

# THE NEW AGE

INCORPORATING "CREDIT POWER."  
A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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## NOTES OF THE WEEK.

Mr. J. A. Hobson is the reviewer of Major Douglas's *The Monopoly of Credit* and Mr. W. A. Young's *Ordeal By Banking*, in *The New Statesman and Nation* of January 2. Overdrafts, he says, do not go into prices, "but only the interest on their use." "In normal trade the same overdraft helps to finance a long series of acts of production." The significance of this statement is not made clear, but the ordinary meaning would appear to be that a single overdraft of say £100 to Producer No. 1 can be spent successively by him and Producers Nos. 2 and 3 on a three-phase process of manufacture. In that case what is the cost at the end?—£100 or £300? The last sentence of the review is as follows:—

"May not the admitted *excess of producing power* (sic) over consumers' demand be attributed not to a *lack of producing power* (sic), but to a maldistribution that induces the rich to endeavour to save for investments a larger portion of their incomes than can find employment in the purchase and operation of productive capital?" (Our italics.)

This is Mr. Hobson's old picture once more. He sees, let us say, a heap of loaves priced at £1,000, and £1,000 in money put out into circulation as personal incomes received by, say, 1,000 people. If everybody got £1 (his ability to consume one pound's-worth of bread being assumed) then the bread would all be sold. Unfortunately the rich, say, 100 persons, get, say, £500, but cannot collectively consume more than, say, £250-worth, leaving £250-worth unbought. The 900 poor cannot get more than £500-worth; so they go short of bread, and the producer goes short of revenue, by this £250 margin of costs and money respectively. This is the theory. In practice the above situation would not persist; for the producer, after one such experience, would scale down his production to the same level as the actual demand experimentally ascertained. This would, of course, reduce his requirement for "productive capital," which is to say (in the given situation) that he could not profitably borrow the £250 which the 100 rich people had available for investment.

This, we think, is a fair approximation to Mr. Hobson's idea; and if so it will be seen that he is unconsciously and negatively supporting the Social-Credit principle that new production must be financed, not out of savings, but by new credits. For, in his picture, the rich are presented as economising on consumption-expenditure in order to accumulate investment-funds, which, when accumulated, are found to be in excess of the requirements of industry for financial capital. Of course he does not mean that industry says "No" to anybody's offer to lend it money, but that the borrowing must be at the investor's risk as regards both dividends and principal. Industry has to recover total costs somehow. The natural source of recovery is the consumption-market. The alternative is the investment-market. Whatever the amount by which the consumption-market fails to reimburse industry its costs, by that amount does industry recoup itself as far as possible by confiscating the money of investors—chiefly ordinary shareholders. We say "as far as possible," because, as a matter of fact, the two markets together have not got the money resources to meet the costs—there is a large deficit which is filled and nursed by new bank-loans. Mr. Hobson does not allow for this—and presumably would not admit it. His picture contains only two sets of people—the rich, and the poor. He ignores the bankers, who are neither rich nor poor, but neutral automata who create and destroy money according to a code of traditional rules which take no account of the basic objective of production or the incidence of modern mechanical processes on the ratio of costs to incomes.

Rich people would not wittingly and voluntarily go short of what they would like to buy in order to take their savings where they could not return them anything. It would be more silly than if some man were to go short of food to save a shilling to back a horse to win some money to buy some food. Even Mr. Hobson should be able to see in current phenomena presumptive evidence of external compulsion even though the nature of it is obscure to the casual onlooker. For example: what margin of choice is to-day left to the rich man (considered as

a private citizen) to dispose of his income-rights according to his personal discretion? What with visible and secret reserves, probably not more than two-thirds of the earnings of industry are distributed to the shareholders, rich or poor alike, to whom industry and its earnings properly belong. The dispensing of these earnings has, during the last few years, been taken out of the hands of private directors, and vested in a hierarchy of professional accountants responsible to the Credit Monopoly, and acting under its rules. These professionals have a second duty besides that of piling up reserves at the cost of shareholders; and that is to disclose to the bankers the true situation with regard to company earnings from year to year, and to do so with the utmost promptitude when the first signs of unfavourable trading appear in the accounts. In public the doctrine of "the truth, the whole truth, and nothing but the truth" about company-accounts is held out to be for the protection of shareholders. So it can be in particular cases; but on a long view shareholders generally would lose ten pounds for every pound they retrieved if the banks were to get instant news of declines in company-earnings as and when they first occurred. Supposing, in the case of the Royal Mail Steam Packet Company, that Lord Kysant had gone to the Treasury five years ago and said: "Please sirs, a decline in our business has set in, and there is a deficit on last year's operations." Does anybody suppose that the shareholders would have touched a penny of the several millions of secret reserves which, as it was, Lord Kysant distributed in dividends? "Ah, but consider the deception," the City purists will reply. Well, all we can say is that any deception which snuggles shareholders into dug-outs before the bankers' bombing squadrons arrive on the scene is a deception devoutly to be wished.

Mr. Hobson's picture of the (a) "rich" (b) "endeavouring to save for investments" (c) a larger proportion of their incomes than can find employment in the purchase and operation of productive capital," does not answer to any facts that we are aware of. Our picture is that of (a) the bankers (b) compulsorily procuring reinvestments of incomes *via* reserves, the proceeds of which, under their virtual custodianship, (c) are devoted to almost any other purpose than the "purchase and operation of productive capital" in the sense in which Mr. Hobson seems to mean it—i.e., capital used for the production of consumption goods. And when he says that the cause of the "endeavours" of the "rich" to put too much money into such undertakings is "maldistribution," we can only suppose him to mean that if the rich got lower incomes, and the poor higher incomes, the collective savings by the community for investment would contract, and the collective demand for consumable goods expand. That is not improbable, especially at the present time, when the community's one preoccupation is to discover how to keep alive on the balance of income left it by the tax-collector. But his idea that what he calls an "admitted excess of producing power" will necessarily be brought into use to supply extra goods against the increased consumer-demand rests on the assumption that the prices of things in the shops will stay still while the money brought to the shops goes up. In other words, he assumes that the quantity theory of money will not operate—an assumption which implies either a miraculous change of heart among sellers, or else the adoption of a national system of price-regulation. Without one of the two margins of extra expenditure will be absorbed in raised prices for the same quantity of goods, and will eventually go to restore investment funds which, according to Mr. Hobson's argument, would have been previously reduced.

The "maldistribution" of which Mr. Hobson speaks reflects a deliberate policy of the bankers, not of the "rich." It is true that the rich have co-operated willingly enough, but it is vital to realise that the inspiration of the policy was not theirs, and that even if they had desired, or should now desire, to take less income out of industry and let the workers have more, the bankers would have prevented it. For the more equitably the national income were to be distributed the less the proportion which would be voluntarily invested. If, for example, everybody in the country shared equally, the income of each would barely suffice to support a comfortable standard of life, and the disposition of each to invest would be very weak even if it existed at all. Now, it is an axiom among bankers that the development and maintenance of production must be financed out of savings. And, in their view, there is no limit at which the proportion of the national income saved and invested is considered too high—whatever Mr. Hobson's view may be. An economy in which there were no consumption at all would represent their ideal; and, quite seriously, would be the inevitable outcome of strict observance of their code of financial rules. This is the reason why there has been "the phenomenon of the 'few rich and many poor'" for the bankers, by diverting into the pockets of the few an amount of income surplus to the requirements of personal expenditure, were thus able to procure a large measure of voluntary investment. Under a system of equalised incomes nothing short of compulsion would have got the money out of the community. Even otherwise, there is the consideration that when capital is issued it is cheaper and quicker to sell shares of high denomination to a selected few subscribers than shares of low denomination to the whole community. Latterly there have been suggestions that prices of stocks might be of more "popular" denominations—an indication that Mr. Hobson's "rich" have been taking his counsel and investing not quite so large a proportion of their incomes.

