

THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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CONTENTS.

	PAGE		PAGE
NOTES OF THE WEEK	181	THE FILMS. By David Ockham . . .	188
Bankers, brewers, and the beer duty.		The film censorship—combine v. combine—muzzling the Press.	
HABITABLE OR MORTGAGEABLE? (Editorial)	184	THEATRE NOTES. By John Shand . . .	189
Building Trades Deputation to the Minister of Health—his doctrine of the primacy of the financial criterion—solvency before hygiene and morality.		Edgar Wallace. <i>The Rose Without A Thorn.</i>	
THE FEAR OF LEISURE. II. By A. R. Orage	186	THE WATERLOW APPEAL . . .	190
Address to the Leisure Society. (Continued.)		Extracts from <i>The Times's Law Reports.</i>	
CECIL GRAY ON SIBELIUS. By Kaikhosru Sorabji	187	CORRESPONDENCE . . .	191
<i>Sibelius</i> (Cecil Gray).		Robert Pollack, S., Richard Holyoake, R. L. N., C. Hunt, J. R. M.	

NOTES OF THE WEEK.

The advent of Mr. Mellon as United States Ambassador recalls the fact that one of his outstanding duties in that country was to supervise the enforcement of Prohibition. His arrival coincides with a condition of stress and strain in the British brewing industry arising from the recent increase in the taxation of beer. This new burden marks one more stage in a deliberate policy by the banking interests to convert licensed premises into Inland Revenue offices, and brewers into Tax Collectors. Brewers are only too well aware that brewing is becoming a more and more unsafe occupation to follow, but they do not know the hidden reason for the progression of their insecurity towards insolvency. Many of them probably cannot make out why Governments, who rely so much on revenue derived from the drink traffic, should impose what amounts to partial prohibition of the drink-habit and so endanger the life of the goose that lays the golden eggs. Some of them may attempt to account for it as due to the political power of temperance fans, of whom Mr. Mellon's nagging compatriot, Lady Astor, is probably the most prominent representative. If so, they are wrong. Lady Astor, for all her chattering and with all her following in the country, has no more power of action than a soda-fountain. No political influence can prevail over financial influence; so that when any legislation involving finance is adopted, it may be taken as certain that the banking interests are at the least neutral to it and at the most have actually inspired it. The Chancellor of the Exchequer is powerless to levy taxes against the advice of the Treasury Officials, who, in their turn, base their advice upon instructions from the banking interests represented by the Bank of England. Mr. Montagu Norman has stated that the "Bank" and the "Treasury" are simply alternative names for one supreme controlling body. Where, therefore, a case can be made out that the fiscal policy of the Exchequer will prejudice the col-

lection of revenue, the question to be investigated is why the bankers have authorised the policy.

Now one matter can be disposed of at once: and it is that Finance (by which term we mean to denote the British banking interests, and by extension foreign banking interests associated with them) would instantly and absolutely veto any act that would cause a Budget deficit. That needs no argument. The National Government was brought into being with the prime object of balancing the Budget, Mr. Neville Chamberlain has the formal responsibility for doing this; and, behind him, in the following order of ascending power of supervision and control, are, let us say, Major Elliott, the Financial Secretary of the Treasury, then Mr. Montagu Norman, the Governor of the Bank of England, then the Federal Reserve Board, embodying the banking interests of the United States. For reasons indicated last week, Mr. Mellon, the new Ambassador, may be regarded as representing the Federal Reserve Board in general, and United States holders of European debt in particular. Cutting out reference to subordinate agents, Mr. Mellon and Mr. Norman may be regarded as the joint authors of British fiscal policy, and therefore of the levy on liquor now under discussion. The balancing of the British Budget is held by both of them to be an absolute necessity on grounds of pure financial principle; and, in the case of Mr. Mellon, equally necessary as a condition of protecting the interests of holders of British debt abroad—particularly in the United States. We emphasise Mr. Mellon's name, because although Mr. Norman is, by virtue of his office, a sort of Public Trustee for bondholders in British gilt-edged securities, there is no evidence that he has at any time taken part or interest in the buying and selling of bonds; whereas Mr. Mellon was for many years before attaining public office (including the period of the war) a private banker, possessing, as such, the freedom to enter into any financial business he liked, and a large fortune to operate with. It is believed that he made a gigantic sum out of war-loan financing, and that he is now, in his own right, the holder of a sub-

