to the policy and practice of money-restriction. In short, he is taking sides with the bankers against an overwhelming majority of the population.

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Fortunately the King's utterance on the occasion in question can be construed in a different sense from that in which his anonymous advisers or inspirers hope it will be construed. Undoubtedly the economic recovery of the King's Australian subjects does lie in the "reserve strength inherent in their manhood and in their soil." This is very much like saying, as we should say, that Australia's future recovery is inherent in her Real Credit. There is, however, a significant omission from this Royal specification of the elements of Real Credit, namely, Australia's productive potentialities other than men and land—to wit her machine-power. It may be that this aspect was intended to be comprehended in the formula, but we cannot help connecting the omission with the known views of the City concerning Australia, namely, that her proper function is to stick to agriculture and let Britain and other older nations manufacture machine-products. Since no less a person than Mr. W. M. Hughes, undoubtedly representing an important section of Australian opinion, exposed and emphatically rejected any such plan to confine Australia to primitive objects of production, it is a pity that the formula put in the King's mouth should be so pointedly suggestive of such a construction. It would have been better diplomacy to say, "Australia's courage and skill will pull her through."

* * *

We have another comment to make on the formula. "Reserve strength inherent" in men, soil, or anything else cannot "overcome difficulties." As every engineer knows, potential energy must be transformed into kinetic energy before it will do any work. You cannot supply a town with power and light merely by patting a dynamo on the back and congratulating it on its huge kilowatt-rating! Our pointing this out would in some circumstances be justly liable to be characterised as hair-splitting, but it is not so here because the financial mind always confuses the two forms of energy, and in fact bases credit-administration on that confusion. The banker encourages the accumulation of potential energy, which he sometimes calls "earning assets," and discourages its transformation into kinetic energy, except at a low rate, because he wants to enlarge the assets. Imagine him dealing with the dynamo we have just spoken of; he would say that the proper use of the electricity generated by it was not to supply the town with the maximum of light, but to supply power for the purpose of making another dynamo, or making the existing dynamo larger. Such is his essential meaning when he uses the term "reserves" in a financial sense—i.e., as a monetary-index of unused productive power. That is the reason why his counting-system sets industry trying to solve the problem of using means of production without wearing them out. To him human beings are plant-making machines, and articles of consumption fuel. And so again it will be seen that the terminology of the King's formula is suggestive of City inspiration.

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Australia certainly has the power to recover, but her recovery not only depends on her *making use* of her potential energy but on her adopting a *different method* of making use of it than she has hitherto done. Australia had "reserve" and "inherent" strength before she got into difficulties, so the fact that she still has such strength is not of itself a guarantee that she can get out of them. In fact, if City admonitions are to be believed, Australia's troubles have been caused by her acquiring reserves of strength. The bankers' view is that she has been borrowing too extensively, and they hold it in spite of the fact that statistics issued from Australia House prove that the borrowed money was used for the most part in building up productive assets. They are thus committed to the proposition that there is a point beyond which physical reserves of strength cause bankruptcy. Unless these experts can give intelligible reasons why the same causal activity should necessarily produce first one effect and then a contrary effect, they had better stop volunteering advice. We have heard of youths and maidens outgrowing their strength, but never of the strength outgrowing the youths and maidens. We can understand a population outgrowing its harvests, but we cannot understand harvests outgrowing a population in the sense of impoverishing it. There must be something radically wrong about financial computations which require us to admit such a conception. It is a matter of common knowledge that financial stringency all over the world has arisen from the fact that every country has got too many goods to sell. The reserve strength of the world has ruined the world in the same measure as the world has made use of its reserve strength. So it would seem that the salvation of the world depends upon its not making goods, thereby conserving its reserve strength. That idea is of course adopted by the rationalisationists and carried out in their plant-scrapping schemes.

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There is no escape from the dilemma except by transforming reserves into supplies. To accomplish this it is necessary for the population to absorb the supplies. The fundamental assurance of Australia's ability to surmount her difficulties lies not alone in her possession of potential powers of production but in the potential power of consumption inherent in her manhood. Both powers must be actualised, whereupon each will automatically become a function of the other. And, unless there are self-evident natural obstacles, the two functions should operate in the same place. Goods should be consumed where they are produced—which is to say that in every country the character of the production should reflect the character of domestic requirements. If the requirements cannot be made in the same country, that is a different matter, but when they can they should be, even allowing for the possibility that identical requirements may be produced "more cheaply," as the saying is, in other countries. The question with regard to any commodities in domestic demand is essentially this: Can a sufficient quantity of them be produced to fulfil the needs of the population? If the answer is Yes, it does not matter a scrap what the price is, or how it compares with prices in other countries. What on earth, for instance, has the "world price," as the bankers call it, of wheat and wool got to do with the accessibility of Australian wheat and wool to Australian people who want food and clothes? The real cost of the goods has been so much human energy applied to producing them or producing the means of making them. Very well: there are the people, with as much of this energy left as they started with—and a good deal more—so that the replacement of what they consume is assured. What are they waiting for? What does it matter to them whether people in other countries can produce the same quantity with less energy? Nothing whatever when once they get control of their credit system and distribute incomes equivalent to domestic costs. The way to do it is now known: and the Australian people cannot better justify the King's confidence in their reserve strength than by employing it against external usurpation and establishing their own financial self-determination.

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We see that the bankers are preparing an elaborate ceremony in which the King is to be presented with a framed savings certificate—this being the thousand millionth certificate sold since the beginning of the scheme. No doubt their intelligence experts are busy composing the formula of the King's blessing on the achievement. This is the last thing that the King ought to be called upon to commemorate. In form, of course, the lending of £1,000,000,000 to the King's Government by the poorer Subjects of the King makes royal patronage appear natural and appropriate. But assuming this sum to represent a net total of loans it represents money diverted from the consumption-market: it registers the thousand-millionth pounds'-worth of goods which these people have abstained from buying: it is a measure of the amount of industrial costs which might have been recovered as revenue, but have not: it therefore reflects a potent factor in the precipitation of bankruptcies and other forms of investment-confiscation, and in the intensification of the unemployment problem. The King is being called in to bless one side of the balance-sheet—the credit-monopolists' side. An achievement of this nature would be more fittingly celebrated by a bankers' beanfeast at Southend. Let Royal thanksgiving be reserved for national, not sectional, benefits. Let His Majesty be invited graciously to accept the billionth loaf of bread, pint of beer, quart of milk, leg of mutton . . . anything, anything, so long as it is a *thing* that has done some *person* some good or afforded him some pleasure. Such a thing will happen one day. Commonsense will blunder through somehow under the stimulus of the diverse activities of friends of THE NEW AGE. Then we shall all get a day's holiday twice a year to celebrate the reduction of the Social Credit Price Factor and its corollary, the rise in the National Dividend.