Those who know the Social Credit Analysis will see that the bankers' purpose in fostering investment is to short-circuit their loan-credits and destroy them before they can come into the consumption market. The average duration of bank-loans has been calculated to be something like a fortnight; and the average time from the commencement to the end of a chain of industrial processes (i.e., from natural resources to finished articles for consumption) something like two years. That is to say that on the average the banker wants his money back from the borrower-producer nearly two years before the producer can offer the goods (made by the use of that money) in the consumption-market. Clearly the latter must sell his right to the goods before they are ready for the consumer—that is, he must sell it in the investment-market. When he does so, the banker takes and destroys the proceeds. There is then so much extra money's-worth of capital on which the shareholders expect to earn a dividend, but there is no more money in existence than before the loan was issued. This is the basic reason for the phenomenon to which Mr. Hobson alludes, namely, that "productive capital" does not appear to be able to show a profitable return on the money invested in it. It is not that the "rich" invest too much; it is that any investment by anybody on any scale out of his income directly contributes to the destruction of the market where such investments go to seek dividends. The remedy does not lie in any reduction in the proportion of income applied to investment (that would only be a mitigation), but in the issue of new, counterbalancing credits to compensate the consumption-market for the money diverted from it by reason of all investments, whatever their magnitude.

## The Banks and Australia.

[An imaginary account of the report of one Srotto Piedpiper of Hamberlin to a private conclave of London Bankers.]

Gentlemen,—

I begin with some comments on the new list of Ministers serving under Mr. Lyons, the Australian Premier. It includes Mr. Latham, who was leader of the Nationalist Party until I got him to join forces with the United Australian Party; and Mr. Fenton, who, as you remember, was the Acting Prime Minister while Mr. Scullin came here to see us. Mr. Fenton, acting on advice which we instructed Mr. Scullin to cable to him, gave strong support to Mr. Lyons in his resistance to the extremist majority in the Labour Party, and left the Government with him in protest against Mr. Theodore's reinstatement as Treasurer. Happily, as you know, Mr. Theodore was at that time under the shadow of a prosecution for corruption; and since, for some reason perplexing to the public, but sufficiently simple to us who know the wire-pulling ingenuity of our local Australian agents (hear, hear) there was a long delay before the trial was held, and therefore Mr. Lyons and Mr. Fenton were able to abandon the Labour Government ostensibly on a point of conscience or, let us say, political propriety, without incurring the odium of rattling on their Party. Our agents advised this course because it was better to make Mr. Theodore's character the centre of a public controversy than his proposals for controlling currency-issues, and especially so because while Mr. Lyons and Mr. Fenton were both convincing speakers on points of conscience, their qualifications for sustaining a technical debate on currency and credit were not equal to Mr. Theodore's, let alone critics of the banking system outside Parliament. Thus, then did these honourable gentlemen detach themselves from the Labour Government, and place themselves, so to speak, in the position of having drawn a horse in the New Cabinet Sweepstake. (Laughter.)

Mr. Bruce, now on his way back from England, is to be offered a seat in the Cabinet as Minister without portfolio. This will leave him free from administrative responsibilities, and enable him to give valuable advice to Mr. Lyons. This is an important consideration, for, according to the decision which we took some six months ago in this room, I have made Mr. Lyons the Treasurer as well as the Prime Minister of the Commonwealth. (Hear, hear.) Mr. Bruce will not only be a useful adviser, but he will be an even more useful debater on subjects where Mr. Lyons might get out of his depth. This is, incidentally, why the candidature which threatened opposition to Mr. Bruce in his constituency was adversely commented upon in *The Times*, and in Australia, and was subsequently withdrawn. Needless to say, the courtesy of the Party organisation in permitting the withdrawal of their candidate will be suitably recognised by our associates after a judicious interval of time.

I have had one set-back. Dr. Earl Page, the leader of the Country Party, was to have been offered a seat in the Cabinet, but he made it a condition that he, or one of his followers, should be appointed to the Ministry of Customs as a pledge that the first action of the new Government would be to revise the tariff downwards in accordance with the wishes of the Country Party. Our associates directed Mr. Lyons to refuse—and happily he was able to do so on grounds of political propriety. *The Times* puts it rather well in a leading article: "My Lyons was naturally unable to accept this at-

tempt at dictation." This he could safely do since his United Australian Party of thirty-nine members has a clear majority over all the other parties in the House of Representatives, including the Country Party, with its sixteen members.

The gentleman whom I have appointed to the Ministry for Customs is Mr. Gullett, the former deputy-leader of the Nationalist Party. Mr. Gullett was one of the most enthusiastic campaigners for the sound financial policy laid by Mr. Lyons before the electors. More important than that, it was he who had most persistently criticised the Scullin Government for taking the control of the tariff out of the hands of the non-political Tariff Board. This Board now resumes its authority—which means, as you will be aware, that our associates in the Commonwealth and the trading banks will control tariff-policy. (Hear, hear.) Our control of credit is not properly safeguarded when the internal price-level, which governs the internal demand for currency and credit, can be altered by tariff-changes without consultation with us. As bankers, we want low tariffs, if only because of the resultant economy in the use of currency and credit, and therefore the Country Party may well leave the problem to be dealt with by Australian bankers. Their policy is to hold the happy mean between the policy of preventing the importation of anything which could, however uneconomically, be manufactured in Australia, and that of incontinently sweeping away any restrictions on imports which hamper the primary producer. It is in pursuance of a similar policy here that we put Sir Walter Runciman in charge of tariffs.

The Country Party are also insistent on the introduction of constitutional machinery to facilitate the creation of new States, breaking up the larger States, particularly New South Wales, into smaller Federal Units. Up to comparatively recently there was not much drive in this movement; but when Mr. Lang threatened to be troublesome, our associates gave it strong financial backing, and brought it into the region of practical politics. But now that Labour is out of power, and we have got a Government purged of financial heresies, our Australian associates see no reason for encouraging the movement any longer, and are advising Mr. Lyons to explain to its supporters that the question "bristles with constitutional and political difficulties," as *The Times* says. There may be some local scoffing about constitutional difficulties by those who re-member the quasi-military enrolment and arming of citizen forces at the time of the agitation, but that can be kept out of the Press. Money talks, gentlemen; but money also stops talking. (Hear, hear.)

On the whole, our chief trouble is going to be with the tariff agitation. As we all know, the electorates in both countries voted for the economy platform. Unfortunately, it was impossible to ensure that candidates should be neutral on Protection, and now they are safely returned they are going to interpret their mandate to suit their Party interests. This defect in our democratic system will not be eradicated until Government is internationalised—until Australia stands in the same relation to Britain or Australia as Canberra does now to New South Wales or Western Australia. In this country the upward revisionists of the tariff are the stronger, and in Australia the downward. Sir Walter Runciman and Mr. Gullett will each have a delicate task to accomplish, in finding convincing arguments for their decisions, while at the same time observing a gentleman's obligation not to disclose their relation to our interests and policy. If they can accomplish this, the emergence of a heated and prolonged agitation will be a blessing in disguise, for it will divert the public's attention from matters which, we are all agreed, are not subjects for the public to express any opinion upon.

## Current Sociology.

It is reported that a strong effort, in which Mr. Montagu Norman is to take part, will be made to shelve the reparations and international debts question for six months. There could be only one wise reason for such a postponement, that is, to prepare major reforms in the financial system which would ensure the crediting of demand with the purchasing power necessary to make it effective. If Mr. Norman, in the interests of mankind, is looking in this direction, will he please declare himself quickly. It is unlikely, of course, that he is doing more than whistle for a wind, which seems to be about the total action of which Finance, in spite of its control of the world, is capable. The Young Plan Advisory Committee's Report has been widely praised for "facing up to realities." As an experts' document, however, it gives chiefly the impression that its unanimous signatories were almost persuaded of the futility of any steps whatever for rectifying the world-trade position, and thus rendering international debts possible of payment.

Certainly the Committee has testified to the impossibility of Germany meeting her creditors' claims in full, and has also realised certain implications of that impossibility:

"Transfer from one country to another on a scale so large as to upset the balance of payments can only accentuate the present chaos. . . . The release of a debtor country from a burden of payments which it is unable to bear may merely have the effect of transferring that burden to a creditor country, which in its character as a debtor, it, in its turn, may be unable to bear.

