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INCORPORATING "CREDIT POWER."

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CONTENTS.

NOTES OF THE WEEK.

It is some time since we last dealt with the situation in Australia. This has been because we had analysed the technical financial issues pretty thoroughly, and, since nothing has happened to change them, there has been nothing more that could be usefully said about them. There have been political developments during the interval. The Federal Labour Caucus, after the manner of such bodies, has rejected the red and white policies represented by Mr. Lang on the one hand and Sir Otto Niemeyer on the other, and has endorsed a pink policy of which the white constituent is budget-balancing (but on a three-year instead of the one-year plan), and the red constituent, currency-printing. As a result Mr. Beasley and Mr. Anstey, the extreme anti-Niemeyer members of the Federal Cabinet, have been replaced by ministers who support the compromise. Mr. Lyons, the acting Federal Treasurer, has retired to where he belongs—into the bankers' camp; and his place is occupied by Mr. Theodore, who is now responsible for carrying through the agreed Labour policy.

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The Opposition, after the manner of such bodies, is attacking the Government's policy without saying a word as to what its own is. By implication it can be identified with the Niemeyer programme of immediate salary and wage cuts, prompt budget-balancing, rigid loan-restriction and, of course, no currency-expansion. Nevertheless, following the example of Sir Otto Niemeyer himself, it is extremely careful not to commit itself to any intelligible scheme of administering its impeccable financial principles, or even to formulate these principles explicitly enough to be bound to any particular programme if and when it returns to power. It is out on a spoiling game, and, moreover, is not particular about what weapons it uses. One such weapon, used last week, was to exploit the, as yet, uninvestigated allegations against Mr. Theodore's personal integrity in connection with certain financial transactions for which he was responsible. Another, which it hopes to use later on, is to get the Senate to throw out Mr. Theodore's currency-expansion Bill if and when it passes the lower House. In this object it will have every assistance from the bankers—not in the form of reasoned public criticism of Mr. Theodore's policy, but in the form of private wire-pulling designed to produce, let us say, *market-phenomena*—disconcerting movements in prices, stock-values, discount-rates, overdraft-recalls, and so on, all of which will appear to the unsophisticated electorate to be natural consequences of Mr. Theodore's "inflationary policy." Even a strictly impartial Senate would give way before these "speaking facts," and would hasten to turn Mr. Theodore down in order to "restore public confidence." But the existing Senate is not impartial. Moreover it contains a substantial number of gentlemen who are sophisticated enough to realise that to please the bankers is a certain way to make politics safe for themselves, and even if not, that the bankers have plenty of cosy bolt-holes for their loyal political agents to shelter in should anything unexpectedly go wrong and democracy start to open fire on them. Like the Devil, the bankers look after their own; and every armoured warrior who fights on their behalf against people in their shirts is fortified by the faith that if the impossible happens and some errant missile lays him low a cavalcade of Valkyries will snatch his honourable carcass from the field, and bear it triumphantly to enjoy eternal bliss in the Valhalla of the Money Monopolists. In addition to wire-pulling in financial and commercial spheres of activity, and thereby producing crises of different kinds, banks often proceed to inspire, organise and finance so-called popular movements to enlighten the public on the causes of these crises and to promote agitation for their removal. These movements always appear to be spontaneous; and their visible leaders not only appear to be, but mostly are, free from affiliations with high-finance. The "Friends of Economy" who launched their national campaign in London last month are typical of such bodies, except that in their case some of the leaders are obviously affiliated to City interests. Nevertheless all such leaders believe themselves to be public-spirited citizens who are really and truly disturbed by the sinister symptoms which confront them, and who believe that they know how to diagnose them. They are not conscious deceivers—they may not even be infected with deception—they are rather carriers of the infection.

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The bearing of these remarks will now appear. In *The Times* of March 6 there appears a long letter from Lord Stanley of Alderley, entitled "Unity in Australia." In this letter he deals with the subject of secessionist movements in the Commonwealth, describing what he thinks are their causes and discussing their prospects of succeeding. The agitation in Western Australia he says is chiefly due to the unfair advantage alleged to be derived by the industrial East over the agricultural West under centralised Federal government. In Queensland the chief cause, he says, is "fear that the financial administration" of the present Commonwealth Government "will land Australia in an economic situation from which it will be difficult to extract her." It will be plain to readers of this journal that the reason assigned for the secessionist movement in Western Australia is much more compatible with the theory of spontaneous popular inception than that concerning the movement in Queensland. Moreover, Lord Stanley understates the grievance of Western Australia, which is not simply that the industrial East enjoys fiscal protection behind which it can bleed buyers in the unprotected West, but, comprehensively, that Western Australia cannot stand the burden of Federal taxation. Injuries caused by the Federal fiscal policy are an aggravating factor, but are not the crux of the grievance. If Australia went Free Trade to-morrow there is no evidence that Western Australia, which lives on primary production, would improve its position relatively to the industrial East. In Free Trade Britain the bankrupt condition of primary enterprises, such as coalmining and agriculture, raises a strong presumption to the contrary. But, all this apart, there is this vital difference between the cases of Western Australia and Queensland, namely, that whereas Western Australia's move towards secession is an impulsive reaction to a present, realised, burden (whether a burden of external price-charges or external tax-demands), that of Queensland is a calculated method of providing for a future, contingent burden. This, of course, is on the assumption that Lord Stanley's diagnosis of Queensland's attitude is correct. It is quite easy to believe in the spontaneity of a popular movement to get rid of a definite and measurable burden, but very difficult to believe it of a movement based on the anticipation of an indefinite burden such as is indicated in the formula: "difficult Australian economic situation." The Queensland public are no more intelligent than any other public; and if it is true that they are agitating for secession because they are afraid of the consequences of the present Commonwealth Government's financial policy, somebody must have made them afraid. What do they know about finance? Nothing at all but what self-appointed mentors happen to tell them. Again, how is it possible that they can have any clear idea of how secession would rescue them from the dangers of this anticipated general economic debacle? In Western Australia the ordinary public are at least able to think for themselves and say: "Here is so much money being drained out of our State in profits for the East and taxes for the Commonwealth: let us cut clear of the Federation and save it." But what comparable reasoning to support secession can one conceive the ordinary public of Queensland to think out unprompted? If Lord Stanley's story is true, then the secessionist movement there has been promoted by the bankers, and will be used to subserve their own ends. Further, reviewing the interests of the Australian public as a whole, and conceding for the sake of argument that they may be motivated, without prompting, by fear of what may happen to them, we still have to ask ourselves which policy would naturally frighten them more, the present Labour Government's policy of delaying the balancing of budgets and of easing the general burden by expanding the currency, or the policy of Niemeyer, with its instant crash of wage-cuts and other imposts falling upon a community coincidently with a rigid pegging of currency circulation at its present level? As our readers know, we have no particular admiration for Scullin's statecraft, but we have no hesitation in saying that anybody who professes at the present juncture to be more frightened of the Government's financial policy than of the Niemeyer alternative has been got at.

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Sufficient has now been said to show that a popular demand for secession may proceed from either of two mutually hostile sources. It may reflect the natural impulse of individuals to break out of financial restraints, or it may represent a calculated scheme of bankers to rivet the restraints more firmly on those individuals. And it will be wise for our readers to adopt the second interpretation as their presumption when reviewing these movements, unless they see very clear evidence to the contrary. Our reason for giving this advice will become plainer as we proceed. For the second part of Lord Stanley's letter deals with a new kind of secessionist movement that has appeared in Australia—the secession not of a whole State from the Federal Union, but of part of a State from that State. Let us quote his own words:

> "The meetings which have been held in various parts of New South Wales for setting up of New States to be carved out of the existing State, have a different object [from that of State secession] . . . . The aim here is not to leave the Federal Union, but to set up new States within the Federation. The avowed motive is a dislike of the policy which is associated with the Labour Party of New South Wales, and with Mr. Lang, the Premier of the State . . . . it is probable that a defeat of the present party in power in Sydney would bring these movements to an end."