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The *Times* Review of the Year—issued as a supplement on January 1—includes a financial survey. The writer says that:

> "1929 saw the culmination of the greatest speculative movement in many years . . . and a collapse of speculative credit; 1930 spent most of its time mournfully watching the clearing away of the wreckage and the return to financial sanity. . . . In the later months of the year financial activity began to revive. The acute depression in industry reduced the demand for money, and lenders, getting tired of the meagre 1 per cent. which was all that could be earned on deposits at seven days' notice at the banks, turned their attention to gilt-edged securities and other fixed-interest-bearing securities of the 'safety-first' class, which, at the beginning of the year could be bought to yield 4¾ per cent. As the prices of these stocks rose Corporations and Governments saw their opportunity for appealing to the investor with the 'safety-first' type of issue, either for fresh money or to reduce their debt charges, for many companies burdened themselves with high interest-bearing debentures when money was scarce and dear immediately after the war. In the first 11 months of the year issues of fresh capital amounted to £239,200,000 against £281,300,000 in 1929. Naturally the great bulk of these securities were of the best type. Scarcely anyone thought it worth while to appeal to the ordinary share investor, who was too busy licking his wounds to be tempted to try his fortune once more."

The writer says that between November, 1929 and November, 1930, 87 fixed-interest stocks appreciated in value from £4,067,169,000 to £4,231,786,000, while 278 variable-dividend securities decreased in value by £393,694,000 to £2,257,781,000. Ten British and Indian funds rose from £2,169,318,000 to £3,329,063,000—"an indication of the anxiety to hold only the best securities." Referring to the fall in variable-dividend securities the writer says:

> "People sometimes enquire what has become of the lost £393,694,000. The answer is that it has vanished into thin air, where it, in fact, actually came from."

This is true enough in the sense that all valuations are intangible. But why restrict the observation to these stocks only? It is applicable just the same to appreciations in the value of gilt-edged securities: the premium comes out of thin air. But the writing of a valuation down here, and up there, is nevertheless a sign of the transference of credit, and reflects real consequences of the sort which, as the writer has remarked, causes investors to lick their wounds. It is doubtful if he knows exactly what he means by his observation. If his intention is to suggest that the stocks in question were mistakenly over-valued because people rushed after them, what is the moral, and if there be one does it not apply to the writing up of gilt-edged securities which has taken place because of the quick demand for them? Let him be explicit. If investors in ordinary useful competitive enterprises are acting foolishly in expecting to succeed—if there are definite reasons why they cannot—is it not up to the financial authorities to explain all about it? The fact of the matter is that what these authorities call "insane speculative finance" does not—apart from manifestly grotesque promises by company promoters—reflect on the common intelligence of the investors: it reflects on the policy and actions of bankers, which make the investments *appear* insane in retrospect. The wounded investor is not necessarily to be accounted foolish because of his wounds, but only if he ought to have known how he would sustain them. Ordinary investors ought to know something, which is that their function in the present economic scheme is to buy assets for re-sale later on at scrap prices or none at all to high-financial monopolists. The prices they pay are not intrinsically extravagant, but the point is that the consumption market never has enough money to render the assets remunerative. This is a mathematical necessity under the present system of accounting credit; and even if every company in the country were floated for twopence the consumption market would still be short of the means to return a profit on all the twopences. A proportion of the assets would fall in to the bankers at their own price.

* * *

This year marks the centenary of the passing of the Truck Act, which enacted that transactions between employer and employee should be conducted on a monetary basis. Wage payments were to be in money and not in kind. This legislation fastened the bankers' grip on Capital-Labour compacts. As in the case of all other financial encroachments into industrial bargains and transactions, this step redressed grievances of certain sorts, and therefore looked to be good and wise. But it takes on an entirely new colour to-day when men are starving in

the presence of "over-production"—and because of it. It is true enough that the subdivision of labour and process throughout the century would have necessitated the use of money or other token to enable the workers to exchange their surpluses, but the control of the exchanges need not necessarily have come to be exercised by bankers as we know them to-day nor on the principles in operation to-day. Payments in kind would have had a healthy educational value: the system would have afforded everybody a weekly or monthly reminder of the fundamental truth that wages, salaries and dividends are essentially *things*—that prosperity is in its universal sense a matter of receiving payment in kind. Secondly, the system would have kept in the public mind the fact that all trade is barter; so that when the recipients of things came to the problem of arranging their system of exchanging them they would naturally use their exchange-tokens—whatever these were—with the conscious object of facilitating the processes of barter. Thirdly, they would have no difficulty in seeing that the goods they drew out of their several industries were articles of consumption insofar as they retained them for consumption, but were essentially money insofar as they changed them for something else. They would see that not only was money a claim for goods but that goods were a claim for money. Fourthly, having regard to the present enormous surplus productive power of industry, reflected as it is in gluts of actual production, it is reasonable to conceive of a progressive increase taking place in the collective amount of payment in kind. In the absence of bankers (assumed in the hypothesis) with their doctrines of savings, reserves and all the rest of it, we can imagine all parties to production spontaneously asking themselves: Why not, and, seeing no danger in the idea, deciding to help themselves to a bit more out of the bit more they were making. Fifthly, wages being goods, production would be first and foremost directed to goods suitable for paying wages. The employer (typifying industry in general) would schedule his programme of production in order of human necessities. He would put food, clothes and shelter in the first three places, whatever he might put afterwards. Sixthly, the employer (again as typifying industry) would be his own banker. As all costs boil down to payments to persons for their personal consumption, and as these payments would be goods, the employer would be "creating credit" when he manufactured goods—and the more goods the more credit. Everything produced would be self-selling provided that somebody somewhere wanted it. There would be no room in the scheme for the modern banker to conduct his peculiar operations. Seventhly, in practice the emergence of industrial, or producers' banks could have been expected. Whether run by employers alone, or jointly with employees, would have depended upon whether the employees had organised in Trade Unions. These might-have-beens, although some of them appear improbable, do serve to show that the Truck Act helped the bankers to make them impossible. Whether they realised this at the time is of no particular consequence. When one's vision is widened to include international relations, these reflections enable one to realise the transformation which would take place if the nations' domestic finance reflected the principle of payment in kind. Every commodity or other object of production ready for use in every country would automatically have become the earned property of private individuals. If some of it were exported and exchanged for some other property all the better. But if not, then the "Surplus"—that phenomenon which is agitating the whole world—would be no more a problem or injury than the existence of duplicate postage-stamps in a schoolboy's collection. The international trade negotiations of the sane future will amount to nothing more than the mutual exhibition of stamps with the object of swapping them.

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Cables from Australia half confirm the fears we expressed that Mr. Lang might have over-estimated his power to fulfil his election promises. The decision of his Government to knock a substantial percentage off all wages shows that it is not aware of the fundamental cause of the financial crisis, or at any rate is not prepared to tackle it—in either of which events it is going to prove a failure. The Australian trade unions are of course up in arms, not simply about the wage-cuts, but because Mr. Lang was put into power by trade-union help on his promise not to cut them.