Thus the situation is an unsolvable dilemma. To keep the debts in existence would entail the bankruptcy of the debtor and the consequent liquidation of the debts at the creditors' expense somehow: and to wipe the debts off the slate at present would have the same result. The dilemma is inherent in the financial, not the industrial system; and because the Committee accepts the conventions of the financial system as true, it rescues itself at times by optimism disguised as inductive interpretation of history.

Chapter II. of the report, treating of the "causes and conditions which have led to the present situation," begins by noting that

"Germany, like all other countries, has suffered from the consequences of the extreme fall of prices which is the characteristic trait of international economic life since the end of 1929. It is impossible to say if this fall is permanent, or if it will be followed, after the acute depression has passed away, by a substantial rise."

Here again a Committee of Experts implicitly regards the fall of prices—since 1929!—as a primary cause, not as itself the effect of a fall of demand. This simple issue has been tabooed in all orthodox financial discussion as if it awakened a premonition that mention of it would entail an investigation of purchasing-power and its sources, which must, of course, lead to the conviction that, within the orthodox scheme of finance, nothing can raise prices but a rising flood of demand, of which there is not the slightest sign of possibility. When the meteorologist speaks of a depression passing away he has grounds for inferring the likelihood of the change; the economist has none, and his placing human control as a barometrical depression proves him to be of no use in the effort to remove the trade-depression. Accordingly towards the end of Chapter II. optimism is manifest.

"There is no instance in economic history of a crisis, no matter how great, which was not followed by periods of stability or prosperity,"

and optimism rules to the end of the chapter. There is enough of hope in this section of the report to justify postponement of the whole financial question, if the foundation of the hope were sound.

Germany's ability to pay any of her foreign loans will continue to decrease until the very nature and purpose of the financial system is changed. Although she has now a very large "favourable balance of trade," it has been obtained under conditions which have caused an enormous decline of total trade. Her exports are less than when her balance was unfavourable, and are likely to fall still further. For her imports she is pressed to pay cash; with her exports she has to give long credit which may never be liquidated. With her production in 1925 indexed as 100, the figure for September, 1931, is 66: as the report says, "one-third of Germany's industrial life has stopped." In ancient days when the conquerors made the defeated their slaves, what could be obtained from the slave's way of service was assessable. In short, the slave's contract, if any, could be fulfilled. The modern contract, whereby the conquerors allow the defeated personal freedom on condition that the defeated acknowledge debt, is totally impossible of fulfilment. As in the case of the enslaved, the modern defeated have to pay in service or not at all.

The chief, possibly the only, reason, why Germany's creditors hang on in the hope of payment is the shortage of money in their own countries. If the shortage of purchasing-power the world over were rectified, the international debts question would become a matter of simple arrangement. At present it is impossible for any individual concern or person to be solvent without acting anti-socially. Because the recovery of costs in incurring those out of the purchasing-power issued in full thwarts his costs, anyone who recovers them in full thwarts his fellow-creatures' desires and bankrupts useful concerns. The true servant of the community is less than which goes bankrupt. It has been selling at less than cost, possibly somewhere near the right price. The complaint that "competition has never been so keen" is a piece of very old-fashioned thought by means of which the most serious flaw in the financial system is glossed over. Competition is very well in periods of expanding-markets and credit-expansion, when all except the grossly incompetent succeed in increasing measure. Competition by industrialists of increasing capacity for a pool of purchasing-power continually declining in volume is a form of collective suicide, in which nearly every bankrupt is as a human sacrifice which accidentally helps to save the rest. If the consumers of the world could have purchasing-power laid on from the community's unused supply, and even trial competitors would regain their old joy, and even greater chances of success and prosperity. The costs of the machine, however, are so high, and purchasing-power in consumers' hands so low, that the "period of depression" cannot again pass away until demand is financed directly. This applies to all countries. All are would-be sellers; none is an effective buyer. That fact alone, by any equitable code, exempts every debtor from moral obligation to pay until he is, if willing, enabled to pay by means of a reform of the whole system of credit-distribution.

PAUL BANKS.

### NOTICE OF MEETING.

The next public meeting of the Manchester Douglas Social Credit Association will be at the Milton Hall, Deansgate, Manchester, on January 11, at 6.45 p.m. Mr. A. Gange will give an address on "Some Ways of Approach to the Douglas Social Credit Theorem."

## News Notes.

B.B.C. HYPNOSIS.—Excerpt from the B.B.C. Year Book, 1932. (Price 2s.)—Programme Section, page 104.—"Sometimes the effects of broadcasting take the uninitiated by surprise. The best example of this in the past year was that of the opening of the new zoo at Whipsnade. In a talk broadcast a day or two before the opening, the speaker told the public that it was quite easy to get to Whipsnade and that no one should miss going there. The direct result of this was the arrival of far greater crowds than could be handled under traffic arrangements worked out without reckoning with the stimulus of broadcasting. Later in the year, a broadcast talk on the flood-lighting of London had a similar effect and the police and traffic authorities were taken by surprise. Perhaps the most startling example, however, was the slump in the sale of National Savings Certificates, from 250,000 to 170,000 a day, after a talk by Mr. J. M. Keynes, construed by some people as advising them to spend and not to save. The effect was so serious that Sir Josiah Stamp was asked to broadcast a second talk a few days later on the significance of 'A Thousand Million Saving Certificates,' pointing out that this was one of the methods of saving which would not create unemployment. Three days later the sales of certificates went up to 450,000 and on the next to the record figure of over 500,000."

THE PRESS AND SOCIAL CREDIT.—Major Douglas's last book is alluded to along with other works on economics in a humorous article entitled "Economics Are So Bracing," in the *Evening News* of December 16 last. This is what the writer, "Algol," says. "Where, asked Major C. H. Douglas, in *The Monopoly of Credit*, does money come from? You think it is brought to the cashier's office from the Bank in a sack, but have you ever noticed that it all depends on whether cash in hand is kept constant at  $dc = dt = 0$ ? Unless you understand these little things, as Major Douglas does, you will never understand why the Just Price of an egg is  $x \div y$  multiplied by the ratio of your salary to the total world consumption of eggs, but only just." Considering that "Algol," on his own statement at the beginning of the article, had to look into twenty-four books and pamphlets on economics for his day's work and salary, though much preferring to look into mystery stories, he has made as good a job as could be expected. But how much more scope for his wit will he not have later on when he gets a free hand to deal with bankers' economics. For example:—*Problem*: A glut of coffee. *Remedy*: Con-bank to advance credit to have the coffee destroyed. Got it? Then hang on to it, if only just.

WARNING DEMOCRACY.—Through some misunderstanding we have only just received a review copy of this book of Major Douglas's (published by C. M. Grieve, 321, High Holborn, W.C.1, 207 pp., price 7s. 6d.), and have no time to do more at present than call attention to it. It contains nineteen chapters each of which reproduces an address or an article delivered or published between the years 1920 and 1931. Nearly all these are authenticated and dated, and the reader will be able to do what Major Douglas, in his preface, suggests he may do, namely to verify "the correspondence between the course of events as they have developed, and are developing, and the arguments embodied in these addresses." As he points out, "the test of science is prophecy"; and we know, from numerous conversations with readers at various times, that the importance of this statement is fully recognised as bearing upon propaganda. Hence there should be a good demand for a book in which the material for such verification is so conveniently assembled.

"EVERYMAN" AND SOCIAL CREDIT.—We noticed a short time ago that a series of articles had commenced in *Everyman* under the title of "A Banker's Letters To His Son," and over the signature S. G. H. Presumably this is S. G. Hobson, who made a hit in the pre-war *NEW AGE* with his series, "Anthony Farley's Letters To His Son." If so, it will be interesting to see how this "come-back" succeeds after so long an interval. There was a dark hint in the first instalment that Major Douglas was going to be put through it. So watch out.

PRESS INSURANCE SCHEMES.—The newspapers keep expanding their generosity in respect of insurance benefits. The penny papers ought by now to be priced at one half-penny—the pre-war price—not only because of the decline in the general cost-level, but because of the savings made by amalgamations. The margin is being paid to insurance companies, and the newspaper-reading public are thus unwittingly insuring themselves whether they register or not. Probably the newspapers are doing this to protect themselves against an agitation for the "half-penny paper," engineered and financed by the insurance companies. If so, it is a case of Fleet Street levying a concealed tax on the public to square Lombard Street.