We had been expecting during the previous three weeks that someone would soon discuss this development; for it was shortly alluded to in more than one cable to *The Times* during that period. And for much longer than that we had been waiting to see what the bankers' reply would be to the decisive mandate which New South Wales gave for Mr. Lang and against Sir Otto Niemeyer. Our readers will remember our remarking at that time that there was no earthly reason why Sir Otto Niemeyer need have gone in person to Canberra to advise the Government on its economic situation and to propose remedies. A private communication from the Bank of England would have been quite sufficient for the purpose. The probable explanation is that Sir Otto went out to make arrangements with Australian bankers for direct action against the Government in case of necessity—to "upset the whole fabric of Government finance," as the *Financial Times* put it to Mr. Lloyd George on that famous occasion. The general strategy seems to have been that the City would hammer the Australian exchange, and that the City's agents in Australia (both financial and political) would exploit the resultant disturbance to Australian trade as an instrument for arousing disaffection against the Commonwealth Government. New South Wales having meanwhile become the storm-centre, it was antecedently inevitable that the disaffection would appear there first. This might have taken the form of an agitation for State secession; but Mr. Lang forestalled this by starting one himself, not merely a political secession from the Federal Union but, what was much more vital, financial independence of the Loan Council. Apropos of this move of Mr. Lang's Lord Stanley comments:

> "If Mr. Lang were to be *successful in getting his policy adopted*, the movement [i.e., the carving up of the State of New South Wales] would *gain ground*, but in view of recent events in the politics of Australia there seems little likelihood of such a triumph of the State Labour Party over that of the Commonwealth. *Financially, since the Loan Council Agreement was entered on the power of the Commonwealth has been greatly enlarged*, and though a State can gravely embarrass the Commonwealth by reckless finance, it is hardly in its power to impose a policy of repudiation on a reluctant Commonwealth Government." (Our italics.)

Is this not curious? A decisive majority of electors in New South Wales approved Mr. Lang's policy. Why, then, should his success in getting it adopted help the partition movement to gain ground? This movement is, in Lord Stanley's words,

> "almost entirely derived from a feeling of distrust of the present Government of the State and a fear that it may disregard its obligations to its creditors."

Putting aside the question whether Mr. Lang's policy is right or wrong, a majority of the electorate decided to have it; and since the election this policy, insofar as it has altered at all, has assumed a less rather than a more "frightening" form. There is not a particle of evidence to show that the number of electors who dislike Mr. Lang's policy is greater than the number who disliked it, and voted against it, at the election. The partition movement is a minority movement: it is less than that—it represents a minority party within a minority party. It may, and probably will, gain ground; but if it does, the reason will not be Mr. Lang's policy as such, but the occurrence of certain disturbing events which the bankers are preparing to bring about by secret manoeuvring, and which their political agents are preparing to attribute directly to Mr. Lang's policy as and when they occur.

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Lord Stanley's reference to the enlargement of the power of the Commonwealth resulting from the Loan Council Agreement is a useful endorsement of our case that the Commonwealth was handed over to the bankers when the Agreement was signed. The members of the Loan Council are nominees of the Commonwealth Bank and the trading banks; and the "power of the Commonwealth" is a euphemism for the power of Australian banking interests (supported from London) to dictate how much each State shall borrow, where it shall borrow, and on what conditions of interest and repayment. And underlying these detailed interferences with the prerogatives of State Governments is the fundamental denial of political sovereignty resident in the axiom that States must borrow from non-responsible manipulators of public credit, instead of creating credit themselves for public purposes.

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Lord Stanley goes on unwittingly to show up the game in the following passage, which, we imagine, is what he has been leading up to all the time:

> "The proposals to subdivide the State of New South Wales have *raised some questions* in the minds of those who have *invested in State loans*. As the movement for subdivision is almost entirely derived from a feeling of distrust [about creditors' interests] . . . . it follows that *the inspiration of the proposed new States would be to show greater regard for contractual obligations* than is supposed to be shown by those at present in power. It is to be presumed that the *guarantee of the Commonwealth* would be extended to *loans created in substitution* for those of the old State of New South Wales. So far as bondholders in New South Wales are concerned there need be *no fear that the giving effect to the proposal suggested would be injurious*." (Our italics.)

This is as good as explicitly reassuring ordinary investors: "Don't sell out: these partition proposals have nothing to do with party politics, they are a business scheme promoted by sound financiers."

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It is interesting to learn from Lord Stanley's letter that in the Act of 1900 embodying the Federal Constitution both the secession and the sub-division of States was provided for. But the facilities for sub-division were made many times easier than those for State secession. For State secession it is necessary for a Bill approving it to pass both Houses of the Federal Parliament; after which it must be submitted to the electors of all the States; and the consent of a majority of electors in a majority of States is necessary before the Bill can be made law. In the case of State sub-division, all that is required is the approval of the Parliament of the State concerned and of the Federal Parliament—there need be no reference to the electors of the whole Commonwealth. Students of Social Credit will at once see why this distinction was made so wide. In 1900—and much more since—each State had accumulated productive assets which, at least potentially, were sufficient to afford subsistence to its population. To-day any one of the Australian States, if thrown on its own resources of materials and plant, and allowed to run its economic system under any financial policy it thought best, would be able to supply its people with the essentials of life in more than sufficient quantity, although in a limited variety, at least initially. In the technical Social Credit phrase, each State is self-sufficing in terms of Real Credit. But the things constituting that Real Credit—land, minerals, roads, railways, generating-stations, factories, warehouses, etc., etc.—have their geographical locations which have been chosen with the view of co-ordinating their respective services to the community; and it is this co-ordination, more than the things co-ordinated, which constitutes the Real Credit of a State. Now the secession of a whole State would obviously not disturb this internal co-ordination. But the sub-division of a State would certainly do so, and could, if done in a certain way, render it as impotent as scrap metal. Nobody who reads this journal will be in any doubt about what the bankers would do in New South Wales. They would so fix the boundaries of the new State which they carved out of New South Wales as to leave Mr. Lang's territory bare of most, if not all, of the key constituents of the old State's Real Credit. In that event Mr. Lang, even if he understood how to run his State on Social Credit lines, and decided to do so, would be unable to achieve the results necessary to preserve contentment among his constituents, or at least could not achieve them in time to forestall discontent, disorder and revolt. The present proposals for sub-division will be recognised as proposals for the foreclosure by bankers on the Real Assets of New South Wales (or such of them that they want) to be carried out behind the smoke-screen of popular constitutional reform. As Lord Stanley says in his letter: "The aim here is not to leave the Federal Union, but to set up new States within the Federation." In other words the bankers' counter-plan to Mr. Lang's proposed detachment of New South Wales as a whole from the Union is to grab the best part of that State and re-attach it to the Union, leaving Mr. Lang with a cabbage patch to govern on Social-Credit lines if he likes.

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The hearing of Messrs. Waterlow and Sons' appeal against Mr. Justice Wright's judgment ended last Friday, when the Appeal Judges announced that they would reserve judgment. Mr. Stuart Bevan, K.C., replied for the Bank. He devoted a longer part of his speech to the question of who was responsible for the damage than of what should be the true measure of the damage—thus reversing the order of emphasis adopted by Sir John Simon. Below are some points made by Mr. Bevan. (All quotations are from the *Times* daily Law Reports.)

(1) He said that as rumours of the falsification of notes had leaked out, "*there would have been a run on the*

bank," whether the bank had given notice of withdrawal or not.

(2) *"The credit of the bank would have been shattered . . . if it had failed to warn the community"* that the notes in question were false.