stantial proportion of the European funded-debt securities now in existence. No imputation against his character is intended by these remarks: whatever fortune Mr. Mellon has made has been made by methods sanctioned by the laws and conventions of his country. The bearing of our comments is that to the extent to which he, "for self and partners," as Dickens would say, has a claim on the British Government he has the right, under the accepted financial rules of the game, to hold them to their bond, a right which includes the privilege of advising them on practical means of honouring it. It is impossible to know whether either Wall Street or Washington had any interest in getting the British Government to levy the tax on drink, or whether the tax was chosen only because of the convenience of collection. But there is something more than mere revenue raising involved in the policy, and something more than the mere "prevention of excessive drinking" which is held out as an argument for it.

Though the promotion, or at least the maintenance, of the drink traffic offers fiscal advantages to the political Government, it is not an essential interest of Finance. To the bankers it matters little whether beer is taxed or not so far as the Exchequer is concerned. The reason is that their powers of acquisition and control over industrial policy and administration in general have increased so much—especially since the war—that if the proceeds from excise duties fall, they are able to locate where the withheld difference is, and to get it out of the taxpayer by another method. When we speak of the bankers getting the money we speak advisedly, for they are the reversionary legatees, so to speak, of all taxation. This is because they create and loan credit for provisioning the Chancellor's purse, and look to him to recover it after expending it, and to hand it back in repayments, whereupon they cancel the loan and, as Mr. McKenna describes it, "destroy" the "deposit," or the credit. Their object in recovering their loans is not that of self-protection in the accepted commercial sense, for the credit to be recovered has cost them nothing to create, and is not their property, but public property. Their object is purely political: it is to conceal from the public the fact, and the amount, of this public property. In the act of cancelling a loan on repayment the bankers perform the act of *concealing public monetary resources*. Their reason for this concealment is again purely political: it is to deceive the public (and Members of Parliament) into thinking that they, the public, possess no more money between them than is publicly recorded in bankers' balance sheets, and that any new expenditure on public account must be provided out of that recorded sum. Also that, since this sum is made up of deposits standing to the credit of firms or individuals (i.e., privately owned money), any new expenditure must be financed with the owners' assent—which means, in practice, with the bankers' assent as custodians of their depositors' resources and guardians of their security. Thus the banks, by preserving the illusion of a collective money-scarcity, compel Governments to borrow from them on their own terms and conditions: and since there is no way of carrying out any political policy of any sort whatever without the expenditure of money, the banks are the final arbiters of national policy. They are the Government. Against this background it is clear that the problem of the brewers cannot be solved by protestations of political figure-heads like Mr. Neville Chamberlain—a nonentity whose opinions on financial matters are wafted hither and thither by the "sighs" of Treasury officials—but, if to be solved at all, by direct representation to the Governor of the Bank of England and the financial interests he represents. Moreover, representation alone is not enough. It

can be taken as certain that the beer-duty adopted by the Government was originally included in what may be called the Bank of England's schedule of approved taxes, from which the Chancellor was allowed to make a selection. (The procedure is much the same as in those football competitions where you are allowed to "pick any six teams" out of a panel of twelve; but must not pick any team outside the twelve.) For example; the Government was not allowed to tax bondholders: "The debt-services must be maintained, or there will be loss of confidence," was the excuse. It is true that there was some talk last year of these bondholders' voluntarily assenting to a conversion of their debt on lower interest terms: but it is also true that the conversion has not taken place—a fact which the brewers may well make a special note of, considering that the levy on beer was held out to be part of a scheme based on "equality of sacrifice" in which the bondholders were expected to participate.

But to resume about the Bank of England. If one can imagine a deputation of brewers appearing before Mr. Montagu Norman and making their complaint, he would in effect hand them the original schedule of approved taxes and say to them: "I'm neutral on this grievance of yours, and if you like to have the beer-duty reduced, all you have to do is to pick out another item from this list wherefrom the deficit can be made up." In other words: "Show us where there is another bone with more meat on it, and we'll strip that instead." But echo answers, "Where?"—and a good job too; for if it returned an answer the whole country would soon be formed up in deputations to Mr. Norman numerous enough to last out the next few years. The moral of this for the brewers is that they must not argue on the basis that the beer-duty is an unjust item in the approved list, but that the whole list is invalid by reason of its incompleteness. That is to say, the schedule purports to show all the possible sources, and limits, of taxation, whereas, in fact, it omits from its survey the whole of the public resources that we have previously discussed—resources which, if accurately accounted and published, would be seen to be sufficient to wipe out the estimated Budget deficit without reducing the income or increasing the expenditure of any British citizen.