## The Wrong Approach.

I have described in your columns formerly how, penetrating timorously to an inner back pen of the Bank of England, I had the pleasure of an interview with the most delightfully mannered gentleman, who gave me, with perfect openness, all the information I desired, admitting that the promise to pay on the face of the pound note was purely farcical.

Last week, in the spacious office of one of the leading firms who manufacture accounting machines, I was not treated with quite the same disarming frankness, but I was even more amused. For there I met for the first, and I hope not the last time, "our Mr. Johnston," as I will call him. The high-class modern salesman. Now I must own up to a prejudice. I cannot for the life of me believe that a really good all-round salesman can, in the very nature of things, remain a gentleman, except under quite rare conditions. If he really believes that in any one deal the interests of his firm and of his customer are identical, then everything is right and straight and probably easy. But it is when these interests are opposed that his real value as a salesman comes in and his own value to himself as a gentleman is very apt to go out. But we are forgetting Mr. Johnston.

Now I was in a little difficulty of mind as to how best to approach the obviously intelligent young man who was before me, but decided to own up at once to being interested in labour questions and desirous of obtaining information as to the ultimate effect of the replacement of clerical work by his admirable and, to my thinking, most desirable and even inevitable machines. He listened politely until I had finished, and then with astonishment in his innocent wide open eyes, he replied: "But, my dear sir, you are entirely mistaken. Our machines never have nor ever will displace any clerks anywhere." "O-h-h," said I with the open mouth of amused surprise, "O-h-h." He went on to explain that every firm that installed his machines thereby so increased its business that it kept all its old hands and took on more, and was further thereby able, not only to knock out all the stupid slow moving home firms, but to beat all out all the stupid slow moving home firms, under the circumstances of our interview, little use in my attempting to call his attention to the fallacies in his contention, which will be, however, patent to your readers, for each time I got in a word he was off again with his patter at 10,000 revs. per minute. A remark of mine to the effect that I had heard that the Midland Bank had, by adopting machines, reduced its clerical salary list by £98,000 per annum, gave him hardly a momentary pause. I was doubtless right there, he said, but look at all the extra branches they had in consequence been able to establish! Here I laughed aloud, as who would not have done? In fact, we laughed together. He was not fool, and, off his job, would doubtless see things clear enough; but on his job seeing clear is just what a salesman must only do, or, at least, admit doing, when it suits his firm. In conclusion, he made it clear that his position was as it was in the beginning, is now, and ever shall be, world without end, Amen. But letting drop the casual remark that all our present troubles were owing to the action of the banks, we were able to shake hands and part with expressions of mutual good will and respect. PHILIP T. KENWAY.

## A Most Successful War.

By Marten Cumberland.

King Loreto of Hermosa had ruled wisely and had won the affection and trust of his subjects and ministers. There was only one cloud in a blissful sky; Loreto's neighbour, King Carlos of Sucio, was not a nice man to know. Carlos was greedy, ambitious, and bellicose.

One day Loreto received a letter, and, when he had read it, he called his ministers together.

"I see," said Loreto, "that Carlos of Sucio is determined to force a war upon us. We cannot avoid it. The Army must be prepared."

"Good!" said the Minister of War. "Every Hermosan lad is ready to . . ."

"The Army," said the King, "must at once lay aside their arms and uniforms. Working day and night they must erect and organise certain factories, whilst others must speed up agricultural development."

"What?" cried the Minister of War. "Turn our gallant boys in scarlet into the factories? What factories, sire?"

The King turned to his Chancellor of the Exchequer.

"What are our principal exports to Sucio?" he asked.

"Steel, coal, woollen and cotton goods, and a little agricultural produce, sire," replied the Chancellor.

"But . . . but," stammered the War Minister. "Surely your majesty does not consider such extraordinary procedure as preparation for the coming war."

"No," said Loreto. "For the peace."

So the army of Hermosa became a labour corps and worked mightily, and secretly, towards the perfecting of a machine capable of great potential production. Also Hermosa bought a great deal of gold. Then, a little later, Sucio declared war.

King Loreto called up his army, who left the workshop, the factory, and the field. They donned their uniforms and took their guns, but received no ammunition. Instead, they were given secret instructions. Their orders were queer, but they came from a King they loved and trusted, and every Hermosan was prepared to obey.

King Carlos of Sucio advanced in a Rolls Royce at the head of his army, only three miles behind the leading detachments. They came to the Hermosan frontier.

"It is strange," said General Bravata. "There are no Hermosan machines in the sky, and our aviators report that only a skeleton force line the enemy's trenches. Most of 'em are miles in the rear."

"They are afraid," cried King Carlos. "Forward, for God and our rights! Bring our artillery into action!"

So the Sucian artillery began to fire, and almost immediately white flags appeared everywhere upon the Hermosan front, and masses of unarmed men came forward with their hands over their heads. King Loreto and all his staff also advanced and surrendered. The rather bewildered victors entered Hermosa, marched through polite and friendly crowds to Hermosa City, and occupied all the principal towns and strategic positions.

The Sucian army had a really nice procession, and all did the goose-step down the Grand Avenida de Hermosa.

King Carlos put his hand on the hilt of his sword and frowned at King Loreto.

"I demand," said Carlos, "an indemnity of one hundred milliards in gold; and an army of occupation will remain here until every penny is paid."

"It will all be paid in a fortnight my dear fel-

low," said Loreto. "Have one of these cigars—they're rather good."

So special trains carried the great gold indemnity from Hermosa to Sucio. The Sucian army were only two weeks in Hermosa. They thoroughly enjoyed their stay, because the natives treated them extraordinarily well. The natives could afford to, for they were making a lot of money out of their conquerors. Many Sucian soldiers fell in love with Hermosan maids, and numerous marriages and so on took place.

Then the Sucian army returned home. They were not too well received by the civil population. Only a few days ago these civilians had cheered themselves hoarse over their heroes; they had sung, danced, and wept at the mobilisation orders; they had wept again as they saw the gallant lads en-train for the front. Human emotion has its limits. The Sucians were exhausted. They felt that in some way or other the rapid victory was an anti-climax.

Three months later the Sucian Chancellor of the Exchequer came to King Carlos.

"Sire," he said. "Things are not looking at all bright. Prices are rising all the time in an extraordinary way. Production is at a standstill and unemployment is on the increase. Agriculture is practically finished; no one will stop on the land."

"What is the cause of it all?" asked Carlos.

"They say it's the war," said the Chancellor, dubiously.

"The war!" cried Carlos. "But our gallant troops won the war—and without spilling a drop of blood."

"Quite," said the Chancellor. "Did we not get an indemnity of one hundred milliards?" asked Carlos.

"Certainly," said the Chancellor. "That is why prices are soaring."

"How is that?" asked the King.

"I never could quite get the hang of it," said the Chancellor, frankly. "But prices are fixed by the amount of money in a country as against commodities. If you greatly increase that amount, money you water down your purchasing power, cheapen money, and raise the prices of all commodities."

"H'm!" said the King, and gnawed his moustache.

"Prices are so high here," resumed the Chancellor, "that our manufacturers cannot compete with Hermosa. Owing to the war people have left the land and refuse to live out of the cities. They are dissatisfied. They ask higher and higher wages for less and less work. We are producing practically nothing but cinema palaces and artificial silk stockings."

"H'm," said Carlos. "What are the Banks doing? Can't they make expansions of credit to agriculture and staple industries?"

"The National Bank wouldn't do that, sire. That would mean inflation. All the directors are Conservatives."

"Oh!" said Carlos petulantly. "What do these Conservatives wish to conserve?"

"I'm not sure, sire. I think it's their credit."

"Surely their credit is only a part of the country's credit?" said Carlos. "The whole is greater than the part."

The Chancellor pulled at his beard.

"I never could quite get the hang of it," he admitted. "No country ever raised a loan without asking her bank's permission."