(3) He asked the Court to imagine *"what would be the position if a notice appeared in the 'Times' that £20,000,000 of the Bank of England notes was suspect."*

(4) *"The Bank of England, he submitted, would be bound to make the matter public if it was thought that a large proportion of its note-issue had been falsified."*

(5) *"The business of the bank was not to give notes away for nothing. The bank only parted with notes as against value. That value might be ascertained at any moment by taking the rate of exchange with a gold basis country."*

(6) As against the plea that the notes were of no more value than the cost of printing and paper, he replied that *"they were capable of bringing in £1,000,000 sterling, or property to the value of £1,000,000."*

Mr. Le Quesne, following Mr. Bevan for the Bank, submitted these additional points:—

(7) The bank had been obliged *"to go on paying both good and bad notes alike because they had to come to a decision before they heard from Messrs. Waterlows"* [i.e., before they heard how the false notes could be distinguished]

(8) *"The holders of bad notes would receive good ones in exchange from the bank, which obtained no consideration therefor, and the bank was entitled to look to Messrs. Waterlows for recompense."*

(9) *"The bank could not be required to take steps which were not those of sound finance, and it was impoverished to the extent of the notes paid out without value."*

(10) Replying to the suggestion that all the bank had to do was to print good notes to replace the bad, he said: that *"this would have been adopting a measure which was not one of sound finance, and which undoubtedly would have shaken the confidence of the public in the bank and in its methods of managing its currency."*

(11) It was necessary *"to look at what the bank had parted with without value—that was to say, what was the marketable value of the thing that had been given away for nothing."*

(12) As to the bank's contingent liability *"It might come into operation immediately; for instance, in a case where good notes issued in exchange for Morang notes had been tendered in discharge of an overdraft, or for the recovery of securities deposited with the bank. In those circumstances the bank would have been bound to treat the notes at their face value."*

(13) *"The bank's resources had been depleted . . . . The view taken by the bank was that it was bound to find means for recalling the 100,000,000 escudos which had been put into circulation by reason of the action of Messrs. Waterlows."*

Mr. Birkett's reply for the Appellants contained the following points:—

(1) *" . . . the only loss proved by the bank was the cost of the paper and of printing the notes, and the claim for the face value of the notes was fantastic."*

(2) *"The bank was the bank of issue acting in partnership with and supported by the State. It was with the authority of the State that the Morang notes were redeemed."*

(3) On the point of gold-convertibility: *"In the case of the Bank of England, a theft from the unissued stock would be a loss on the Bank because of its liability to redeem. But with regard to the Bank of Portugal, there being a period of inconvertibility, if there was a theft of its unissued notes the bank would lose only the cost of the paper and printing."*

(4) *"It was a fallacy to suppose that, when the bank paid out a 500-escudos note, it made 500 escudos profit. The only thing it made on its commercial transactions was interest."*

Our following article, "The Buying of Exchange," bears on the alleged "value" of currency as a mechanism for "bringing in" wealth ("marketable commodities") to a country. We there offer reasons for rejecting such an idea. Beyond that we do not want to make any comments until the judgment of the Appeal Court has been delivered. It is sufficient to say now that whichever way the judgment goes it must bring certain aspects of the credit question into the region of urgent practical politics.

The Buying of Exchange.

"In Portugal the notes were the currency of the country. They would purchase commodities, including gold. They could buy foreign exchange, including sterling or dollars, or any currency which was convertible." Mr. Justice Wright, in the judgment on the Bank of Portugal's action against Messrs. Waterlow and Sons.

The common English word "buy" has a misleading significance when the object of the buying—the thing bought—is "exchange." If you part with a £10 note and get commodities, or gold, in exchange for it, you have effected a complete buying-transaction. But this cannot be said when you exchange a £10 note for, say, a 50-dollar note. In the accepted sense of the word you have not *bought*—you have not acquired anything of a different nature from that which you have given in exchange: what you have done amounts to the same thing as if you had exchanged one cigarette coupon for another. In a case where two such coupons were exchanged, the reason would be that each of them was referable to a different assortment of prizes offered by a different tobacco-firm. You might, for instance, have, say, a Player's coupon but wish to put in for, say, a Kensitas teapot; and someone else might want a Player's gramophone while holding a Kensitas coupon. If you and he exchange coupons, neither of you has *bought* any article: each has acquired from the other the *right* to buy, and the essential benefit which each has derived from the exchange is that the right of each is now exercisable at the *place* where he wants to exercise it. Thus, all international exchange-transactions are virtually exchanges of passports to specific national markets. The banks' function is equivalent to that of a Consul when he *visas* a passport.

These parallels must not be extended too far, but within certain limits they provide us with a dependable frame of reference for considering the practical implications of the process of "buying exchange." One thing is quite obvious at the outset. The Bank of England, if it were to print £1,000 millions of new notes, could not buy an equivalent value in Dollar notes with them in the accepted sense of buying; for if that could happen, the Treasury and the Bank would be able to have such an issue printed, buy Dollars, and tender them to the Federal Reserve Board in liquidation of the American debt. And every other debtor country could do the same with its creditor. Under existing banking rules and procedure such a result is not possible.

Similarly, when a central bank prints extra currency notes and puts them into circulation, this does not increase the power of either the bank itself or of the people of that country to import gold from outside, or, for that matter, to import any goods or services whatever. If it did, Britain could pay off the American debt by buying an equivalent quantity of gold with new British currency in America, and letting America keep the gold and cancel the debt—the cost to Britain being merely the cost of printing the currency.

"Exchange" arises from international trade transactions, and exists in the form of I.O.U.s. "Exchange" consists of debt-notes, and these are brought into existence by the acts of private business-concerns in importing goods. For example, an English wine-merchant orders £100 worth of port from a Portuguese merchant. When he receives the port he receives a bill from the Portuguese merchant. He endorses this ("accepts" it), and returns it to Portugal, where, in the merchant's hands it is an

English commercial debt-note. He takes it to a Portuguese banker, who buys it from him for so many escudos. At this point there is £100 of "sterling exchange" in existence, and no more. The quantity of currency in Portugal might be expanded to any degree imaginable, but this would not cause any increase in the £100 debt-note created by the English wine-merchant. In general terms, the quantity of exchange on offer is unaffected by the quantity of money in circulation. In this case it remains at £100.

In principle the settlement of the debt takes place as follows: The Portuguese bank—let us assume it is the Bank of Portugal—sends the accepted bill to (let us assume) the Bank of England. The Bank of England credits the Bank of Portugal with £100, and then presents the bill to the English wine-merchant, who pays £100 sterling into the Bank of England and clears his debt. The two private parties are now out of the game, and the private debt-note disappears, being replaced by a Bank of England credit in favour of the Bank of Portugal. The Bank of Portugal has now the option of (a) using this credit itself to buy gold in England, or (b) of transferring it to a Portuguese trader who wants to buy anything else in England. But in either case the "sterling exchange"—the right of purchase in England—is £100 and no more. Such, fundamentally, is the mechanical aspect of the "exchange" situation.

There is also another aspect—namely, the policy of the banks in respect of the exchanges. In the illustration given above, although the "exchange" of £100 was initiated by the English merchant's act in importing and the Portuguese merchant's act in exporting, the deal was only made possible by the Portuguese bank's willingness to discount the bill. This, in turn, depended on its confidence that the Bank of England would credit it with the £100 against receipt of the bill. So the amount of exchange in existence depends on two factors—the act of initiation by buyers and sellers, and the act of confirmation by bankers.

An expansion of currency obviously does not govern either act—it does not necessarily cause traders to demand more "exchange," nor does it necessarily cause bankers to sanction the creation of more "exchange." The expansion may indirectly affect international trading transactions by altering relative national price-levels, but in the case of any country which expanded currency and caused internal inflation the tendency would be to cause, not a demand for exchange in that country, but the reverse—for a demand for exchange implies an intention to import, whereas the inflationary conditions would penalise importation, and, conversely, encourage exportation. The penalty and encouragement would arise from the bankers' manipulation of the prices at which they would buy or sell debt-notes. As an example, to-day a bank in Australia would charge an Australian merchant £125 to £130 for a British debt-note (or a British credit) of £100—a penalty which goes near to absolutely prohibiting Australia from buying British goods. Conversely, a British merchant would get perhaps £120 worth of Australian credit for £100—an encouragement which would stimulate Australian exportation if Australia produced the kinds of things that British importers generally wanted to buy.

But to pursue this line of analysis would take us outside the question of exchange-technique and into that of international high-financial politics. The object of the present article has been to inquire whether an expansion of currency in a country necessarily expands that country's exchange-buying power under the unimpeded operation of the basic laws of the exchange-system. This rules out all considerations arising from what bankers may or may not choose to do to impede the operation of those laws. In all matters of litigation involving bank-finance it is vital to distinguish between the natural consequences flowing from any act of the private citizen and the consequences flowing from a reprisal of the banker for that act. We remarked recently that what bankers say is not evidence. We may add here that what bankers do is certainly not Law.

Precursors of Social Credit.

By W. T. Symons.

It is somewhat astonishing to find how early the analysis was made of the social tendencies inherent in finance-capitalism. Its progression was foreseen with extraordinary accuracy early in the development of the Industrial Revolution, and its apotheosis, under which we now exist—"live" is too sacred a term for the present social disorder—foretold. Foretold, too, in words which might have been written yesterday in THE NEW AGE, with the reservation that now we are *in* the chaos of abundance, we stress the *technical* means of release—the coping-stone added by Major Douglas to the analysis—and the polemic against the system and its beneficiaries leaves us comparatively cold. We are experiencing the encroachment of poverty much farther up the social scale and are that much nearer to a new order, dark as the chasm looks immediately before us.