This last observation is in the nature of a soliloquy. We cannot expect anyone who has not studied Major Douglas's evidence and examination before the Macmillan Committee (or the facts and reasoning in his books) to believe it—much less to take action on it. But we do expect any interests whose solvency is threatened by the present imposts to offset against the apparent incredibility of our statement the proven falsity of prophecy, and the manifest incoherences and contradictions that have characterised the bankers' statements and policy during the last fourteen years. Is it not just possible, they should ask themselves, that the persistence of an apparently inexplicable economic phenomenon is the effect of an apparently incredible cause, and demands an unprecedented remedy? And considering the duration and universality of this phenomenon, is it not reasonable to infer that this cause is common to every national politico-economic system, and is in continuous operation in all of them? Lastly, in view of the fact that those who claim to know that cause, and who have been foretelling what would be the consequences of neglecting to remove it, are able to point to the fulfilment of their prophecies, whereas the bankers—even to a comparatively impartial observer like Mr. Lloyd George—have been "wrong every time," should not

this collateral evidence multiply the force of the technical analysis by which the cause has been identified, located and described?

If our suggestion is entertained that the bankers are hiding money which belongs to the taxpayers, and to an amount, as we say, covering the Budget deficit, then every interest whose security is threatened by current taxation and with whom it is therefore a matter of urgency to obtain relief, must do one or other, or both, of two things: (a) disseminate the allegation of the concealment; (b) take all practicable means to obstruct the procedure through which it is ultimately effected. In doing the first they will be in the strong tactical position of publicly demanding a proportion of a relief in which the public would share, instead of the weak position of demanding relief at the expense of the public. In doing the second they may generate some kinds of inconvenience to other interests; but if done in proclaimed pursuance of the policy of opening up the first issue, the inconveniences might be tolerated. Take an imaginary example in which, let us say, the brewers had a suspicion that cocoa-manufacturers were cornering malt in secret, and were at the same time procuring legislation penalising them for supplying bad liquor. They would know what to do. They would shout about it in the Press and would, if necessary, employ people to find out where the malt was coming from, and try to divert the supplies to themselves. The banks are cornering money and insisting on the "balanced Budget" at the same time. Death from drink is practically unknown: death from insolvency is of daily occurrence. We agree that banking interests are a much tougher proposition to tackle than cocoa-interests. But to-day there is widespread animosity against banks and a growing knowledge of their powers; so, though they are able to inflict reprisals on those who oppose them, they no longer enjoy that immunity from observation which at one time left the victims under the illusion that what happened to them was the natural consequence of their own conduct, or perhaps just an unlucky coincidence. Forewarned is forearmed: and the history of Australian politics during the last twelve months has afforded vivid enlightenment as to the tricks banks play to gain their ends behind the veil of the Constitution.

It is a possibility that there may be a remission of part, if not all, of the beer-duty complained of, without further pressure from the Trade; and we have heard that the prospect is being discussed by those who ought to know. There may be special reasons why it might be prudent to do it, one of which, we think, may be the startling suddenness and steepness of the slump in the sales of beer which super-vened upon the imposition of the tax. This must have caused some degree of nervousness among holders of debentures in breweries; and it is not improbable that the banks themselves have money invested in them, while it is practically certain that outstanding borrowings from the banks are resting on that class of security. If these borrowings were, as is likely, up to the limit of the margin of cover required by the banks on the basis of the present Budget market value, the banks, according to their rule, would feel it advisable to call upon the borrowers to reduce the loans directly they saw the cause in beer falling away. This, of course, would be a shock to the private investor, who might, in certain cases, be unable to reduce his loan. But holdings generally would be usually in the hands of banks, insurance companies and other financial institutions. Now it would be within the power of those interests—all affiliated to or associated with the banking system as such—to grant Mr. Chamberlain, through the Treasury, a dispensation to remit

the tax. And if so, we suggest that their common motive would be to restore the lost trade to the brewers, and thus stiffen up the marketable value of their debentures, whereupon they would quietly proceed to unload them. When the process was complete they would then be in a position to have the tax put on again, thus producing the same consequences, or worse, in the liquor trade, but without this time prejudicing the money-trade.