"Well," said Carlos, irritably. "Get busy and see if you can put things straight. A Government gets the country it deserves."

So the Sucian chancellor went away and consulted all the economic experts of the land. One half of

them said that a policy of inflation meant ruin; the other half said a policy of deflation meant ruin. One half said the cause of all the trouble was that since the war people would not work. The other half said the country was overproduced. Some said that so much money was paid to labour that after goods were produced there was no money left to buy the product. The Chancellor went into a quiet nursing-home for a month.

Later, when his health permitted, he called once more upon the King. "Sire," he said, "the country is ruined. Prices have risen higher than we have ever known them. Our factories are closing down everywhere, our labour is all idle, our agriculture finished. The country is flooded with Hermosan goods!"

"How is this?" cried the King. "Suppose we take that hundred milliards we received as war indemnity, and . . ."

"Sire, it has gone!" shrieked the Chancellor. "That, and a good deal more, has gone to Hermosa. The experts say that under the circumstances, with our production at a standstill and Hermosan production working full strength, money must automatically flow from us to Hermosa. The indemnity ruined us. The experts say that it is a natural law that . . ."

"By Huitzilopochtli!" swore the King. "That fellow Loreto tricked me. Mobilise the army and . . ."

The Chancellor flung himself at his sovereign's feet and clasped the Royal knees.

"Sire!" he sobbed, "you have won one war. Surely . . . surely you do not wish to win another!"

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## Social Credit in Australia.

[Report from the N.S.W. Douglas Social Credit Association, November 19, 1931.]

We have our new organisation in operation and our office at Adyar House, Bligh Street, Sydney, is becoming a hive of industry.

During the month of November a special effort is being made to increase the funds of the association to enable us to systematically extend our propaganda and educational work in the country districts of N.S.W.

The "Juniors" have arranged a social musicale and dance for November 23 at the "Hunter Cafe," 114, Hunter Street, Sydney. One of our members has generously arranged a garden party at her home, "Standish," River Road, Wolstencraft, on November 21. Our lady members are staging a "Mock Parliament" on the first Thursday of December at the Lesser Savoy Theatre. The purpose of these activities is to help to swell the funds.

Our members are busy addressing afternoon and evening meetings nearly every day of the week. Our country organisers are also doing good work. A public meeting has been arranged for the important country centre of Sydney for November 19, and one of our speakers from the Press and Propaganda Department is doing good work.

We are preparing a scheme that a tour of the country centres will take place before the end of the year, with the object as far as possible of forming a branch of the Douglas Social Credit Association in each Federal constituency to raise and create an intelligent public interest in Social Credit all over the State.

Our Press and Propaganda Department is doing good work and our Publicity Department is endeavouring to have a cheap edition of "The Deadlock of Finance," by Major Powell, available at an early date.

The juniors hold their class lectures every Monday night at 5.30 p.m. at the Lesser Savoy Theatre, which are well attended. Professor Randall Woodhouse has just completed his series of lectures on "Public Speaking." Our members meet at 5.30 p.m. on Thursday, and our public meeting is held at the Lesser Savoy Theatre at 8 p.m. on the same evening, and at such meetings we are having excellent audiences.

Mrs. Wilson is still continuing her talks on Social Credit each Thursday over "the air" through station 2GB.

R. P.

## The Films.

The Champ: Empire.

To-Night's the Night—Pass It On: Pavilion.

Strictly Business: Pavilion.

The end of the year saw the presentation of an English and an American film each of which is quite unusually typical of the country of its origin. "The Champ," directed by King Vidor and dealing with a theme that has never been unduly exploited on the screen—the love of a father for his son—might have been an exceptionally good picture, but is not, being marred by an excessive dose of sentimentality. The director has laid on the treacle and the sob-stuff too thickly, and the Metro-Goldwyn-Mayer Studios have evidently not stopped to consider the fact that a saccharine overdose which may be acceptable to the Middle West excites ridicule among an educated English audience. Yet, "The Champ" is among the good pictures of last year. It is magnificently acted by Wallace Beery and Jackie Cooper—the latter incomparably the finest child film player—and both the racing and the fight scenes are real, and not the usual screen counterfeit. If Mr. Vidor had occupied himself more with the track and the ring, and less with Master Cooper's virtuosity for bursting into tears, he might have made a worthy successor to "Min and Bill." With all its defects, "The Champ" is, however, first-rate entertainment, and should prove a considerable box-office success.

One also seems safe in predicting popularity for "To-night's the Night." This is one of those rare pictures that perfectly reproduce the real English humour of the masses—a humour that is definitely low-brow, smacks of the Victorian music hall, and is not acceptable to everyone, but which has the immense merit of being national. It is racy, if not of the soil, of the pavement. "To-night's the Night" is in the same genre as "Up for the Cup" and "The Chance of a Night Time"; these are the three most essentially English films I have yet seen, and they are all unadulterated farce. Here is a moral for Elstree, which devotes itself in the main to melodrama and the uninteresting doings of uninteresting members of the upper middle class; humour, for which filmgoers in every country crave, is the long suit of our producers.

This picture is largely carried by that unctuous comedian, Leslie Fuller, whose methods resemble those of Leslie Howard. Both these gentlemen would under suitable direction make an English Hardy, and I suggest to the native industry that it should take a little trouble to find a Laurel. The industry need not look further than Kenneth Kove.

Concerning "Strictly Business"—the joint work of Jacqueline Logan and Mary Field, of "Secrets of Nature" celebrity—I was informed that this is the first production from an original story ever produced by a woman and the first picture to be entirely produced and directed by women. To which I have to add that it is a somewhat amateurish and by no means interesting affair, of which the only merits are shortness and good photography. That charming actress, Betty Amann, is wasted on such mediocrity.

The Polytechnic.

I recommend readers with a liking for out of the way and travel films to watch the announcements of the Polytechnic Theatre. Among the pictures recently shown have been "Tabu," Starevitch's fantasy, "The Magic Clock," and a revival of "Trader Horn." Many of the early Chaplin films have also been shown at this house, which is, incidentally, one of the most comfortable theatres in London.

This Week's Pictures.

The Academy is again presenting an exceptionally good programme, consisting of the Russian

"General Line" and Pabst's "Secrets of the Soul." The latter, which deals with psycho-analysis, is a film of unusual interest. The Stoll is showing "A Free Soul," noteworthy for the admirable acting of Norma Shearer and Lionel Barrymore, together with the jungle picture "Rango." "Reaching for the Moon," with Douglas Fairbanks, is at Tussaud's.

DAVID OCKHAM.

## Music.

As one would expect of a newspaper stunt like the present raging and tearing pro-British-musician campaign conducted by certain newspapers that a while ago still had some few remnants of decorum dignity and taste left, but which every day become more like those rags of the gutter press they have of late quite evidently set up as models for themselves, very little of the actual facts of the case, particularly the other side of the medal have been allowed to percolate through the fog of journalistic flap-doodle. Tales harrowing painful and no doubt true have been bandied about as to the unemployment and distress among British musicians—tales equally true however of all musicians in all European countries at the present moment, a state of affairs that is due, on the Continent as here to "sound finance," which fact NEW AGE readers do not need to be told. Letters from British musicians of definitely fourth-rate and fifth-rate calibre telling us how they cannot get engagements on the Continent yet foreign performers it is implied—as bad or worse than themselves—get engagements in plenty over here, a two-fold assumption of what has to be proved. Now in the first place, it is a conspicuous and remarkable fact that no really first class British performers have taken part in these correspondences, no one of the rank of Lamond or Eva Turner or Maggie Teyte or Felix Salmond of the late Theodore Byard. And the reason? Simply that artists of that rank and stature have no complaint to make as to their reception and acceptance on the Continent. As I have often pointed out before there is quite a crop of distinguished British artists who while well known on the Continent and America rarely if ever appear in the United Kingdom—one reason being that their foreign engagements occupy most or all of their time. Such are Lamond, himself, Piccaver, Joseph Hislop, Cecil Sherwood, Morgan Kingston, Mary Garden, Felix Salmond and Count John McCormack. One has seen or heard of no protests from these as to the foreigner being preferred to them and depriving them of engagements, for it is quite obviously the foreigner who engages and applauds them.