The great philosopher, Hegel, might have trembled had he realised that amongst his University students was one who, taking the full meaning of the philosophy into his fertile brain, realising the full significance of the transfer of the centre of validity to human consciousness itself, would then weld it with the expression of the same realisation in the Individualism of the English economists, and produce therefrom an instrument of thought so penetrating that he could foresee the entire future of the economic and social order of which more than fifty years still remained to be realised. This student was Karl Marx, from whom all that is scientific as distinct from idealistic in Socialist thinking derives until this day. Hear the summary of their joint analysis by his closest ally, Frederick Engels, written in 1892:—

"The transformation of the great establishments for production and distribution into joint-stock companies, trusts, and State property, show how unnecessary the bourgeoisie are for that purpose. All the social functions of the capitalist are now performed by salaried employees. The capitalist has no further social function than that of pocketing dividends, tearing off coupons, and gambling on the Stock Exchange, where the different capitalists despoil one another of their capital. At first the capitalistic mode of production forces out the workers. Now it forces out the capitalists, and reduces them, just as it reduced the workers, to the ranks of the surplus population, although not immediately into those of the industrial reserve army.

"But the transformation, either into joint-stock companies and trusts, or into State-ownership, does not do away with the capitalistic nature of the productive forces. In the joint-stock companies and trusts this is obvious. And the modern State, again, is only the organisation that bourgeois society takes on in order to support the external conditions of the capitalist mode of production against the encroachments, as well of the workers as of individual capitalists. The modern State, no matter what its form, is essentially a capitalist machine, the state of the capitalists, the ideal personification of the total national capital. The more it proceeds to the taking over of productive forces, the more it actually becomes the national capitalist, the more citizens does it exploit. State-ownership of the productive forces is not the solution of the conflict, but concealed within it are the technical conditions that form the elements of that solution.

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"The political and intellectual bankruptcy of the system is scarcely any longer a secret to the bourgeoisie themselves. Their economic bankruptcy recurs regularly every ten years. In every crisis, society is suffocated beneath the weight of its own productive forces and products, which it cannot use, and stands helpless, face to face with the absurd contradiction that the producers have nothing to consume, because consumers are wanting."*

It is very interesting to note how clearly " capitalism " is understood to mean the system of withdrawal of the " surplus value " created by the productive organisation, over and above the remuneration paid to those engaged in the process, whether carried out by private or State organisations. This " surplus value," the financial equivalent of which is not distributed as purchasing power for disposal of the product, is none other than the surplus distributable by an issue of social credit.

The clarity, too, of the realisation that State-ownership is in itself no remedy, whilst the technical defect of capitalism remains, has been almost completely ignored by the idealistic Socialism of England and elsewhere, whose hopes have been almost entirely set upon State ownership of Industry.

The immense amount of historical research and of social thinking; the very able literature and propaganda, based upon this analysis, coloured as it admittedly is by anger at the spectacle of the folly and inhuman cruelty inherent in the system, gives us at least a continuity in philosophy and sociology of which we are not always aware.

The great technician arrives, in the person of Major Douglas, and beginning with the *effect* in its fully developed and disastrous form, pierces the secret of its perpetuation and produces the " working drawings " of the remedy. Going deeper he reaches the same point of analysis as the labour of thought upon " the materialist basis of history " had disclosed. Referring to the War Debts, Major Douglas writes:

> " For every shell made and afterwards fired and destroyed, for every aeroplane built and crashed, for all the stores lost, stolen or spoilt, the Capitalist has an entry in his books which he calls wealth, and on which he proposes to draw interest at 5 per cent., whereas that entry represents loss not gain, debt not credit, to the community, and, consequently, is only realisable by regarding the interest of the Capitalist as directly opposite to that of the community."†

* * *

> " Now, unless the earlier portions of this book have been written in vain, it has been shown that the basis of power in the world of to-day is economic, and that the economic system with which we are familiar is expressly designed to concentrate power. It follows inevitably from a consideration of this proposition that a League of Nations involving centralised military force is entirely interdependent upon the final survival of the capitalistic system in the form in which we know it, and conversely that the fall of this system would involve a totally different international organisation."‡

For " the worker " conceived as the whole of Society, we have substituted " the community." For the exploiting hierarchy of individual and trustified Capitalists, we have substituted the financial apex of the pyramid, for the centre of our attack. But the system we are seeking to supersede is precisely that capital-ism whose very existence necessitates that, instead of " creating fresh credit for the purposes of fresh production," the equivalent of the " capital account " items in the price of any article offered for human use should be drawn back and cancelled out of purchasing power needed to meet the price.

We are immensely strengthened by the work and thought of the past half-century which thus meets our specific thought, like two rivers taking their rise in distant mountain ranges, and merging at last in a grand stream, navigable by the ships of human purpose.

* " Socialism Utopian and Scientific." P. 70. Engels.

† " Economic Democracy." C. H. Douglas, third edition, p 125.

‡ Ibid. p. 140.

Drama.

Calf Love: Players'.

The novel, " Calf Love," by Mr. Vernon Bartlett, from which Mr. Peter Ridgeway has made this dramatisation, is agreed to be beautiful. The staging of adolescence, however, is much more difficult work than its presentation in novel form. The novelist is free to pursue the extensive method. He can accompany two lines of what the character said and did with ten pages of narrator's omniscience telling what the character thought and felt; after that, if the author likes, he can do another ten pages of comment associating what he has already said with his readers' recollections of adolescence. The composite picture is made by the reader as the fly solved Zeno's problem of motion. None of the dialogue passed by the novelist is, therefore, of use to the dramatiser, who has to communicate all the contents of the author's omniscience between the lines of the dialogue finally used, a task in which no dramatiser of a novel, except the author himself, has ever, to my knowledge, succeeded. The difference between a novelist's and a dramatist's characters is the difference between ghosts interpreted by means of story and anecdote and an incarnation that has to be understood out of its own mouth, without either being explained or explaining itself.

After seeing the boy, John, fall in love with Elsa, submit to her humiliations and cruelties, and fall out of love under the shame of a minx's smack across the face; after seeing him fall in love with a sensitive and sensible girl, older than himself, and already engaged, we feel that we have seen any adolescent going through the characteristic shame, torture, and thwarted yearnings to be valued as an absolute by a fellow-creature with a mother's soul and a mind of his own age. But we have not entered into his inner life and emotions. He is as far from being understood on the stage as in life. He is still the " phenomenon " that we knew before entering the theatre, the silly young ass who, we wish, would neither commit such gaucheries nor remind us of our own. Mr. van Druten, Mr. Jean-Jacques Bernard, and O'Neill, portray young people differently.

In addition the stage-version, and presumably the novel, commit an unforgivable fault of narration, except when used by a genius. The play is one of those which opens with an epilogue in which the boy, under the influence of maternal sympathy, tells his story, which the play then dramatises. That method prevents the audience from ever putting the story-idea out of mind, and, therefore, from ever bringing the play-idea into mind. This doubling back in time becomes a prevalent trick, which cannot succeed outside the hands of genius for any but sentimental and unworthy purposes. Worst of all, in a sense, for all that followed was that the character in whom the audience was most interested appeared only in the prologue and epilogue. After the boy's love misadventures he has run away, and is applying for a room at an hotel, the proprietress of which, Italian and motherly, understands him. Ena de la Haye's performance of this part throbs with emotion and understanding. It makes the audience wonder throughout the play whether it will see her again, since it is more interested in the character as a human being than in all the exemplifiers of problems added together. Beyond a tendency to a slight excess of gesture this actress's performance was beautiful. Several of the parts in the play were very well acted by Peter Ridgeway, Susan Anthony, and Karen Christensen. Reginald Beckwith performed a healthy, irrepressible schoolboy excellently. But the interest was focussd by the prologue in the wrong place.

Fanny's First Play: Court.