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The most informative items of news on Australian affairs will be found in the *Times* of December 31 ("Tasks Awaiting Mr. Scullin") and in its *Review of the Year* of January 1 ("The Empire"). In the first of these there is an amusing passage (the article is from the *Times*' Canberra Correspondent):

> "The elections in New South Wales proved that there is a large section of the community in Australia by no means extreme in their views who have a notion that the community can be kept alive by the simple process of circulating money. These well-meaning people who successfully conduct businesses of their own are childishly ignorant of the foundation principles in finance, and they talk of the circulation of money as if it were something that could be brought about as one turns on a tap. That section is really the great danger to the community, and it undoubtedly gave Mr. Lang his decisive majority in New South Wales. The flagrantly dishonest section could be easily coped with wēre it not for the mediocrities who feel themselves competetent to deal with the most involved financial questions."

The concluding passage of this extract is important because it reflects a real dilemma which faces the defenders of the existing financial system everywhere. When a body of people who are admittedly not extremists, nor fools in conducting their own businesses, nor flagrantly dishonest, make a common demand for a change in financial policy, the bankers have no option but to present, if they can, a moderate, a sensible, and an honest explanation why the demand of these people is unsound. Surely the qualities of moderation, business intelligence, and honesty, which this writer concedes to them, constitute an assurance that they would listen attentively to the bankers' elucidation of involved financial problems, and would be able to understand the reasons, if any, why they had been unwittingly asking for something technically unsound and politically dangerous. But this is just where the trouble lies. Nothing disturbs the banker more than having to explain himself before the open Court of intelligent opinion; and his wits are constantly engaged in discovering plausible reasons for keeping his mouth shut about what he is doing and why he does it. The most plausible reason possible is provided if he can convict his challengers of incompetence or dishonesty in the conduct of their own affairs; for then he can follow the precedent set in the days of the duel, and decline to engage in an affair of honour with an opponent who is "not a gentleman." He may ignore the gauntlet of an upstart without suffering the stigma of cowardice. Between the lines of all views and propaganda published in defence of this policy—subtle suggestions that no one outside the banking profession is worthy to hear its secrets. There is always some taint—be it foolishness, greed, extravagance, or what not—some moral obliquity which inhibits understanding. But this trick cannot continue indefinitely.

The Accounting Principle.

Some questions have arisen recently concerning the technical accounting method which would be applied to production and consumption under a Social Credit system. Strictly speaking, the advocate of Social Credit is not called upon to prescribe methods, but to propound principles. He is entitled to expect that, when he has established the soundness of the principles, the problem of administering them in the most effective way will be solved by people specially trained in the particular branch of administration to which the principles are to be applied. In the present case those people would be accountants. It is not strictly necessary that these accountants should understand the facts and arguments on which Social Credit principles are arrived at: all they need to know is (a) what result is wanted and (b) under what restrictions, if any, they are to design the method of reaching it. Conversely, it is not strictly necessary that the advocate of Social Credit should be a trained accountant, or even that he need know anything about accountancy beyond such governing rules as are self-evident to the ordinary intelligence. Every woman who "reckons up her money" (and what woman cannot—and, indeed, is not compelled to by its very scarcity?) knows sufficient for the intelligent understanding of the Social Credit principles as applied to accountancy. She knows, for example, that if there is a fur coat priced at £50 inside a shop window and she is outside with £20, and wants that coat, she can only go in and buy it on one of two conditions—that she gets £30 more from somewhere or that the furrier takes £30 off his price. If, further, she knows enough of Social Credit to understand the fundamental physical reasons why it is possible for her to get that coat—the most obvious of which is that there is the coat loafing on a hanger, and here is she anxious to give it a useful job on her shoulders—that is sufficient; she need not trouble about which way figures are put into books to record the transaction: any way will do so long as she slips into the coat.

The basic principle of Social Credit has a universal application, but the methods of application must be governed by time, place, and circumstance. One principle, many methods. For instance, the best method for the natives of Britain is not the best method for the natives of India; nor is that for a literate community the best for an illiterate one; nor would a method suddenly improvised to avert imminent war be the best method under conditions of settled tranquillity. If you have a crowd of hungry men on the point of smashing up and looting a baker's shop you will have no time to go in and persuade the baker to sell bread at less than cost, you will probably find it necessary to give the men money to pay the baker's ordinary price. The greater the emergency the cruder the method.

The essential difference between the existing and the new system is a matter of widening the scope of the accounting mechanism to include the consumer. The formula "consumer-credit" has been given a restricted and misleading application by writers on finance; it has been used to describe what are immediately loans by producers to consumers, and ultimately loans by banks to consumers (e.g. instalment selling financed by the banks). But the true significance of the term consists in the fact that all financial credit originates with the population collectively, and is their property. When a bank creates a credit and advances it to a business undertaking that credit is a consumer-credit, i.e. it is a sum which the business undertaking has borrowed from the community. Accordingly there should be an account in which the community is credited with industrial borrowings. Let us call it a National Credit Account. Of this account the Government would be the natural trustee, acting on behalf of the general body of consumers.

The true function of the bank is that of an agent of the Government. It should create and issue, receives back and cancels, financial credits on behalf of the Government, not on behalf of itself. Its duty begins and ends with recording the individual borrowings and repayments of producers of goods. Under the present system the bankers' records amount to nothing more than a statement of what collective credit is out in circulation at any given time. They do not reveal the several amounts or the cumulative total of the series of credits issued and recalled over any given period of time, except in the form of Clearing House statistics, which merely tell us that during a year there has been a turn-over of credits amounting to some 40 or 50 thousand millions, without a single hint as to the nature of the transactions which have involved the circulation of this credit. The banker's credit-record is completely unrelated to the physical consequences of the use which has been made of the credit. This is not said in criticism. It is not, nor need it be, the banker's duty to keep a related record. But it is somebody's duty to do so, and that somebody would naturally be the Government—the Trustee of the National Credit Account.

Now the Trustee can find a way of carrying out this duty in spite of the incompleteness of the bankers' records. For the history of what takes place is to be found in the account-books of industry. Every bank-loan creates an industrial debt, and that debt is initially recorded somewhere in the books of industry as a liability to the bank. When industry repays the bank-loan it discharges its liability to the bank. But the sum will now appear wholly or in part as an industrial cost to be met ultimately by the general body of consumers. The proportion of the sum remaining as a cost depends upon how the industry got the money to discharge the bank-loan: if wholly by selling shares in the products made by means of the loan, then the whole cost stands. If, say, one quarter by selling shares and the other three-quarters by selling products to the public for consumption, then only one quarter of the cost stands. In practice the standing costs represent for the most part "earning assets"—factories, tools and so on—which are retained within the industrial system. Fundamentally these costs represent a debt owing to the community, and should be recorded as a credit to the community in the National Credit account. But they equally represent a claim on the community by the shareholders in these assets. There is a contra-account, and it is in equilibrium. But the natures of the two debts, so to call them, are different. The Trustee for the community is not concerned to collect money from the shareholders, but consumable goods. And the shareholders are not concerned to hold on to their goods, but to sell them.