Now putting aside all cant and nonsense it is not to be denied by anyone both critical intelligent and honest that the foreign artists engaged to perform at important concerts as soloists are emphatically superior to the British performers we usually hear—for the best of our performers we rarely if ever hear. Those I have already detailed above we do not hear because they are not here to be heard. The others we do not hear because our strange public does not know which of its own people are good or bad, but shows a marked preference for the worst, as also does the B.B.C. which engages them profusely. Thus that there are in this country singers and players really superior to Mesdames Dorothy Silk, Dora Labbette, Elsie Suddaby, Harriet Cohen, Myra Hess, Harold Samuel, and Albert Sammons is a fact completely unknown to most people, for they are scarcely ever allowed to hear them; here are some of their names—Olga Haley, Joan Cross, Stephen Wearing, George Parker, Tom Jones the superb

violinist of the Eastbourne Hotel—who however is occasionally heard over the wireless, and to whose most accomplished artistry, fine polished musicianship and brilliant technique I have long intended referring.

As to the foreign artists who come over to give recitals, they as it is put in the current jargon "bring money into the country," for no one outside a tiny handful of rather sensational "Celebrity Concert" performers ever hopes or expects to make money out of recitals. Recitals are given—at great expense—for advertisement purposes, and to get Press notices, the audience is largely if not wholly "paper" and the only people who get any money out of it are the concert agents certainly, and the owners of the concert hall possibly—though managers of two well-known concert halls have repeatedly assured me that there is not a hall in London which pays expenses let alone makes any profit, a statement which I confess I take leave to doubt.

### Wireless. B.B.C. Contemporary Concerts.

The most interesting first performance for a considerable time was the new piano Concerto of Constant Lambert broadcast recently. I was unfortunately not able to hear quite the whole of the work, nor were the conditions under which I listened particularly good but I found myself enjoying the work more than any of Mr. Lambert's that I have yet heard. He too like William Walton has rapidly thrown off alien influences and more definitely and unmistakably shows his own essential individuality in this work than, I feel, he has yet done. Purely from the technical aspect, the adjustment of balance of sound values as it were, as between piano and orchestra is accomplished with a fine delicacy and skill. The piano writing is brilliant sparkling and limber—the work is really a proper piano concerto not an orchestral work with a mild piano accompaniment. Mr. Lambert's harmonic sense has become both very much richer subtler and wider in range since the Piano Sonata which was to me always crabbed and contorted harmonically speaking, and his whole thought and *pari passu* with it, his technique regaining in suppleness and flexibility, and the sourness (of unripeness as it were) of a good deal of his earlier work is maturing into a riper gent piquancy, which however still occasionally suggests that Mr. Lambert is a trifle too heavily handed with the flavouring ingredients—if he will forgive these gastronomic similes, the result of over-indulgence in the literaristico-gustatory and Mrs. Messieurs André Simon and Boulstin and Ruth Lowinsky. There is a growth of warmth and glow in colour, and at the same time a range thereof that has not I think appeared before in Mr. Lambert's work. The pianist's share in the proceedings (Arthur Benjamin) struck me as being no more than adequate, and I could not help thinking from time to time how much more point Mr. Stephen Wearing for instance would have given to phrases that did not seem to be as pregnant as they might have been. And in spite of the masterful guidance of the composer—he is the best of our younger conductors—I felt that he was struggling against the dead weight of insufficient rehearsal.

KAIKHOSRU SORABJI.

## Notice.

All communications requiring the Editor's attention should be addressed directly to him as follows:

Mr. Arthur Brenton,  
20, Rectory Road,  
Barnes, S.W.13.

Renewals of subscriptions and orders for literature should be sent, as usual, to 70, High Holborn.

## The Banker Of The Piece.

On November 7 last an interesting experiment was carried out at "Bedales"—the large co-educational school near Petersfield. This was the holding of a mock trial based on the following suppositious circumstances.

"Mr. John Goldsmith was indicted, in the reign of Charles II., on the charge of inflating the currency, which should be the prerogative of the King. It appeared that Mr. Goldsmith, whose house was naturally more burglar-proof than that of other people, was in the habit of allowing his neighbours to deposit their gold with him for safe keeping. In those days gold, besides being heavy, was dangerous to carry about, and Mr. Goldsmith's clients soon began to see that they could avoid this by the use of letters. When, for instance, Mr. Lerner, a wool-merchant, owed £100 to Mr. Lourie, a slave-merchant, he wrote to Mr. Goldsmith asking him to remove £100 from his deposit, which was in the old oak chest by the door, to Mr. Lourie's, which was in the middle of the room. And if it happened that Mr. Lourie owed £100 to Mrs. Williams, he would write on the back of this letter 'Please do not put this £100 into my pile, but into Mrs. Williams', which is in the sack under the stairs.' Mr. Goldsmith found that his customers hardly ever came for their money, and that he always had at least £80,000 lying idle in his cellar. He therefore began to lend this money for various mercantile enterprises. For this he was indicted by the Crown for 'lending money that was already in existence in the form of 'cheques,' thereby inflating the currency as surely as if he had issued false coin.'"

*Bedales Chronicle* for December gives an account of the trial, from which the following is an extract.

"Mr. Roland Berrill, who is a barrister, very kindly came down from London and organised the trial, and presided over it as judge. The whole thing was his idea, and he spent some time coaching counsel and witnesses. They thoroughly justified the trouble he took. It was a great success, and all the participants entered into the dispute with keen enthusiasm. Moreover, although the subject was a difficult one, it was followed by the audience with attention and interest for two hours and a quarter."

The cast comprised two counsel on each side, an usher, three witnesses for the prosecution and four for the defence. The case of the Prosecution was to coinage (which was not denied) was equivalent to Defences contended that inflation was obviously good for trade and that the prisoner was a patriotic citizen. At the end of the trial the Judge directed that the dispute rested on the question whether "cheques" were money: and as the jury were unable to agree on this point the case was adjourned and a new trial ordered.

The reviewer of the "Trial" makes comments on the merits of the actors (presumably all of them scholars, although this is not clearly stated). Of the production itself he remarks that it proved that even a complicated argument can be made interesting if the actors really know what they are talking about. He upholds the policy of selecting for intellectual "Trials" cases which are "fairly difficult and substantial" rather than burglaries and other sensational subjects. He concludes with the following acknowledgment:—

"We are all very grateful to Mr. Berrill for the trouble he took, and for the ingenious dispute that he suggested. It is interesting to speculate what would have been the effect on the subsequent history of banking had such a charge been brought in the early days of the credit system—and that might very well have happened."

We congratulate Mr. Berrill on the evident success of his enterprising venture. It recalls to us two similar instances of stage-propaganda which were carried out in the early days of the Social Credit campaign—one being a burlesque of a round-table conference on the economic situation in which the cast included a banker, a capitalist, and a clergyman (whose intoning of the blessed tag "Good will" "Good-will" remains in our memory still, and

with all the more force of humour in that the player was himself a Minister of the Church). This was in the days of the happy Hampstead hospitality provided by Mr. and Mrs. Cousens. But neither production was, we think, repeated before a public audience. And no similar effort was made until recently when, we understand, certain members of the Kibbo Kift (during last summer) tried out open-air performances of sketches on village greens.

It is possible that the circumstances and developments of the crisis have created an atmosphere favourable to the public success of dramatic suggestion along the lines of Social Credit or lines parallel to it. Hitherto the time, trouble and expense involved in such work, when considered in relation to the apparent apathy of the public towards the subject in question, has discouraged enterprise. And probably another reason has been that the essential distinguishing characteristic of Social Credit could not be put over in acceptable dramatic form—for, unless it were, the effect on the audience would be, at the highest, to inspire it with the right sentiment on the issue, but *no method*—in which case it would become handy material for any and every noble-spoken credit-crank to exploit. To-day it is a nice point to estimate how far the public has advanced towards a condition of receptivity to brass-tack economic education by stagecraft. We do not know the answer, but no doubt Mr. Berrill's venture will help us all to arrive at one.