When the four caricatures of prominent critics, in ignorance of the identity of the author, discuss

Fanny O'Dowda's first play in front of the curtain, each of them proves by the characterisation that it is the work of a different author. It is a pity that both the critics and the play were the work of Shaw. Actual critics would have made a better job of the criticism. It is true that there are differences between the characters, and that there is more definite characterisation than in some of Shaw's plays. Nevertheless, the characters are the same as Shaw has used, both before and since, in his other plays. Count O'Dowda, who dislikes Beethoven and Wagner, adores Pergolesi, Gluck, and Mozart, wears fancy dress, and lives in Italy as a protest against reality, is the same alleged romantic whom Shaw has guyed all his life. Juggins, the realist servant whose brother is a duke, has not merely one brother; he comes of a big family, brother Straker, and all the philosophical waiters and aristocrats in livery, belonging to it. So does Darling Dora, who is cousin to Eliza Doolittle. Lieut. Duvallet is shared out again in " The Man of Destiny." Margaret Knox, who refuses to help her parents to hush up her fortnight in prison, and elects for " no more lies," is Ann Whitefield, Lady Cecily, and a crowd besides. But these are not the chief evidence of the authority of Shaw, which is that the play is carried by romantic heroines, of whom the author is unconscious. Both the heroines, Fanny O'Dowda herself and Margaret Knox, are Quixotes looking for the windmill hordes of romanticism. They all seem to have one battle-cry: that George Bernard Shaw is the fairest woman that this earth has known. They show him all his life looking at the world through the eyes of the all-managing, self-fertilising, self-sufficient woman; identifying himself with her. When the caricature of Walkley tells Fanny that her bit about prison is so real that it must be based on experience, the explanation was symbolic. Shaw has undoubtedly, in sympathy, suffered the pains of labour. His conception of the life-force and his Lilith in " Back to Methuselah " are one spirit. This explains not only why the play between " induction " and " epilogue " is Fanny's, not Tom's, Dick's or Harry's, but all Shaw's aristocratic female " all-managers." If it be said that this matters little because Shaw is damned clever and amusing, anyhow, the reply is, first, agreed that he is both; second, because he has styled himself the champion of consciousness, it is important to realise that he has been the most unconscious, female, romantic of us all. The fantasy of himself which has spurred him on was Hop o' My Thumb-Cinderella.

Shaw ought to be compelled to see his plays on the first night. Then he would possibly learn the virtue of cutting away some dead wood. The first act and induction of " Fanny's First Play " require speeding up, and the last act of the play requires nearly all of Mrs. Knox's speeches on religion cutting out. They never had much point, and to-day they have none. It is regrettable that such fine work should be spoiled because its author cannot cut.

Beyond too slow a movement in the first act, the play is well-produced and acted, and is a show for intelligent men and romantic women to see. Wilfred Lawson's Gilbey is the fine comic characterisation that his previous Shavian work led one to expect; and Guy Pelham Boulton's Lieut. Duvallet is perfect Shaw. Charles Macdona's Mr. Knox is good, and is so sympathetic that one wishes there were more acting of that kind, and less effort to guy because the author appears to do so. This acting the part for all it is worth, endearing it to the audience to the fullest degree possible, seems unknown to younger actors. Ann Trevor's Darling Dora was often far too slow in the uptake. Her responses were sadly to wait for, and she helped considerably to arouse impatience in the first act.

PAUL BANKS.

The Films.

Her Child.

After being banned by the Censorship, " Her Child," as I have already recorded, was licensed by the London, Surrey, and Middlesex County Councils, and duly went to the Capitol last week. I regret that I was unable to see this " tragedy of unguarded love "—a euphonious description of a film dealing with birth-control—since it was withdrawn after two days as not being to the liking of the public. From information received, I had doubted whether it would be a box-office success in England; we do not take too kindly to the plays and films that receive the blessing of American " uplift " organisations, and our public is neither so old-fashioned nor so unsophisticated as to be thrilled by references to contraceptives or illicit love. The film was originally christened " Her Unborn Child." " Stillborn " would seem to have been the more appropriate adjective.

A Disgusting Exhibition.

Pudovkin's " Mechanism of the Brain," which was shown by the London Workers' Film Society at their last performance, provides me with the first occasion that I can remember for criticising the British Film Censorship for not banning a film. This picture, which is incidentally characterised by repetition carried to the point of pedantry, may be of some value to students of psychology—provided that they have not progressed beyond the elementary stage—but the public exhibition of scenes depicting experiments on children and animals and the reflexes of congenital idiots and syphilitics in the intermediate stage of G.P.I. is an outrage. No doubt, some people find this sort of thing extremely entertaining, but the Censorship is under no obligation to oblige sadists, and the argument that " Mechanism of the Brain " should be shown publicly in the interests of science is as ridiculous as it is canting. The audience at the Scala, mostly composed of young people, appeared to find much of the film vastly amusing, to judge by the continuous sniggering with which it was accompanied, and such a reception is alone enough to upset the argument that the exhibition of films of this nature to the general public contributes anything to the advancement of science. Science is no more advanced in this way than by the study of the obscenities chalked up on the walls of public lavatories.

Storm Over Asia: Stratford Palladium.

The worst thing our Film Censorship has yet done or is likely to do for a considerable time has been its unqualified refusal to license this masterpiece of Pudovkin's. Berlin and most other Continental capitals have been allowed to see it, and so has New York, but to the English filmgoer it is on the index save in those districts where local authorities sanction presentation at theatres within their jurisdiction.

This is an even finer film than " The End of St. Petersburg," of which the last scenes are in the nature of anti-climax. " Storm Over Asia " has a gradually quickening rhythm, rising to a superb ending, in which the metaphorical storm that sweeps aside the Imperialist Capitalist army is accompanied by a gale. Here the symbolism is so obvious, that in the hands of most directors it would have appeared trite; the genius of Pudovkin makes it superb.

The theme of the film, which is frankly propagandistic—perhaps a trifle too much so for artistic perfection—is the exploitation of " backward " Eastern peoples by Western capitalism backed up by bayonets. Does the Censor really think that the facts of such exploitation are not perfectly well known, or does it believe that they can be kept from the public so long as they are not shown on the screen, although freely available to the reader of books and newspapers? I am aware that the ostensible objection of the Censorship is that the soldiers depicted in "Storm Over Asia" are supposed to be British. Even if they are—a point on which I have some doubts, since they are largely symbolic—I refuse to believe that this picture would exercise on the average British filmgoer that subversive influence of which the Censorship professes to be so nervous. Its effect in this direction seems far more likely to be confined to preaching to the converted. If, on the other hand, the only barrier against a social revolution in England is represented by the refusal of the Censorship to allow the public to see some of the best Russian films, that barrier must be so flimsy that Wardour Street cannot for long succeed in preventing its demolition.

Tell England.

Anthony Asquith and Geoffrey Barkas have made a well-directed and edited, and admirably photographed, picture that does not quite succeed. This is partly due to the producers' having attempted to put too much into a single film. The theme, that of the Dardanelles campaign, could fittingly have been treated on spectacular lines, as historical reconstruction, as an indictment of the costly futility of war, or just as a story having the war as an ever-present background.

Mr. Asquith has attempted the impossible by trying to fuse all these elements, and although such a method of treatment makes for balance, it obviously detracts from the unity and results in inequality of rhythm. What Mr. Asquith has, in effect done, is to combine a novel with a film in the "Ypres" tradition, in which the conventional "story" is non-existent.

There are some marvellously stark moments, as in the scenes depicting the historic landing of troops from the "River Clyde," and the ending is a touch of genius; a German and a Turkish soldier gaze at Edgar Doe's grave, and the German, sympathetically, reads, with a German accent, the English inscription. The acting is admirable, and special mention should be made of Carl Harbord as Edgar Doe, Tony Bruce as Rupert Ray, Dennis Hoey as the Padre, and C. M. Hallard as the Colonel. The dialogue is humorous, if more than a trifle Ian Hayesque. I do not quite understand why the Censorship should have licensed this picture for adult audiences only, and I entirely fail to understand why Fay Compton's name should be the only one in large type of the programme. Miss Compton's methods are too flat for the films.

The great defect of "Tell England" is its too great insistence on the public school spirit; the war was not won on the playing fields of Eton, represented in this instance by Winchester, and it is as artistically wrong as it is historically untrue to underemphasise the part played by the rank and file, even if regarded only as cannon fodder. Mr. Asquith has been accused by some critics of snobbishness; this is both stupid and unfair; he merely exhibits a lack of proportion due to an environment and upbringing that unconsciously produce a mental attitude whose results are of immense social significance. In this instance, they are also of artistic significance, the more so as Mr Asquith is easily the most interesting and the most promising of our younger directors.