It is vital for the brewers to understand that their taxable capacity is not the concern of the bankers, however much it may worry the Chancellor of the Exchequer. Moreover, one of the three prime duties laid upon the Government by *The Times*, which represents banking opinion in such matters, is that of scaling down both sides of the Budget—i.e., cutting expenditure so as to need less income to balance it. If that is done, then to the extent that it is done, the Government would come to rely proportionately less on revenue from the drink trade; until a point might be reached where the total cut in Budget expenditure were equal to the total revenue now paid by the drink trade, in which case it would not matter to the bankers whether there was any trade in drink at all. The Government by gradually raising the rate of the tax could diminish the revenue from the tax on a beautifully calculated system designed to ensure that, when the last penny on beer was knocked off, the last glass of beer would be "knocked back" by the last man in the last pub in "lil ole England." And while such people as Mellon, the Astors, Morgan, Sprague and other transatlantic influences are allowed to operate in British domestic politics, it will be well for the brewers to watch out for this ramp of "Prohibition by Evolution." At one time the cry was: "England must be sober." To-day England's sobriety is a matter of common testimony. But at once there arises a new cry: "England must not drink excessively." That doctrine can be so applied that if anywhere in the country there can be found a single workman who can't hold more than a pint, the tax will be adjusted so that no workman can afford more than a pint.

Space will not permit us to pursue these remarks further this week, but we hope to examine the attitude of the bankers towards the brewers from another angle next week.

LICENSING REPORT.

"It is, however, clear to us that the first object of the liquor duties has been the obtaining of revenue from a source which offers a peculiarly convenient medium for taxation; and the financial issues involved in any alteration of the present incidence of duties must take precedence over other considerations. We recognise that these financial questions lie outside our sphere."—(*Licensing Report*, 1929-31. Page 126.)

"To use excessive taxation to this end" [i.e., prevention of overspending] "is unjustifiable if it cannot be openly avowed that the object is to establish prohibition for the less prosperous classes, and much of the uneconomic expenditure is due to the price of liquor created by excessive taxation."—(*Licensing Report*, 1929-31. Page 232. Mr. F. P. Whitbread's "Minority Report.")

Notice.

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

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

Habitable or Mortgageable?

In *The Times* of February 5 is an account of an interview between the Minister of Health and a deputation of Building Trade Operatives, Employers, Manufacturers of building materials, Surveyors, Architects, etc., on the question of unemployment in the building trades. The Minister laid it down emphatically that the over-riding criterion which must apply to housing schemes was financial—the recovery of cost from the householder.

"The difficulties . . . arose from a national consciousness that in the present crisis no expenditure should be incurred which was not profitable for new production, and, especially, production for export. The nation realised that . . . prosperity depended upon the recovery of foreign markets, and the building industry must look to that return for a true remedy for their troubles. . . . The circular . . . stated that the criteria to be examined in considering . . . expenditure were whether the proposals would be remunerative, whether they were required on urgent grounds of public health [i.e., the supervention of an epidemic, causing sickness-claims and death-claims on insurance funds.—Ed.], or on other grounds of public urgency [i.e., crime and immorality involving public expenditure, damage to insured property, etc.—Ed.], or whether they were justifiable as providing employment. . . . As regards housing expenditure, the Government were of the opinion that the pressing need at the present time was for the small house that could be let at a rent within the means of the more poorly paid workers . . ." (*The Times*, February 5, page 9.)