## Reviews.

**The Mind in Conflict.** By Richard Amaral Howden. (Oxford University Press, London: Humphrey Milford. 2s. 6d.)

This is an excellent little book. It is simple without being superficial, and it exhibits its subject in a very attractive and readable form. Written by a layman for laymen, it provides an absolutely trustworthy introduction to psycho-analysis for a person who knows nothing about it, if any such still exist. N. M.

**How to See Well.** By Alice Pearson. (James Clarke and Co., London. 1s. 6d.)

Renounce alcohol, meat, and second helpings. Throw away your spectacles and fix your eyes on the remote horizon and your mind upon an aphorism of slushy pietistic sentiment, and you will soon find your eyesight beginning to improve. Such is the "message" of this altogether sweet little book. "Gin and It, miss, please"! N. M.

## LETTERS TO THE EDITOR.

### SOCIAL CREDIT AND THE EXCHANGES.

Sir,—I can visualise the gradual conversion of the required nucleus of the people to Douglasism, and can see the eventual adoption of the scheme in this country. At the same time, however, I can imagine that in foreign strongholds of High Finance, an attempt will be made to utterly discredit the new economic system adopted in Britain and the Empire, with the result that the £ will, possibly, drop to an unprecedented low level. And, after all, whether by reason of the unleashed productive power there results an unheard-of mass of goods, a monetary unit of exchange will be required, I suppose, to move them, as at present. And therefore the problem arises as to what gold value, for example—assuming that some of the most important nations remain on the gold standard—is to be given to the £ for direct, and particularly for indirect, commercial transactions internationally. If this value is to be determined by the same people as at present, it seems to me that a somewhat ugly obstacle will be placed in the way of the new economic system. "ALMOST THERE."

[Assuming that our correspondent postulates the adoption of Social Credit policy by the British Empire as a single credit-area the answer depends as much on what happens inside the Empire as outside. Without knowing exactly what the questioner is assuming would happen inside, we cannot properly analyse specific reactions outside. We must therefore make some assumptions of our own, and deal broadly with their implications.

The first assumption is that the Empire is administered, in principle, by an English Bank standing in the same

relation to the Central Banks of the Empire as does each Central Bank at present stand to the trading banks in its particular part of the Empire.

The second assumption is that there is no such thing as a contrived exchange-rate for the £ sterling within the Empire; that is to say that the trading relations between countries like, e.g., Australia, Britain, and Canada are exactly parallel to those now subsisting between counties like, e.g., Lancashire, Warwickshire, and Middlesex, where the purchasing-power of the £ in one place is only differentiated from its purchasing power in another by the cost of moving any given goods from the one place to the other, or by differences in prices in those places supposing both to produce the same kinds of goods. Shortly: As within Britain now, so within the Empire then.

The third assumption is that the policy of the Empire receives full publicity and united advocacy through every avenue of information and education—press, platform, pulpit, Parliament, broadcasting, books, pamphlets, and all else.

Comprehensively there is an Empire whose population have a common understanding, a common objective, a common currency, and are led by an administration entrusted with the fullest powers to promote well-being within the Empire and to resist aggression from without.

Now, in considering the problem of resisting attacks on the Empire, it is important to remember that public opinion—a thing of little weight to-day—would play a large part in deciding the issue. Supposing the most extreme case imaginable, namely a financial, political, and military combine of all the countries outside the Empire in what we may call for convenience the Gold Standard Alliance. Very good. The Alliance would represent a collective population of, shall we say 1,000 million persons? The King would represent an Empire population of, shall we say 400 million persons? Now (by assumption 3) the King's 400 million subjects would each know, up to the limit of his power of comprehension, the whole truth about the issue behind this clash of world-policy. For the first time in modern history the King's Ministers would be frank and open diplomats. They would have everything to gain both ways, for the policy they had to proclaim to the world would strengthen the morale of the King's subjects, and would weaken the morale of those mobilised against him. The "Alliance's" Press and other publicity channels might conspire to keep the issue a secret, but with what success when two-fifths of the world's population knew the secret, and, moreover, made it their business to spill it round wherever they could? But grant that the secret were kept. The Alliance would still have to proclaim a policy, and would have to get its subjects to carry it out. But nothing it could say for such a policy could match, in its moral effect, the lightning stimulus of a Social-Credit proclamation and call to arms. "Justice, with Courage, is a Thousand Men"

But the supposition of completely successful secrecy is not tenable. The British Empire is scattered all over the world, and there would need to be a separate blockade of every constituent part of it to stop the leakage. Nor is the other supposition, that the rest of the world would combine against the Empire, any more likely. But the question of the alignment of opposing forces need not be discussed further, because the adoption of Social Credit by the Empire would not take place unless the statesmen of the Empire had first assured themselves of their ability, either with or without allies, to resist (and preferably smash up) any probable military combination that would be brought against them.

If military war is ruled out, the question becomes one of economic war. The Alliance might hammer the Empire Sterling Exchange; but this could be ignored unless it had the economic effect of cutting off the Empire's access to products vital to its existence. What are those products? If any, how long could the Empire do without them before collapsing? Again, the hammering of exchanges is a double-edged device. When the German mark was hammered the price of a German piano, at a certain juncture, was worth about 2d. in English money. The German reply to that was to stop pricing pianos in marks, and pricing them in pounds, fixing the price just sufficiently below that ruling in the English market to secure the business. But, taking these pianos as typical of German production in general, consider the devastation to English manufacturing undertakings if this production had been imported at the nominal exchange equivalent.

Substitute the Empire for Germany, and the Empire Economic Council in co-operation with the Empire Bank could do two things: (a) prohibit the exportation of all

Empire products vital to the Alliance: (b) promote and finance the dumping on to the Alliance of all products of which the Alliance already produced a surplus—and at any price down to zero. In either case, of course, the Empire producers who had to stop selling, or had to sell at a loss, under this Order, would be compensated in full by the Empire Bank. For example, Canada might be authorised to transport all her surplus wheat to railroad points on the U.S.A. frontier, dump it there, and announce that it was a free gift to any American citizens who cared to collect it. Similarly with Australian wool, West Indian sugar, and every other Empire product that would undermine the economic stability of the Alliance.

We can suppose the Empire Economic Council to issue an official Gazette, editions of which would be printed in every Capital of the Empire, in which it was explained to the peoples, each in their own language, that since the Alliance was attempting to prevent them consuming their own production, the Council's provisional counterstroke was to make the Alliance absorb it. The Bishops all over the Empire, freed from the compulsion to talk nonsense, would support this policy from their pulpits, pointing out that God's bounties must not be wasted while need exists for them, and that the Council was doing God's will by turning the other cheek and presenting to those benighted Gold-Standard Allies the benefits of which they ignorantly wished to deprive the enlightened populations of the King's Empire.

The Bankers have done the world one service; they have demonstrated to what remarkable lengths people will accept sacrifices when talked to in the right way. Appeal to their self-esteem; flatter them for their heroic virtues; and they will do anything they are told. So the Empire Council would have no difficulty in securing the loyal co-operation of the people in carrying out this policy—especially since, in the process of making the sacrifices (manifest to the world in the flow of free gifts to the Alliance) they would find themselves becoming a little bit more comfortable, a little bit more secure, by reason of the increase in remunerated activity engaged in keeping up and increasing the exportation of "coals of fire" on the heads of the Alliance. They would be disposed to attribute the slight improvement in their condition, not to the little instalment of consumer-credit which an astute Council would take care to slip over to them, but to the direct "Act of God." Their happier state would appear to them as a by-product of their own sacrificial virtue under the laws of a Divine Economy. Now, as we stated in our article, "Social Credit Problems," recently, such questions as the one here discussed, do not come into the category on which the student of Social Credit can give authoritative answers. Any answer must, in the nature of the case, be speculative—as, it will be seen, our present remarks are. Our corollary hope that we have indicated a few lines along which the respondent's reference to the "ugly obstacle in the hypothesis of the new economic system" irresistibly recalls the hypothetical "coo" which George Stevenson was invited to consider as an obstacle to the progress of his railway engine. His reply, if we remember rightly, was to the effect that how ever ugly the obstacle, it would be a darned sight uglier when his engine had finished with it.—ED.]