If I have thrown most of the spot-light on Mr. Asquith, it is because I understand that Captain Barkas was mainly concerned with the technical side of the production. I apologise if I have in ignorance accorded him less than his fair share of the credit for a most interesting production. I should add that "Tell England" is sponsored by British Instructional Films, who made "Ypres" and a number of other outstanding war pictures, and are still adding to the excellent "Secrets of Nature" series.

Postscript.

I would remind those of my readers who have not yet seen "Common Clay" that it is being shown at Tussaud's until Sunday next. This is magnificent melodrama, raised to a high emotional level by the acting of Constance Bennett.

Pressure on my space this week compels me to postpone notice of "City Lights"—the new Charlie Chaplin film—and "The Speckled Band."

DAVID OCKHAM.

The "Burden of Taxation."

The "burden of taxation" is becoming a popular explanation of Britain's distresses; so it will be useful to set down the Social-Credit attitude towards it.

1. *The real burden of taxation does not consist in its actual amount, nor in the relation of the amount to the community's income.*

In theory the Treasury gathers taxes from the general community and uses them to buy goods and services from the industrial community for the general community. That is to say, the Treasury goes shopping for you. So it is quite possible to conceive of taxation being levied equal to the whole collective income of the community without producing worse consequences than at present. Taking a closed area, say, a group of villages, and assuming the villagers have £100 per annum to spend, it makes no difference whether the Rural Council collects, say, £20 to spend on them, leaving them to spend the other £80 on themselves, or whether it collects or spends the whole £100. The consuming-power of the villagers need not necessarily be altered either way. And assuming that the Council, in the latter case, were to buy the same sort of things in the same quantities as the villagers would voluntarily have bought had there been no taxes, even the element of compulsion in the taxing system would not cause discontent. Every villager could be as well off physically and morally under the £100 as under the £20 "burden."

2. *The real "burden" arises from the fact that the Treasury charges the community the same price as it pays for the goods and services, and compels the community to pay.*

"But, of course!" everybody will say. "If the Treasury sells at anything less its Budget will not balance." Exactly. But this is irrelevant to the proposition. To say that an injury must happen as a matter of course does not disprove the fact that it happens or affect the question of how it happens.

Reverting to the illustration, it will be noticed that no account has been taken of the question of prices and their relation to the villagers' incomes—and it is because of that omission that the amount of taxation appears to be immaterial. We have now to modify the figures, and to do so in the light of the Social-Credit analysis of orthodox costing. This proves that costs constantly exceed personal incomes. That being granted, let us assume a 20 per cent. excess of cost over income in the hypothetical area. In that case the £100 received as income by the villagers will represent £120 of costs incurred by the local sellers. These sellers between them must therefore sustain a deficit of £20. Supposing there be no taxation at all, each seller, in his endeavour to recover costs in full, will naturally produce the kind of things that the villagers voluntarily demand; and the sellers will collectively produce these in the order of popularity and in the range of quantities which reflect the villagers' buying habits. Suppose these sellers number ten. Two extreme alternative situations can result from their competition. The one is that each of them recovers £10 and bears a deficit of £2. The other is that one of them recovers the £100 and has a surplus of £88 while the other nine are left with a deficit of £12 each, amounting to £108. Any other situation will be a compromise between these extremes. The best, from both the villagers' and the sellers' point of view, is one in which eight sellers (the maximum number possible) recover their cost (with £4 surplus) and only two fail—because in that case, assuming that every £1 represents one article, there would be 100 articles sold, whereas in the case where one seller scooped the pool he would distribute only 12 articles for the £100.

As a practical proposition we can dismiss from consideration (a) the case of all ten sellers recovering £10 each and (b) the case of one seller recovering £100. Neither situation would be stable because under (a) the ten sellers would go out of business rather than produce at a loss, or under (b) the nine unsuccessful sellers would go in for supplying the same article as the successful seller. In practice the situation would tend to resolve itself into something resembling

the case of the eight successful sellers and the two failures. The one certain factor is that there will be a collective deficit of £20, no matter whether two sellers or nine share the loss, or any number in between. But let us assume that eight of them are successful.

It has now to be observed that their success results from their satisfying the demands initiated by the villagers' buying-habits. Conversely the failure of the other two results from their not satisfying them. Out of ten different kinds of articles the villagers patronise eight and no more, not because they would not like to buy the other two, but because when they have bought their requirements in priority of urgency their money is exhausted at item No. 8.

We are not here concerned with the soundness or unsoundness of this situation: the unsoundness is granted, but the point is that within the financial limitations described the penalty of failure to sell results from the villagers' own choice of what they will buy. So the eight sellers who succeed in getting on to the panel of solvency are those whose services to the villagers are best appreciated by them. Ten sellers gamble on the villagers' tastes, and two have got to lose. And that is the best that can happen in the circumstances.

But now we have to see what change will be produced if part of the villagers' income is taken in taxes and spent by the taxing authority.

3. *The imposition of the burden takes place through the Treasury's policy of expenditure.*

Supposing as an example that the Rural Council collected £60 in taxes and spent that money on developing the village. Now, if the villagers had previously been voluntarily laying out their income in this proportion for similar purposes no harm would be done: for on that assumption we must suppose them to have been able to spare the money to do so. But suppose that their voluntary allotment of money for this purpose had previously been only £12, the effect of the Council's policy would be to over-capitalise them, and, in doing so, to have diverted labour from consumable production and reduced its quantity

Another point to notice is that insofar as the Council purchased development-material the contractors who supplied it would get their costs back in full. In the present case they would draw £60 out of the villagers' incomes, leaving £40 as the maximum available for division among other sellers, whose collective costs would be £60. And so the higher the proportion of collective income taken and spent in this way the higher the incidence of risk on other sellers than the contractors. If, for example, the tax was £80, then the amount to be divided among these other sellers would be £20 against a cost of £40. (It is assumed that the totality of cost remains £120.)

Relating this to a national economy, the burden of taxation ultimately falls on the enterprises which provide things that consumers want, while the providers of the things governments want escape. That, at any rate, is the inevitable tendency. It explains the parlous state of British agriculture, and, for example, the recent closing down of Messrs. James Shoolbred's after a century's service to the consumer. And, from the figures, it will be noticed that reduction in the amount and cost of output by the neglected sellers can do nothing to narrow the dimensions of that floating deficit of £20. The lower the costs the higher the ratio of the inevitable deficit to those costs.

And so we come to the final conclusion that the problem of taxation is directly bound up with the problem of making the collective costs of all enterprises recoverable. Until that is solved the banks will go on using the taxing-system to drive people out of utility-enterprises and fasten penury on a larger and larger proportion of the population.

A. B.

"THE NEW AGE" DINNER.

This will take place at the Restaurant Frascati, Oxford Street, W., on Saturday, March 21. Time, 6.30 for 7 o'clock. Tickets, price 10s. 6d., are obtainable from the Manager, THE NEW AGE, 70, High Holborn, W.C.1. The Chairman will be Mr. John S. Kirkbride, of Nottingham ("Old and Crusted.") Major Douglas will, as usual, be the guest of honour; and his address, we understand, will deal chiefly with certain aspects of the present European economic situation. It is hoped that applications for tickets, or at least requests for provisional reservation of seats, will be sent in to the office, as above, without delay, as this will facilitate the work of arranging adequate accommodation.

Sib and Gee on Economics.

The Kift Theatre Foundation Company (Kibbo Kift Kindred) have introduced a couple of knock-about clowns—*Sib* and *Gee*—into their new show. Below is a "turn" taken from the "book of the words."

1. (*Enter Sib and Gee singing and dancing.*)

2. *Patter*:—

SIB.—Gee, do you know anything about Economics?

GEE.—No.

SIB.—Like to learn?

GEE.—No—er, *yes!*

SIB.—Got a penny?

GEE.—I *thought* there was a catch in it!

SIB.—Well, just lend me a penny?

GEE.—What for?

SIB.—I want to demonstrate the economic law of Supply and Demand.

GEE.—Haven't *you* got a penny, Sib?

SIB.—No . . .

GEE.—Well you don't know the first thing about Economics then!

SIB.—How do you make that out, Gee?

GEE.—You haven't any purchasing power if you haven't a penny.

SIB.—Well, I know that. That's why I asked you for a penny.

GEE.—Why, I don't get you, Sib?

SIB.—Because then I should have some purchasing power, silly.