We print elsewhere an article from the *Australasian Accountant and Secretary*. The author has modelled it on the same form—namely a hypothetical debate between accountants—as we did on this subject some year or so ago; and it covers much the same ground of investigation. Read in conjunction with the foregoing remarks it ought to clarify one or two technical issues which have been occupying the attention of some of our readers lately.

Current Political Economy.

The year 1931 has had a wonderful beginning. It would be really too much to expect it to keep the pace up. So many secrets have come out. On Saturday the organ of the Socialist Government came out with the blazing front page heading, "World Bankers Attack Slump." The City Editor of the *Daily Herald* was able to say that

> "At last the mystery of Mr. Montagu Norman's dramatic cross-channel journey in the liner Bremen last November is revealed."

Sweet, naïve, *Daily Herald*! No newspaper less class-conscious on behalf of the proletariat could possibly have seen the World Bankers de army ob de Lawd dat will set mah people free-ee; and Mr. Montagu Norman either as the herald angel or the new-born king. But let us continue the secrets. Miss Amy Johnson undertook her present flight, which has made her news even in Moscow, to run away because she could not bear all the fussing and petting. Poor Amy (one falls very naturally into the use of the Christian name with a girl so demure as Amy). It is so encouraging, in the midst of trade depression, and in the suspense of waiting for the World Bankers' grand mass-attack on the slump, to learn, right at the beginning of the year, that English modesty is what it was. So few things are what they were. But a creature of such delicacy, her daintiness increased by her bashfulness, ought to beware of going to China. She might be caught by bandits, if not by cannibals, and Mr. Montagu Norman might put his foot down about the ransom claimed.

* * *

On New Year's Day we learned that the unemployed will be able to make one dole do the work of two because the names of trade union leaders on the membership cards will be prefixed by the appellation, "Sir." We have certainly arrived at a state of very social democracy, in which opportunity is equal so far as access to titles is concerned. Cloth caps will soon be the fashion of the House of Lords, while boiled shirts will be worn only at trade union meetings and by unemployed demonstrations. It is only fair to add that the honours given to the Labour M.P.s have been too few. As a reader of Parliamentary debates, I can describe the frequency of the Government's self-defence, "We are doing exactly what the last Government did in precisely similar circumstances," only as a form of plugging. The reply ought really to be given by a mechanical talkie-device to save the Government from having to waste in Parliament time that might be spent in Society.

* * *

On New Year's Eve Mr. Thomas

> "Was in audience with the King on State matters about six o'clock, when the Queen came in with little Princess Elizabeth and said, 'Would you mind, we want the Princess to wish Grandpa good-night.'"
>
> "I have four grandchildren myself," added Mr. Thomas. "How human, how natural. . . . He is just the same grandfather as I am."

Good old Thomas. How human.

* * *

The economic prospects for the coming year are very bright. Every newspaper financial and trade correspondent is saying so, with a unanimity altogether lacking in the first, second, third, etc., Churches of Christian Science. The last year, they all agree, was dreadful, but the coming year is still a bright and beautiful possibility, like a slum-baby. So all be merry-and-bright, lads, and pull, though God knows at what, together. To mention one other encouraging event of the New Year, the first 1931 *Punch* contained a humorous picture. A sailor is surveying the effect of having upset a bucket of tar on the deck. Another offers him the advice to "try a spot of Coué. . . . It ain't never happened. . . . The deck's as white as ever. . . . It ain't never happened. . . . The . . . ." Let us mourn one lost opportunity. This picture was not one of the political cartoons.

* * *

The Financial Correspondent of the *Observer* enters into explanation as to the cause of our past troubles. He precedes it, like all the others, with "a spot of Coué," but it is nevertheless as well for us to know how we were let down before. The knowledge may help to supplement Coué. The paragraph is headed, "Lessons for All." Democracy breaks out everywhere:

> "In the first place, 1928 and 1929 was a boom period. . . Increase of production . . . expansion of credit . . . more production . . . more credit . . . eventual production ran ahead of the world's consumptive capacity . . . a new vicious circle was created . . . surplus stocks . . . disastrous fall in prices . . . now reduced production and capital lying idle. Such conditions cannot last for ever . . . very gloom a basis for hope . . . a period of retrenchment necesary. . . . Business men should adopt the Prince of Wales's slogan and "Wake up thoroughly, consider fully, and act decisively."

From which we assert that a gallon can be poured from a gill-mug if the contents are bilge. With what patience has THE NEW AGE weekly for many years helped financial correspondents and others to have a look at the actual problem, and with what result! In the future we are to compare whatever plight we may be in with the roseate prosperity of the boom years of 1928 and 1929. No longer is the world's history pre- and post-war; economic history is pre- and post-1928 and 1929, when "the world's production outran the world's consumptive (*sic*) capacity." Once again, without pursuing all the fallacies concentrated into one short paragraph, let it be said that the boom years of 1928/1929 excluded some millions of people in several countries from participating in consumption; and hundreds of millions from participating to the full extent of their reasonable human needs; and even more than that, from participating to the extent of their reasonable human desires. The reason was, mainly, that the credit was put in at the production end only, and much of it got stuck in the pipe, and had to be pulled back again. The world is in the position of the motoring-party who arrived in the country with a dozen of wine and no corkscrew. "Then I shall have to break the bottle neck," said the Communist. "That is too much like shop-looting," said the parson, "it would be immoral." "Don't be discouraged," said the banker, passing by, "I could give you a corkscrew, but you don't need one. Keep cheerful, and all press together on the bottom of the bottle; and by the laws of transmission of energy, the cork will drop out."

* * *

Sir Stanley Leathes once delighted me by his common-sense about intelligence tests. When I saw his name at the top of the column as the reviewer of "A Treatise on Money," by John Maynard Keynes, Vol. I.—"Pure Theory," Vol. II.—"Applied Theory," I smacked my Christmas dinner lips and sat down to enjoy Leathes on Keynes, without tears. Alas, the cost was nearly blood. Criticism is valuation; it is a reference of art back to Nature and Spirit. The critic should apply the standard of the truthful spirit, as far as he knows it, to the work under review.

> "Great advances have been made in the practical management of money. . . . The financing of the Great War in this country, though not the control of expenditure, was managed with considerable skill, and proves the practical money sense that had developed in our bankers led by *the* Bank of England and *our* Treasury . . ."