#### AGRICULTURE IN PAWN.

Sir,—I expect you must be smiling somewhat at the various schemes now being put forward for the salvation of British agriculture; just look at them: the wheat quota, import duties on certain agricultural produce, the National Mark for certain lines of home-grown foodstuffs, etc. Like most gifts from the gods (bankers) they come when it is too late. Ever since Lloyd George let down agriculture, just after the War, farming has gone steadily down from bad to worse.

Take my own case. I have mortgaged everything I possess; and, what is more, everything that my wife possesses also. We have two little children, and we felt we should make every sacrifice in order to keep our home and farm intact. My wife was left a relative soon after the War; how we wish now we had thrown up with a big garden attached on the death of our dear wife that we could have been independent for the rest of our days, but it was sold in order to reduce my farm overdraft.

Just before Christmas I was called up on the carpet to meet the local directors of one of the Big Five. They were most sympathetic, and to hear them blubbering over me, you would have thought that I had just lost the wife; and I began to think that I was getting away with it—but nothing of the sort. I had nothing to offer, except my old sporting gun, and they failed to see the joke. They tried to wheedle me into

signing the Agricultural Credits Act, under which I would pawn all my crops—actual and prospective. (No farmer ever signs in under this Act unless compelled to do so.) They were frank enough to tell me that under the Act they had the legal right to stick up a notice on my haystacks to the effect: "Property of . . . Bank." Of course, they said, they would never think of doing such a thing; but they were certainly doing their best to frighten me into signing. They then tried to cheer me up to the effect that there were many local farmers in a far worse pickle than myself; but I was not obliged to them for telling me something that I was fully aware of.

We farmers have always resisted being a party to the Agricultural Credits Act; in the first place, what is to prevent the bank from instructing an auctioneer to sell the crops? Then again, our names would be recorded in a special register up in London, which is open to inspection upon payment of one shilling. All our local dealers, merchants and tradesmen would learn of this at once. "News" travels very quickly in the country, making the wireless old-fashioned in comparison. I reckoned that, if I had signed, my corn, cake and seed merchants—not to mention the grocer—would have known inside twenty-four hours: bang would go my credit with them at once. As a matter of fact, these men have been carrying me over the stile now for years. When the bankers have refused us further overdrafts we have had to rely upon the dealers and others to finance us until the crops have been marketed.

There is a chronic shortage of ready cash amongst farmers. Here, I have a number of fine haystacks which I would value at about £800; but I would be willing to accept £400 for them in hard cash, just to enable me to clear up pressing debts.

If I have to play my last card, then I might as well be hanged for a sheep as a lamb, and if the local bank manager compels me to sign in under the Act, then I will insist upon the bank putting up their property notice on my haystacks, etc., and if they refuse, then I will do it myself! As we farmers here are all in the same boat, woe betide the "furriner" who would dare to buy our crops and stacks if the bank put them up for sale. We are beginning to sit up and take notice—the farmers of Essex have already led the way in their resistance to the forced sales for non-payment of tithes.

RICHARD HOLYOAKE.

#### THE MONEY-COMMODITY TANGLE.

Sir,—The subjoined extracts from the Macmillan Evidence strikingly show the firmness with which the idea is held that money is a commodity like wheat. So far as I have read the Minutes of Evidence it seems that not one of the Committee has grasped the idea of money as a mechanism.

G. A.

Evidence by F. C. Goodenough (p. 36) on December 13, 1929.

502. Professor Gregory: You would not say that the efforts of New York to build up an acceptance and a bill market in international bills have been entirely unsuccessful in recent years, would you?—So far as I know the New York bill market is very small.

503. Even in international wheat and grain bills, for instance, and cotton bills?—I do not consider that that is an international market. They have had the funds to do their own finance; instead of the bills coming over here they have been held in New York on journey.

504. Yes, but surely that indicates that a certain amount of the short term financing of the world's credits is being carried in New York?—That is perfectly true. One cannot tell how long that is to continue, but if the United States got back into the position of being a debtor country she would not be able to maintain that position; she would not have the funds.

505. That probability is not a very great one?—I do not know. It depends on how long a view one takes.

Evidence by M. C. Norman (p. 218) on March 26, 1930.

3435. Mr. McKenna: Might I put one or two definite questions on quite recent matters?—Practical questions? Quite recent matters if you will allow me. You have on balance in the first two months of this year. You had less securities in February than you had in December. Is that so?—I am not sure of the exact figures, but I should be surprised if the average of the Bank's total assets in February was much, if at all, below the corresponding figure for December.

3437. You do not remember if you restricted credit?—I am not aware that credit was restricted.

3438. I have the figures for February of this year and February of last year. Between February of last year and February of this year you sold many millions of securities?—Oh, yes,

3439. And you reduced credit?—Yes.

3440. The total amount of credit at the end of February, 1930, compared with February, 1929, represented a reduction of purchasing power of the public of £63,000,000?—You mean that the aggregate of certain banks deposits—

3441. The aggregate of the clearing banks' deposits was less by £63,000,000?—Yes.

3442. Why did you reduce the amount of credit?—For a reason which I believe to have been sound, as I hope you will agree. I am speaking from memory as to figures: *et seq.*

#### BANKS' FUNDS AND THE NATIONAL DEBT.

Sir,—A writer in the Glasgow *Evening Times* states that the ordinary funds of the banks must be invested with the Commissioners for the reduction of National Debt. Is this correct? If so, what funds?

A. W.

#### THE INFLUENCE OF THE B.B.C.

To the Editor of the "Manchester Guardian."

Sir,—The influence which the B.B.C. has on the listening public has often been considered to be unknown. Fortunately the B.B.C. is fairly candid on this point, and in its "Year Book" just issued, page 104, the following appears:—"Sometimes the effects of broadcasting take the uninitiated by surprise. . . . There was a slump in the sale of National Savings Certificates, from 280,000 to 170,000 a day, after a talk by Mr. J. M. Keynes, construed by some people as advising them to spend and not to save. The effect was so serious that Sir Josiah Stamp was asked to broadcast a second talk a few days later on the significance of 'A Thousand Million Savings Certificates.' He pointed out that this was one of the methods of saving which would not create unemployment. Three days later the sales of Certificates went up to 450,000, and on the next to the record figure of over 500,000."

Here is an influence which, in view of the recent strong tendency towards a narrow conservative policy in the B.B.C., should be carefully watched by all progressively minded people. Does it not explain one very important influence on the result of the last election?

HERBERT LORD.

#### "THIS BUSINESS OF IMPORTS."

Sir,—With reference to Mr. Coleman's letter under this heading in a recent issue of THE NEW AGE, no doubt it is more difficult to convince would-be adherents of Social Credit as to the feasibility of Great Britain starting such a regime in advance of other countries, just because of this business of imports. They may even admit its feasibility in self-sufficient countries such as Australia and the United States.

It should not be forgotten, however, that whilst Great Britain is forced to import considerable quantities of food and raw material, her ownership of property rights throughout the world, her investments over many years, can be regarded as constituting almost geographical extensions of her territory. Many of these "fiefs" to-day are unproductive in their yield, just because of the barriers presented by the existing financial system. To permit these estates to effect their tributes in kind would go a long way towards solving this business of imports whilst at the same time restoring international harmony.

T. V. HOLMES.

#### ANSWERS TO CORRESPONDENTS.

##### READERS IN CALGARY AND EDMONTON.

J. P. H. (British Columbia).—We are unable to disclose names of subscribers to you without their authorisation. And as you do not wish your letter to be published, all we can do is to invite readers in the above district to let us know if they would be willing to be put in touch with you. If so we will forward you their replies.

##### NOTE TO PROPAGANDISTS.

Messrs. Chapman and Hall, 11, Henrietta Street, Covent Garden, W.C.2, have reproduced the synopsis which appears on the book-wrapper of Major Douglas's *The Monopoly of Credit*, in the form of a leaflet advertising this book. As one of our readers has found the synopsis useful in his propaganda, others may do so, in which case they, like he, will be glad to get supplies from the above House.

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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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