GEE.—Ye-e-s (*thinking it out*)—but *I* shouldn't. I've only got one penny.

SIB.—You mean *we've* only got one penny between us?

GEE.—Yes, well?

SIB.—That's a ha'penny each, isn't it?

GEE.—Yes, well?

SIB.—Well, hand over my ha'penny!

GEE.—Hand over your ha'penny?

SIB.—Certainly.

GEE.—Wha-what for, Sib?

SIB.—It's my share. How am I to pay the next instalment to Mr. Drage if I haven't got any pay-way?

GEE (*slowly*).—Sib, did I hear you say, Hand over one ha'penny of my penny to you?

SIB.—You did.

GEE (*bewildered*).—And—and—is that Economics, Sib?

SIB.—Of course it is. Let me propound it further. If the retail price of any commodity falls below the cost price of some other commodity—

GEE.—Which other commodity—?

SIB.—That doesn't matter, Gee. *Any* other commodity—

GEE.—What, such as Glue, or Ham Sandwiches, or—?

SIB.—Yes, yes—

GEE.—Or Tin tacks, or Sardines on Toast, or—

SIB.—Yes, yes, yes—

GEE.—And is that Economics, Sib?

SIB.—Yes.

GEE.—What, Typewriters and Lemon Squash and Baked Beans—?

SIB.—Yes, certainly.

GEE.—But (*thinking hard*)—but, Sib, what's it got to do with my penny?

SIB.—Well, you must have money to buy with.

GEE.—I know, but you can't buy all those things with one penny.

SIB.—No, but you can buy *some*thing with a penny.

GEE.—Who can?

SIB.—Well *I* could, if I had a penny.

GEE.—Ah, but there you are, Sib—you haven't! HA! ha! —bang goes all your Economics.

SIB.—Now let me explain, Gee. One penny is one pennyworth of purchasing power.

GEE.—No, no, that's all wrong.

SIB.—Why?

GEE.—One penny isn't a penny*worth* of anything. It's a penny.

SIB.—You don't understand. One penny will buy a pennyworth of goods.

GEE.—How do you know it will?

SIB.—Well it will, won't it?

GEE.—No. It will buy what the man in the shop chooses to give you for one penny.

SIB.—All right. We agree that one penny will buy *something*, don't we?

GEE.—Yes.

SIB.—Well, that's what I said to start with.

GEE.—Yes?

SIB.—Well, that's what I said.

GEE.—Yes?

SIB.—Well, there you are then. . . .
GEE (*looking about*).—Where?
SIB.—You can buy a pennyworth—I mean, you can buy a certain amount of goods with a—
GEE.—No, no, Sib. Not a *certain* amount. You can't be *certain* of the amount. It's what the shopkeeper chooses to hand over.
SIB.—Very well. Do you agree that you can buy an *un*certain amount of something or other with your penny?
GEE.—No.
SIB.—Why not?
GEE.—*Because I haven't got a penny!*
3. (*General scuffle—knock-about—fight.*)
4. (*Exit Sib and Gee singing and dancing.*)

The Black Art of Suggestion.

Suggestion Therapy. By Dr. Ernst Jolowicz.
Hypnosis and Hypnotherapy. By Dr. Gustav Heger. Translated by Arnold Eiloart, B.Sc., Ph.D. (The C. W. Daniel Co. 8s. 6d. net.)

"Ye say ye believe in Zarathustra? But of what account is Zarathustra? Ye are my believers, but of what account are all believers!

"Ye had not yet sought yourselves. Then did ye find me. So do all believers; therefore all belief is of so little account."—*Thus Spake Zarathustra.*

When Nietzsche realised that the mental and physical duality to be found in all men was but one aspect of a universal dichotomy, to which he gave the twin names, Apollo-Dionysos he expressed one of those truths of genius, which its followers rarely understood, and which they therefore tend to ignore in favour of much less valuable aspects of the Master's teaching.

Accordingly, this truth of Nietzsche's sank into the soil almost unnoticed at the time, only to blossom anew in a strange and unlooked for manner. His philosophy flourished for a while as a new fashion and was soon flung on the rubbish heap. But this was the very chance his psychology was looking for, to strike roots and burgeon on the dung hill.

For modern psychology is descended direct from him, and that is why it reeks so unsavorily of the madhouse and the clinic. Unless you are sick, the modern psychologist will hardly allow that you have any psychology worth investigating. The existence of health is denied, or worse still, explained away as a subtle disguise for disease.

But a point of supreme interest is the reappearance of the Apollo-Dionysos duality in modern psychology, both in consciously evolved theory, and even more significantly in partly unconsciously determined attitude.

In theory it inevitably took a crude preliminary form in Freud's sexual theory, but on the appearance of Adler's reaction, a new dichotomy was formed between the two schools.

But even this was only a subdivision of one side of an older and deeper duality, not in theory, but in attitude. Psychoanalysis itself owed its origin to Freud's reaction against hypnotherapy.

Psychoanalysis is Apollonian when contrasted with hypnotherapy, which is Dionysian. The analyst attempts to draw the unconscious complexes into the light of day. As far as possible he tries not to allow his personality to intrude, but merely to direct the patient to contemplate his own unconscious and ultimately to reintegrate it into his own personality. This is the Apollonian redemption of the "principium individuationis."

Not so the Dionysian hypnotist. This patient must give up his personality and accept that of his doctor. He must *obey* implicitly and without thinking. He must be lured by all conceivable means away from his "I" and towards the "We" of the racial soul, to that absorption into Being, in choruses and churches which is the essence of Dionysian magic.

This is clearly explained in Dr. Heger's chapter "On the Nature of Hypnosis," to me by far the most interesting; and it is significant that here he leaves the sober language of science for an unmistakably Dionysian dithyramb. Thus he describes Intellect:—

"The whole past is hostile to it, remote, and only a preliminary stage which must be passed through; for special purposes it will unite temporarily; instead of the union, the alliance, instead of religion, power, instead of love, reproduction; instead of feeling and foreboding, knowledge; the striving of this being is not towards the "depths," to the mothers, but to its divinity the Light, on mountain and summit, in lovely pride, Promethean and impetuous."

All the rest of this book (and the whole of Dr. Jolowicz') is matter of fact, clear and untheoretical, as is right—a simple and straightforward account of how to hypnotise, and of the types of cases suitable, with incidental references to other writers.

But this chapter explains many statements made, in passing, in the others. For instance, one understands why Dr. Heger should confess that:—

"Of human types, those we like best (for hypnotic treatment) are simple and disciplined persons" or "Those whom we hypnotise with the greatest pleasure and ease are soldiers and pedagogues." Or finally: "Only think of the pedagogic institution which is still to this day the most effective—the Church; or indeed of the (in my opinion) greatest psychogogist up to the present, Ignatius von Loyola."

In expostulation, one remembers "Chansons de Voyage":

"Luther, they say, was unwise; he didn't see how things were going;
Luther was foolish—but O great God; what call you Ignatius?"

For hypnotism in psychotherapy is the parallel of Jesuitry in religion. The objection to them is not to the support they give to the weak, which indeed renders them necessary to us all, at times, and to the sick in particular, but to the deceptions they practise on us while they have us in that state (for which we must soon or late pay the price of bitter disillusionment), and to the overwhelming temptation they must experience to keep us in that state.

Dr. Heger makes no bones about the deception. Listen to him:—

"We are wooing the sister of a suspicious brother; the sister is ready to admit us to her chamber, but the brother constantly prevents this. We turn to him as if we had nothing whatever to do with the sister, and involve him in talk which appeals to his understanding . . . so that more and more he forgets his caution, forgets to keep watch—until at length the sister is able to hasten to us unregarded."

"But this is merely temporary, and all for the patient's good," you will say. Perhaps. But who knows the price? In the last act, is Fate laughing at the silly psychoanalyst, Gregers Werle, or at the cynically wise hypnotist, Dr. Relling? Or is it at both?

NEIL MONTGOMERY.

Reviews.

A Young Man At Sea. By Maxwell Laurie. (Heinemann. 7s. 6d.)

A good average novel, rather dull, but exceptional in that it avoids the fashionable obscenities and contains no scene of rape, seduction, fornication, or adultery. The story takes place on a liner bound for New York, and the hero, a rather "dithery" young man who is going to America in search of a job—and his soul—finds at least the latter before the end of the voyage. Or he thinks he has found it: which is good enough. He gets mixed up in a mutiny among the steerage passengers, and is accused, though innocent, of being a ringleader. But all comes right in the end, and the young man enters God's own country without a stain on his character.