If I could have been sure that Sir Stanley was speaking ironically, there would have been no need for either tears or blood. But all the signs were of simple, sincere, congratulation. Millions of casualties, cripples, insanes, and corpses, have left a heritage, apart from psychological suffering, of a tiny annual liability for pensions. The financing has left the world in pawn to the bankers, who could even dictate the amount of the pensions, from which, indeed, it may be assumed that they did. Their practical money sense is as undoubtable as it is undoubted.

* * *

Sir Stanley gives even more evidence of the things we have seen. After describing several, he says that

> " Bankrupt countries have been set on their feet by international help."

Austria being presumably one of them. He concludes:

> " Certainly, we have had enough experience, and much evidence of the value of management. . . . (So) Mr. Keynes's proposals should be studied in detail, with care and reverence, before they can be accepted or criticised."

It seems the fashion nowadays for reviewers to begin by acknowledging incompetence to treat the subject from the valuation point of view. In the same newspaper Mr. J. C. Squire reviews a translation of Plotinus by advising his reader that he

> " is not reviewing this work because he has either the desire or the competence to say anything about Plotinus, but simply to draw attention. . . ."

to the efficiency with which the translation was done. The last thing the present-day critic will tackle is the question whether the work under review has a value. It is merely well-done or badly done. Just so the most educated and clever men in the country, reviewing a work on finance, postpone any judgment as to its value until after care and reverence and deep study. The old fogies used to say " Money crank " and go on with their comic-paper. The young ones say, " I must put this aside until I have time to give it care and reverence and deep study, or until a ten-years Royal Commission reports on it."

* * *

Let us not misrepresent, even after having searched three parts of the stack. The needle is still in the last quarter. Sir Stanley has a theory. It is the psychological hypothesis, the prescription of a spot of Coué:

> " When a crisis has run its course the depression which ensues is as much the result of moral discouragement as of depleted resources. After a period hope revives, activity follows, and by degrees becomes universal by contagion. . . . Such variations of mood, such irrational states of mind, cannot be wholly controlled by ' management ' " (of money).

What a mercy that Coué and Mrs. Eddy have a prescription for reviving hope. But which members of the Board of Directors of the Bank of England, the Governments, past and present, the Oxford, Cambridge, and London School of Economics Professors, and Expert Technical Advisers, have to be impeached for the failure, through eight years of chaos, to call in Mrs. Eddy and Coué before? Very nearly Sir Stanley joins the many financial and economic authorities in enunciating tentatively the hypothesis that

> Depression is caused by declining hope.
> Revival is caused by reviving hope.

So that the new cycle, whether vicious or not, is the cycle of hope. As a child I underestimated the importance of the " Band of Hope."

* * *

The country mother used to advise her daughter that the way to avoid damnation was to keep on walking. Sir Stanley Leathes and all the host of the jealous god's army believe that the only way for damnation to be avoided is for other people to keep on working.

> " Scientific management of money by all means. . . . But if the democracy became aware that a board had power to raise or depress real wages, and stimulate or contract enterprise, what integrity, what courage, what wisdom, could hope permanently to retain the public confidence and to resist public pressure ? "

Sir Stanley, I honestly believe, is not speaking ironically or satirically. The question really appals him. If democracy knew that there is nothing on the railway to prosperity but a " *coo* " which the banker refuses permission either to remove or milk, it might be bad for the " *coo.*" If the unemployed knew that prosperity is to be regained by their becoming, not workers, but consumers on a grander scale, there is really no telling what would happen . . . unless, of course, they were allowed to become consumers on a grander scale, when we should merely be able to boast again of once more possessing that priceless condition of culture, a leisured class.

BEN WILSON.

The Films.

Films of 1930.—I.

Three masterpieces, about a dozen more outstanding pictures of which several rather narrowly escape greatness, and a tendency (which may be only temporary) for the average film to deteriorate, represent the film record of 1930. The deterioration is in general due to the talkies, and in particular to Elstree's substitution of films for photoplays.

But the three masterpieces make it a vintage year. These are " Sous les Toits de Paris " (French), " Turk-Sib " (Russian), and " The White Hell of Pitz Palu " (German), which I have placed in my estimation of their order of merit. I have no quarrel with anyone who brackets the Russian with the French film, or even ranks it first; both are superb, but the human element renders " Sous les Toits de Paris " more completely satisfying, and it is also the most perfect example to date of the wedding of picture to sound and judiciously-used dialogue. Its technique will exercise a marked influence on Hollywood, and—possibly, and after three years—on Elstree as well.

" Hallelujah!" and " All Quiet on the Western Front " just failed to attain greatness. So did " The Blue Angel," " Anna Christie," and " Two Worlds," but by a wider margin. Other very good films were " The Big House," " Hell's Angels," " The Dawn Patrol," " The ' W ' Plan," " Juno and the Paycock," " Disraeli," and " Common Clay." The last three belong partially to the photo-play category, but in " Disraeli " George Arliss gives the impersonation of a lifetime (which future generations will be able to compare with the art of the greatest actors of their day), while " Common Clay," which almost crosses the boundary between photo-play and film proper, is memorable for the sincere, dignified, and sympathetic performance of Constance Bennett, who added greatly to her reputation during the year. " Old English " was disappointing; it is almost pure photo-play with a minimum of fluidity, and Mr. Arliss over-accentuated his most characteristic mannerisms; he lives the statesman but acts the shipowner.

Other films of note were " Murder," " Loose Ends," " This Mad World," " The Godless Girl," " The High Road," " Let Us Be Gay " (which was only shown privately, but has been at the Empire since last Friday), " New York Nights " (Norma Talmadge's first and very successful talkie), and " The Richest Man in the World," a film of great charm which definitely established the reputation of

Louis Mann. Charm also distinguished " The Burning Heart " and " The Immortal Vagabond."

Three excellent musical productions, all American, were " Sally," with the exquisite Marilyn Miller, " Gold Diggers of Broadway," with Winnie Lightner and Nancy Welford, and " The King of Jazz," this last definitely kinematic.

Among the ambitious failures were " The Loves of Robert Burns " and " The Case of Sergeant Grischa," the second of which was ruined by miscasting. Buster Keaton, who made his talkie debut and has been seen in three pictures, demonstrated in them all that dialogue diminishes both his personality and the effectiveness of his methods, although it must be said in fairness that none of these films was particularly good. Whether Great Garbo's appeal has been heightened or lessened by the talking screen has been a subject of acrimonious discussion since the presentation of " Anna Christie " ; in my opinion the spoken word enriches her film personality provided that she is suitably cast and directed, and it will be of the greatest interest to see how she shapes in the forthcoming production of " Susan Lenox."