This reply means, for example, that the question whether a family of two parents and four children (two of each sex) sleep in three beds, or in one is to be settled by reference to money, not to hygiene or morality. Unless the father can keep up repayments of principal and interest it is not for the housing authority to take any interest in other principles. If the consequence should be illness or incest, very well, there is medical treatment for the one and prison treatment for the other. People must face up to the fact that prevention is only better than cure when it is cheaper. It has been ascertained that large numbers of men, women and children have proved immune from these risks to their physical and moral health under the most extreme conditions of overcrowding. So any money that might have been spent on providing better accommodation for them would have been money wasted. Their natural resistance to disease and sin sets a high example to the masses; and it would be downright wicked to spend money in order to abolish the conditions that make their virtue manifest. For how can the masses emulate a virtue that they cannot see? Further it would be impious for us to encroach, by financial methods, on the prerogative reserved by the Almighty of delivering them from evil. Only Omniscience can maintain that fine adjustment between exposure to temptation, which develops Character, and protection against evil, which destroys it. We must act in the faith that whatever we do to balance the Budgets of this world is a corporal suffering in the world to come. Temporal suffering is the condition of eternal salvation. It is for the Almighty to balance man's suffering against man's endurance: it is for us to balance man's income against man's expenditure. The Balanced Budget is the Ark of the Covenant. Let no impious hand be laid on it.

If the prudential admonitions of bankers were clearly related to natural limitations on production the humanistic elements among the public would not be justified in reproaching their mentors in the foregoing fashion. If ten men cannot possibly produce more than six meals between meal-times one might condone the resort to a moral philosophy designed to console the four who had nothing or the ten who had insufficient. But the fertility of

modern industry is already generous enough to fulfil all essential needs, and is, moreover, indefinitely expansible. The injunction to a person, or a nation, not to overspend income, amounts, in the last analysis, to saying: "You must not consume things faster than you are making them." In that sense, the bankers' "mustn't" would be the expression of an impossibility. But at the present time populations, individually and collectively, are consuming fewer things than they are making, while at the same time they are spending more money than they are receiving. That is to say, that a credit balance in the national inventory of things available is reflected by a debit balance in the national inventory of money available. Evidently there is a fundamental miscalculation somewhere for a population to spend more money on buying a part than they receive for making the whole—to have, so to speak, less than no money as a result of creating a reserve of goods—to have a glut in every port and a deficit in every Budget.

The reason for the existence of such a situation is known to readers of this journal. One way of explaining it is to proceed from a concept of the Banker as the owner of all property—which he virtually is. And since this discussion arises out of the housing question let us use housing as an illustration.

Imagine a small closed area in which a single banker holds the credit-monopoly, and in which a builder proposes to put up a house. The banker will advance him, let us say, £100 at a time over, say, fifty weekly intervals. At the end of that time the house is finished. In an effective sense it now belongs to the banker, though nominally to the builder; and is worth, at cost, £5,000. Suppose that during this time the builder and his employees have been sharing up the money and spending all of it on food (food representing the means of life in general). Assuming the food to be produced with bank credit, this does now belong to the banker as it was made, just as does now the house. In terms of things, the banker has bartered fifty batches of food for one house. In terms of finance he has issued credit to buy the house and withdrawn it all through the sale of food. In this situation the cost of the house is included in the price of all the food; in fact it would tend to decrease them by diverting labour from food production. The banker therefore gets the house delivered much the same quantity of food as he would have got if the house had not been built. And he could have got any number of similar houses put up in the same time (given the physical possibility) without parting with any more food than before. This is on the hypothesis that all the wages have been offered for food, and the price of the food "all it would fetch."

If however the builder has been able to induce the people to invest part of their wages in "his" (nominally) house property, say one half, or £50 a week, the banker would receive that much less on the food, but would get it back on the building. In terms of things—food and house-property—the banker would part with more; but in terms of credit would get the £100 a week back just the same. He does not mind parting with more things; the builder being that he wants to plant the ownership on the property-owners and the investors. He does not need to own property so long as he can control the activities of the property-owners. (For the master-bankers, banking is a hobby—one of "running the show.")

It will be seen that the builder and the rest of the people are buying the house from the banker as they go along. And if he were to regard them collectively as the borrowers, instead of singling out the builder only, and were to open a loan account in their name, then his books could reflect this fact; for he could credit their account not only with money received in payment for the house, but with the excess proceeds received for the food. And the two items together would total £100 per week, cancelling the loans, and leaving the house free of debt when finished.