J. S.

World Without End. By Helen Thomas. (Heinemann. 6s.)

Reviewers and people interested in contemporary literature are aware that this volume is a continuation of "As It Was," and that it is autobiography rather than fiction; the hero being a young poet who was killed in the war of 1914-1918, and his widow, the author, being the heroine. But the average reader, who picks up a book because it looks readable or because Miss behind the circulating library counter says that everybody is reading it, will take "World Without End" as fiction. And as there is no suggestion to the contrary in the book or in the title page I shall prefer to deal with it as such. Before reading it myself I lent the book to a sensible woman who has brought up a family and largely supported it by managing a business; her opinion was that "World Without End" is a pleasing and occasionally moving story of two married lovers, told sincerely, but wrapped in a veil of literary idyllicism which makes it all seem like a dream; withal, it was her opinion that the heroine is too good to be true, and, if she is true, she is no wife and mother of three children, but a saint from heaven. Having summarised this good lady's verdict, I do not see that I can add much to it, except to say that when anyone tries to write purple descriptions of English landscapes they should not, as this author does on page 67, make

such an error as to say that "a steep hill was crowned *at the top* with trees."

J. S.

A Contributive Society. By J. R. Bellerby. (Education Services, 28, Commercial Street, London, E.1. 7s. 6d.)

We read and read, and hoped and hoped—like someone hoping to find a clear path "round the next corner"—but regret to have to report that the author has lost the scene. He begins well. He begins by saying in his introduction, "Thus, the essential test of any economic system must be the type of individual it tends to reproduce." He insists that all "systems" are people. Then he goes and loses his way, not quite hopelessly. . . . He approaches economics as a student of social biology, and never sees that his projection of an ideal contributive society cannot exist within the framework of the present economic (financial) system. It is a Tolstoyan fallacy to imagine that it is possible to organise and run effectively an ideal social-economic group inside the existing system. The contributive society, as outlined in this book, is absolutely dependent upon the present banking system for its initial capital and its financial mechanism. Therefore it would be about as successful an experiment in social-economic adjustment as the semi-Tolstoyan White Way Colony in the Cotswolds. In other words—quite useless, except as a "catch-pan" for various misfits, cranks, and faddists.

S. R.

Briton's Economic Illness. By H. Somerville. (Harding and More. 3s. 6d.)

The wrapper says, "The futility of purely economic remedies is convincingly demonstrated." Having read this book carefully, we are now more than ever convinced that nothing but strictly economic remedies are of the slightest use. We are also convinced of the utter futility of the "Change-of-Heart" school of moralists dabbling in economics.

J.

LETTERS TO THE EDITOR.

INFLATION.

Sir,—In your very interesting article on Inflation in THE NEW AGE of March 5, you invite the collaboration of your readers in exposing the present confusion between Inflation and Expansion of Credit. I entirely agree with you as to the urgent need of lifting this fog from the economic landscape, now that we are so near the edge of the precipice of productive collapse. May I try to raise a clearing breeze from one or two directions which have not been included among the points of the compass selected in your article?

1. The bankers' proposition that *credit ought not to be indefinitely expanded.*

As pointed out by Mr. McKenna in regard to the recent speculative debacles in U.S.A., the *use* to which the expansion of credit is to be put is crucial—and indeed indicates the solution of the problem of its finity or infinity. In other words (as Mr. Darling has also suggested) the *purpose* for which credit issues are made is all-important, and that purpose must exclude or restrict speculation. Credit may be indefinitely expanded for production of goods and services, and can then cause no inflation of prices. The goods and services produced form the security for the redemption and cancellation of the credit issued, provided the proportion of this credit expended upon intermediate (Capital) goods is redeemed pari passu with the depreciation of such goods.

On the other hand, credit misused for speculative purposes (as in recent U.S.A. gambling) can be redeemed only through price-raising or through losses inflicted on the public in some other form. In other words, expansion of credit for speculative misuse can alone give rise to inflation of prices, and is thus a form of public brigandage.

This clearing breeze blowing from the direction of *purpose* or *use* will cause the uneconomic fog and blight to be dispersed—if we arrange that

a The issue of National Credit may be indefinitely expanded for production of goods and services without incurring any risk of inflation.

b The issue of Credit for speculative purposes must be regarded also as a speculation by the banker himself, and must be based solely upon the banks' (or banking system's) own resources. The National Credit will no longer be available for this purpose as at present. The banker will restrict the amount issued, and adjust the interest charged, in accordance with his own estimate of the risk he runs, and bearing in mind the serious risk of Inflation involved in most speculation. He will no longer be able to hide his losses under the National apron.

c It will be seen that the *moral ought not* is here left in the banker's chest, which is where it should be: he must now nurse his own burden.

d The bankers' contention that *they are constrained to break their own sound laws of finance by reason of the habits and acts of different classes in the community* will no longer cause them so much constraint and asomnia. The *different classes* have been reduced to two—speculative and productive. The admission of the human criterion of *purpose* will shed a flood of light. The idea will dawn when the fog is gone. The bankers will then have a perfect system, and we will gladly let them work it unto the dawn of a perfect day.

e The rising price-levels will no longer be an *automatic consequence of the expansion of credit,* since the misuse of credit for the raising of prices (including rationalisation, etc.) has been inhibited.

f *It needs a human being,* not to adjust prices up to what goods will fetch, but to maintain a just price by using judgment in distinguishing between the genuine producer (and encouraging him) and the mere speculator (and pinching him, like all other vermin).

g *The reason why the system has broken down is because sellers are not guaranteed a market.* That is because prices are now too high, owing to the profits taken by speculators. Vermin will make any food high.

2. *The Remedy.*—To avoid Inflation, while retaining Expansion of Credit to the full limit of the public need, all that is necessary is for the Chancellor of the Exchequer to introduce and get passed a new Bank Act. This Act, after appointing a Credit Board and defining speculation in a general way, will constitute two classes of Credit:—

Class I.—National Credit, based upon the National Real Capital, to be issued for the production of goods and services alone, free of interest, and at book-keeping charges only. Repayable over a given period to cover sale of ultimate goods and depreciation of capital goods.

Class II.—Bankers' Credit, based upon gold and currency held by the Banking System, for the transaction of the ordinary speculative business of banking. Repayable on demand by banker.

Credit and Money.—If Credit can be expanded for production to an extent limited only by potential consumption, credit must be very different from money. It is. Credit is not Money, but is exchangeable for Money or for any other Commodity. The creation of credit is therefore not the creation of money, though credit expansion may entail an increase in the velocity of the circulation of money. This could be avoided by extending the use of the cheque.

R.

["R." is an old supporter of Social Credit, but he is here preaching the doctrine of Darling so far as we understand what he writes.—ED.]

INVESTING INSURANCE PREMIUMS.

Sir,—I have just received the following circular letter from the Sun Life Assurance Company of Canada, Norfolk Street, Strand, W.C.2:

Dear Sir,—If you could insure you life and receive 5 per cent. interest on your deposits free of tax and draw your dividends yearly or leave them with the Company to be compounded thereby increasing your policy, would you be interested?

The Sun Life Assurance Company of Canada can do this and—in some cases—even more.

RAYMOND G. H. DYER.

This, I think, is worth recording in your journal.

J. C.

LEISURE WITHOUT FEARS.

Sir,—I am glad to see that Mary Culpin is pursuing her thought into the realm of music. Perhaps no more is needed to remove L. C. Smith's apprehensions.

But the subject is so important that I shall be glad if you will allow me to comment briefly on your correspondent's rejoinder to my letter: that those who look forward to the conversion of idleness into leisure also envisage the conversion of work into pleasure, by the wholesale substitution of labour-saving devices for much of the *un*pleasant labour of to-day.

Electricity and the multitudinous inventions for its use, when available in every town and village at nominal cost, will soon dispose of much "scrubbing of boards" and "bending over washtubs." There are already ample devices to lighten out of all recognition the labour of cleansing.

I should like to think that your correspondent shares with me the great hope of a society in which class will have no relation to economic considerations, but surely the Social Credit contribution to that hope is of a levelling up not a levelling down.

W. T. SYMONS.

A consecutive introductory reading course in Social Credit is provided by the following sets of pamphlets:—

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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.

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