The young players who have made a big name include Lewis Ayres (" All Quiet on the Western Front ") and Robert Montgomery (" The Big House "), while our own Nora Baring has added to her reputation. The same cannot be said of that finished player Adolphe Menjou, whose first talking picture, " Fashions in Love," again condemned him to a banal role. Walter Disney, the creator of " Mickey Mouse " and the even more brilliant "Silly Symphonies," did the apparently impossible during the year by giving us a fresh series of animated sound cartoons of which nearly every one was better and wittier than its predecessors. The genius of Mr. Disney, who is responsible for the greatest achievement of the sound screen until now, is incidentally attested to by the fact that his imitators imitate him in even the slightest detail, and have originated nothing in technique or conception.

The outstanding individual triumph of the year was that of Marie Dressler. That veteran of the screen, to use the term in its most literal sense, staged in " Anna Christie " the most remarkable of the many striking " come-backs " for which the talkie has been responsible. Her inimitable art—not unreminiscent of the inimitable Marie Lloyd, with its rich and Rabelaisian savouring of the joys and sorrows and trivialities of everyday life—has quite definitely been enriched by the microphone. Since " Anna Christie," Miss Dressler has become known as the " stealer " of every film in which she appears, and if most of her subsequent roles (the domineering old lady in " Let Us Be Gay " is an exception) have not afforded her equal opportunities, that is the inevitable result of the conversion of film studios into motion picture factories.

Postcript.

" The film year ended well with the presentation of " Sous les Toits de Paris " at the Alhambra, and 1931 has made an equally good beginning, since Reneé Clair's masterpiece went into the Regal programme last Friday. I earnestly recommend all my readers who care for the art of the screen to see it. They will thank me for the advice.

DAVID OCKHAM.

Drama.

The Wakefield Shepherds' Play: Players.

The Players' Theatre Christmas entertainment consists of a triple bill of old and simple pieces: " The Deluge," " The Wakefield Second Shepherds' Play," and " A Christmas Mime." " The Deluge " is half miracle play and half comedy, and depicts the family of Noah receiving the command to build the Ark, their embarking, disembarking, and finally receiving the rainbow-sign of Almighty bad conscience by which the Lord vowed never again to curse man from the face of earth. The comedy is chiefly provided by Noah's wife, who, very humanly, had no mind for forty days and forty nights without her " gossips," and who had to be bundled into the Ark willy-nilly by the youth movement at the last minute. Considered technically, " The Deluge," as also " The Wakefield Shepherds' Play," is, of course, some centuries behind Marc Connelly's " The Green Pastures." Both the topic and the treatment, however, make it necessary to refer to the recent play.

In the newspaper and drawing-room controversy, most of the less dismal English people have contended that, in spite of God walking the stage in the habit of a benevolent old negro gentleman, " Green Pastures " should be publicly produced—for its pathos and simplicity. But the pathos of " Green Pastures " is not simple; it is the product of a complicated mind designed to induce pathos by deliberately projecting the world-weariness of mankind on the Creator; and in doing so it purposively makes use of anachronism and American business-manners as consciously as Mark Twain did in the puerile, almost mechanical, humour of " A Yankee at the Court of King Arthur." " Green Pastures," in short, is calculated simplicity, a simplicity " Selling-device." It is a version of " Peter Pan," and its author must have sat back many a time to chuckle as he planned a further sentimental lump in his audience's throats. Its author astutely makes manifest the childishness of man without ever allowing sentiment to become tragedy by manifesting the manliness of the child. " The Deluge " and " The Shepherds' Play " signify much more than that our own grandfathers created the archetypes of such works as " The Green Pastures." Their pieces had a simplicity of an entirely different order. When Noah swears by Christ or Saint John, or the shepherds in the Nativity Play are cognizant of much that happened long after the year of Our Lord, one does not protest against the anachronisms; since they were perpetrated by folk who were contemplating one world-shattering or world-recreating event in eternity, the mere time order of episodes before and after being of no importance. These folk presented dramatically the single, overwhelming emotion or mood to which they gave themselves in the contemplation of the event. Thus their simplicity was natural, native, and true. Such a simplicity has been enjoyed by few who have written in modern times of those events. It was present when the children of the Caldecott Community played " Saul," in dialogue taken almost without addition direct from the Bible story. It was not present in Mr. D. H. Lawrence's " David." Possibly the only writer who commands it, in spite of his scintillations and paradoxical festoonery, is Mr. G. K. Chesterton, whose 1930 Nativity Poem, among many possible examples, is inspired by it:

> " The Christ-child stood on Mary's knee,
> His hair was like a crown,
> And all the flowers looked up at him,
> And all the stars looked down."

At the opposite pole, the pole of tangled complexity, stands a large crowd, with Anatole France and George Moore distinguished. Although Marc Connelly is a sentimentalist, not an ironist, and multitudes would place him, under Lord Beaverbrook's cultural leadership, with the simple Chesterton, and the writers of the old moralities and nativities, nevertheless, behind the mask of his sentimentality he belongs to the complex crowd. Sentimentality is itself a sign of flight from complexity.

" The Wakefield Shepherds' Play " is a piece of vulgar Yorkshire blasphemy, much more vulgar and much more blasphemous than Marc Connelly's negro old gentleman. But as Chesterton once wrote, "nobody has a right to love God until he can laugh at Him"—a sentence worth whole psychological tomes on "objectification"—and everything really alive has a streak of vulgarity. Between the opening and closing angelic announcements of the Nativity, the action is bound up with sheep-stealing, and the dialogue is masculine, indeed, what Kensington would describe as coarse. The stolen sheep is laid in a cradle, while the thief's wife pretends to have been just delivered of child. Upon discovery, the transformation from baby to sheep is sworn on oath to be due to witchcraft. Yet the play remains a Nativity; its anachronism, it may be said fairly, is so strong that it bears in it a conviction that the Nativity belongs to the period of the play; that Christ is born every Christmas.

So much for the pieces produced. Unfortunately the producer, Mr. Ralph Neale, was caught in the net of modernity in which one has to burlesque everything, from grand opera to pantomime and popular emotions. He failed as much as possible to select where he should and should not burlesque. The chief actor, Mr. Geoffrey Wilkinson, helped the producer, or dragged him, down the hill of burlesque, with the help of a pitch of voice only appropriate to a Punch and Judy show. I strongly recommend Mr. Neale to see the Caldecott Community Children's next dramatic production. The revival of old and simple things implies a willingness of the over-individualised to suffer a baptismal immersion in the folk-soul. Burlesque is joking on the waterside to hide the fear of diving in.

Follow a Star: Winter Garden.

Some of the old jokes in the new musical comedy at the Winter Garden are well worth preserving. A few of the new ones are also quite good. My best joke-laugh was caused by a newly-promoted lady introducing to an aristocratic relation "a gentleman she had met in a shooting-box in Chicago." Far and away my best laugh, however, was at some comic-business; at Jack Hulbert, in slippery boots with long soles, trying to rise from a polished floor. I would have sacrificed much of the rest of the show for more of Jack Hulbert in such comic-business. I saw the play on New Year's Eve, and the prospects for the coming year, as well as my wishes to all mankind, improved greatly almost every time Jack Hulbert came on the stage. The comedy of A. W. Baskcomb was also enjoyable, but his matter in the opening stages was much too thin. Still, the crowd was against him. For a long time—it seemed half-an-hour—after the curtain rose, the voices on the stage were drowned by those of the entering public, who seemed to have the notion that they had come to a football match. In the first act there was a short period when the combination of pattern-dancing and lighting made it look as if, after all, musical comedy had begun to grow with this growing age. But the rest of the evening signified that it is only the lighting, and not the dancing, that grows. "Follow a Star" is the chorus-line of the chief lyric: the lyric which, in a musical comedy, is repeated over and again, so that the audience will be so nearly familiar with it as to have to buy it and to make other people go to hear it at the theatre. I do not anticipate that the tune of "Follow a Star" will be on every errand-boy's whistle. "June" rhymes with "moon," and one line announces that "the sun is in the sky." The melody is appropriate to the words. It is a sad but inescapable conclusion that musical comedy is that form of entertainment in which comedians who can be comic have to demonstrate that they cannot sing.

PAUL BANKS.

The New Accountancy.

[This article appears in the "Australasian Accountant and Secretary" of October 1, 1930, a technical magazine published monthly in Melbourne, price 1s. 3d. The foreword is editorial.]

Foreword: "This article is another contribution by an advocate of 'The Douglas Credit Proposals.' It will be interesting to hear comments on the deliberations of this supposed gathering of chartered accountants."

Perhaps the greatest obstacle to a real recognition of the practical nature, as distinct from the soundness of the Douglas theorem, as stated by W. H. Rhys in his article, "The Age of Abundance," published in the "Australasian Accountant and Secretary," is due to the fact that the two essential factors—i.e., the creation and issue of credit is the function of the banks, while the recording of credit in costs is that of industry—are under two separate controls.

For observe, if anyone should go to the banker and submit to him one part only of the Social Credit Proposal—viz., that of expanding credit—he could easily prove that by reference to the costing and pricing methods of industry, this would defeat the end sought.

Alternatively, should anyone go to the industrialist with the other part of the same proposal—viz., that of involving a new principle of costing—he in his turn could demonstrate by reference to banking procedure that it was quite impracticable.

Moreover, what would seem to clinch the truth of both replies would be that in each case an expert would deliver judgment on his own special subject—the banker on credit, and the industrialist on costing.

But a moment's reflection would reveal the catch. What the inquirer would really need to know would not be whether the new credit policy would work well with current costing policy—but whether the new credit policy and the new costing policy would work well together. That is alone the claim to which an effective answer, if any, must be given.

Now the best way of visualising the possibilities is, obviously, to suppose that the banks and industry merged their activities, and proceeded to function as one national organisation.

Facts About Credit.

Before doing this, let us recall one or two authoritative facts about credit, the authority being Mr. McKenna, chairman of the Midland Bank, London.

(1) Credit is costless; it appears in circulation merely as the result (in cheque form) of entries of loans and overdrafts made in the ledger.

(2) New bank credits are not derived from previous "savings," but are an addition to them. "A bank loan or overdraft creates a deposit," says Mr. McKenna; therefore every loan or overdraft is extra new money in circulation so long as it is outstanding.

(3) Conversely, the repayment of bank credit is a subtraction from current "savings" or deposits. "The repayment of a loan or overdraft destroys deposits." Every bank loan or overdraft repaid means less money in circulation.

(4) There is no limit to the volume of credit that can be created; the only limit is connected with how much of it producers in any given credit-area can make use of.

Now, bearing these facts in mind, we get together our industrial experts; we do not want the heads of big businesses, it is the experts that matter—I mean the chartered accountants—and the items of the agenda would be simply these:—(a) Taking it as a fact that the nature of credit and the effects of its issue and recall are as Mr. McKenna stated: (b) Assuming that the functions of credit were to be merged in with the other functions of the industrial system: (c) What alteration, if any, would you advise in the general principle of costing, applicable to production of the whole system regarded as a single unit?

A Meeting of Accountants to Discuss Clauses (a), (b) and (c).

The Chairman: The question is now open for discussion.

First Accountant: I take it from clause (a) that the business—shall we say The Federation of Australian Industries—creates and issues money for its several purposes?

Chairman: Yes, that is the assumption.

First Accountant: That being so, we had better take some figures, say, £500,000,000, and imagine that to be the sum issued.

All: Agreed.

Second Accountant: Mr. Chairman, let us be quite clear. The Federation of Australian Industries issues to itself £500,000,000, and the F. of A.I. corresponds to a federation

of all industrial activities producing goods or services of every sort in the country. Is that so?

Chairman: That is what the first speaker intended, I think.

First Accountant: That is so, Mr. Chairman. Then to take this £500,000,000, the first thing is to debit the F. of A.I. with it.

Second Accountant: What about crediting it?

First Accountant: The sum should be debited, because it is an advance of money received by the federation.

Second Accountant: Yes, but the same sum is an advance of money loaned by the Federation of Australian Industries.

Third Accountant: Both arguments seem to me to be equally valid, and their logic would require us to debit and credit the federation with the same sum, which would be a violation of the double-entry principle—that a debit transaction in one account must be offset by an entry or series of entries to the same amount in another account.

First Accountant: And, quite from principle, the practical effect of debiting and crediting the same amount would be to close it, and leave no record of the creation of the £500,000,000.

Second Accountant: We should have that sum in the business and have no record of it, whether as a liability or asset.

First Accountant: It begins to look as if the elimination of the banker as an external creditor is going to be awkward.

Third Accountant: Well, we shall have to begin by debiting an account and crediting another, and I suggest that we begin by debiting the federation with the £500,000,000, for the reason that that is what we should have done had the money come from a bank loan.

Chairman: Is that agreed?

All: Agreed.

Third Accountant: Now we shall have to find a creditor to take the place of the bank.

Second Accountant: Yes, and since the federation as a whole is debited, the money must be credited to something or somebody not within the federation—something quite outside of it.

Fourth Accountant: Mr. Chairman, does not that raise the question of the ultimate origin of credit? What I mean is that the creditor ought to be the person or body to whom the credit really belongs.

First Accountant: I agree with that, but according to Mr. McKenna's statement this credit never belonged to anybody; it is a new credit, an addition to deposits, a creation of new money—in fact, it belongs to nobody.

Third Accountant: And therefore to everybody. (Laughter.)

Fourth Accountant: Mr. Chairman, I really think that last remark contains the solution of the difficulty, although it was made as a joke. Why cannot we open an account representing everybody? (Laughter.)

Chairman: Order, please. Order.

First Accountant: What do you mean by "everybody"?

Fourth Accountant: Well, for one I'm somebody, you are somebody, we are all somebodies, the whole population is made up of somebodies.

Second Accountant: Yes, but we're all part of the federation.

Fourth Accountant: I agree. In one aspect we are producers about to use the credit, but in another aspect we are consumers who hope to get some of the goods made with it.

Third Accountant: Yes, but we shall buy those goods with our salaries.

Fourth Accountant: That may be, but if you are going to make that a final objection to my suggestion, I don't—I can't—see what other there is.

First Accountant: No! no more can I, so we'll get on. Suppose we open an account—shall we call it the consumer account—and credit it with the £500,000,000?

Chairman: Does everybody agree?

All: Agreed.

First Accountant: Next comes the allocation of the money among the members of the federation. A similar difficulty arises here, because in disbursing, the federation is not spending it. All the firms are really so many departments of the federation, and if one of them—call it "Department A"—gets £50,000, while, of course, we can record the transfer somewhere, we cannot properly regard it as a cost to the federation. It certainly is an advance of money, but for the moment, at any rate, it does not go outside the federation. It is not an external payment. If we debit it at all, we must do it contingently or tentatively, much in the way as the postal clerk in an office is provisionally advanced a few pounds for stamps.

Fourth Accountant: I agree, and following out this idea generally, it seems inevitable that the legitimate costs of the federation over any accountancy period you like to take cannot exceed the aggregate of wages, salaries and dividends actually drawn by individuals in all the various concerns or "departments."

First Accountant: You mean that all the moneys paid and received by these "departments" as departments in respect of the transfer of materials from point to point within the system should not be regarded as costs?

Fourth Accountant: Precisely! As I see it, any payment of money must be of two kinds—it is either internal or external payment. Payments between departments are internal and are not costs. Payments by departments to individuals are external, and are costs.

Third Accountant: That sounds startling, but the conclusion seems all right. Taken a given accountancy period, a certain quantity of new production appears, which remains in the possession of the federation until it is bought by someone outside. Now the only money that can be used for buying goods from the federation itself is that paid out in the form of wages, salaries and dividends. In other words, the stock of the federation cannot be reduced except by individuals.

First Accountant: And, of course, by wastages and wear and tear of all kinds.

Third Accountant: Yes, depreciation.

Second Accountant: Then you would say, as a general proposition, that the only costs of the federation are the money claims on its production distributed to people outside the federation?

Third Accountant: Exactly. No other payments can possibly reduce the stocks; these only transfer them from one department to another.

Fourth Accountant: Take a case. The Brisbane City Council buys £50,000 of steel rails from the Broken Hill Proprietary. This sum figures as a new cost to the "Tramways Department," but it also figures as a revenue—i.e., a replacement of an older cost—to the steel works. The debit and credit thus cancel out in the federation accounts—and rightly, because the federation has not parted with any product.

First Accountant: Suppose the federation allocates this £50,000 to the "Tramways Department" for the purchase and the steel works paid it into the federation, the financial record would tally with the facts.

Third Accountant: All this seems to be leading to a revolutionary concept—viz., that the financial cost of all new production is nothing more than the concurrent consumption, plus any actual wastage and depreciation incidental to this productive process.

Second Accountant: That's what it looks like to me, and if that be so, any surplus of unsold production of the federation is the absolute property of the federation—it is a clear gain in products, there being no liability on them.

First Accountant: Except the F.A.I. to the consumers. Ex hypothesi the consumers have lent the federation £500,000,000.

Fourth Accountant: In that case the problem is to devise a method of paying it off.

First Accountant: Well, this method seems pretty clearly indicated. Here we—the F.A.I.—have a surplus of goods, and there are consumers who have a debt against us. Now, consumers as such do not want money except to buy goods, so there should be no difficulty in offering to pay them in goods.

Second Accountant: How? You cannot stand at the street corners making presents of goods.

First Accountant: No, but we can scale down prices in the next accounting period in something of the same ratio as we have accumulated a surplus in this.

Fourth Accountant: We'd have to measure the cost of our total production and that of total consumption in the same period, and then regard the excess as a sort of lump sum, discount or dividend due to the consumers, and to be knocked off the prices of everything they buy.

First Accountant: In principle, yes. And then we debit the consumers with the money value of the discount against their original advance of the financial credit.

* * *

Chairman: Gentlemen, I think at this point we may adjourn the meeting. We shall all agree upon one thing—and that is that the costing and pricing of the federation in the given circumstances would have to be on an entirely different basis from that to which we have been accustomed.

The fundamental questions here raised are, (i.) whether, when the banker issues a loan or overdraft (being mere book entries), it should be repaid, destroyed, which assumes it belongs to him, or whether it should not be repaid, which assumes it belongs to the community and is a communal asset; (ii.) and whether internal costs, these not being distributed either as wages, salaries, or dividends, and therefore not purchasing power, should be recovered through price.

That is why the controllers of our credit system are so watchful, not only that industry shall not take over their financial function, but also that they themselves shall not take over industry's producing and costing functions.

Their policy is to maintain the complete separation between accrediting and accounting, knowing full well that the day when these functions are brought under one control, the wits of the business experts of the country will start in to spike effectively the cannons of a manifestly effete and obsolete system of "sound finance."

LETTERS TO THE EDITOR.

SIMPLIFIED SPELLING.

Dear Sir,—I note that in your issue of the 25th your correspondent, Mr. H. Cousens, referring to my claims for Esperanto as a literary language, suggests a series of translations and re-translations, the final result to be compared with the original text.

Such a public test has been made on various occasions, and in the result Esperanto has always compared very favourably with the national languages. If any responsible body likes to arrange another experiment of the kind, in which the national languages will be subject to similar tests for the purposes of comparison, I shall be very pleased to welcome it, and have no fear as to the result.

On the question of idiom, I fear that the writer in the S.P.E. tract referred to is so obviously writing without knowledge that his theories can hardly be taken seriously.

MONTAGU C. BUTLER.
Secretary, The British Esperanto Association.

Sir,—You have given one strong reason against phonetic spelling, the philological one; but it is remarkable that its advocates never seem to consider its effect on the world of books, viz., that it would render all our libraries obsolete, unless everybody learned the two ways of spelling: and where would the advantage be?

H. G. BENTLEY.

PRODUCE MORE. . . !

Sir,—"The Times" of January 1 contains an account of the "Wheat Crisis in Canada." Mr. Bennett, the Dominion Prime Minister, is reported as saying:—

". . . Canada could not hope to absorb her wheat by domestic consumption. The Provinces would have, he said, the whole-hearted co-operation of the Federal Government in the efforts made for the alleviation of the hardships of the prairie people by the provision of food, clothing, and fuel during the winter season. . . ."

Apparently these prairie people have been producing more and consuming less. How much more must they produce and how much less consume before they become prosperous?

ARTHUR WELFORD.

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