The disposal of the property would now lie in the discretion of the community, and the problem of its "equitable distribution" would be of the comparatively simple nature of agreeing in what proportions the builder and the others shared up the occupation of the now rent-free house. Or if, on the other hand, they preferred that the builder should occupy the whole house and run it as a factory, they could

do so on the condition that the cost of the factory should not be charged in the price of the products. However refractory the "human element" in respect of the bargaining, there would not be the dilemma which arises at present, which is that all parties to negotiations are able, in turn, to prove by figures that they cannot afford to assent to any suggested basis of settlement. But here, in principle, is a house or factory which is distributable free of charge, and even the most one-sided basis of distribution would at least give something to all.

The banker's accounts at this point would reflect only a part of the truth—namely that the community owed him nothing on the house. To reflect the other part he would have to open a property account so as to record the money value of what the community possessed. Into this account he would post the repayment of £100 a week. When the house was up this account would show the community to be in credit by £5,000. He would be in the position of owing the community that sum, and *per contra* he would be, as it were, the holder of the house in trust for them. Allowing, say, fifty years as the life of the house, he could now issue to them a free credit of £100 per annum as banker, and, as trustee, collect it from them as rent. The rent-charges would cancel the free credits; and at every cancellation he would deduct £100 from the value of the house in the property account. This account, of course, would not "balance," as the bankers would say—but it is nonsense to want it to. It represents an inventory of distributable wealth not yet distributed.

It will be noticed that the "free"-ness of the credit does not prevent its cancellation, and that credit need not necessarily accumulate in circulation just because the particular persons who get it are not individually required to return it directly to the banker. In this illustration they do, but that is because the banker lets the house as trustee. But we assumed him to do so in order to illustrate the principle on which the system could work. In practice the letting could be—as now—in the hands of private owners, or house agents or building societies, provided that these persons or institutions followed the rules of the game. For in the books of the banker it makes no difference in the end whether he hands out the £100 a year to tenants to pay inflated rent with or to landlords who have knocked that sum off the inflated rent.

In terms of the illustration, where the builder was supposed to have repaid the banker half the loan out of the proceeds of investments by the community, he, as director of the company, could be paid the "free" credit of (now) £50 per annum on condition that it was deducted from rent charges to the tenants. This, of course, would still leave the banker in debt to the community for the other half of the £5,000 he had recovered.

In both alternatives the banker's property account would record the same facts, namely (a) the existence and cost-value of the new house (£5,000); (b) the recovery of the £5,000. The only difference would be that if all incomes had been spent on food the £5,000 would be recorded as excess revenue on food, whereas if all incomes had been invested in the house (if that had been possible) the £5,000 would be recorded as repayments (premature repayments) by the builder: and in the most probable case of incomes being spent in both directions, the food-revenue and the loan-revenue would both be accounted, the two together, totalling the £5,000—this sum measuring the banker's obligation to issue "free" credit to the community.

The banker, by reason of his control over loan-policy, can, and does, direct his lending on food-account to providing a more or less constant supply of food irrespective of how much house-construction he is financing. In token money figures he can have, say, a loan of £10 out on food-production, while he has £100, £200, or any figure you like, out on house-construction. In terms of things he can get one house, two houses, or any higher number built for, say, 50 loaves of bread a week. For at any given time the cost of producing food is so much money, and therefore the banker can regulate his food-loan so that no more than so much food is produced. He fetches back all the credit he can through investments in the building, and the food fetches him the rest, whatever the amount. The result is that assuming all incomes to be spent on food, the cost of the building makes the price of the food. And since everybody takes it for granted that the price of the food makes the cost of the building, nobody questions the banker's axiom that all direct costs must go into price. Similarly, assuming all incomes to be invested (if that were possible) the cost of the building makes the price of the shares. And since everybody takes it for granted that the price of the shares makes the cost of the building, nobody questions the banker's axiom that all standing charges must go into

price—or, combining both axioms, that all costs must go into price.

This confusion may be cited as the "Oozlem Time-Snag." Seeing that physically the building, during any period of construction, cannot possibly increase the quantity of the food produced during the same period, the banker's loans on the building cannot possibly increase the cost of the food in the same period. If he could be made to take over the whole show, as is assumed in the illustration, and act as the monopolistic producer and seller of things as well as dispenser of credit, and to record figures accurately as previously suggested, he could not help but disclose the fact that, for every pennyworth of production that was beyond the current means of the community to buy from him, he had previously recovered and now held the missing penny.

From this analysis it will be seen that no matter on what people spend their incomes at any given time—goods or investments—a considerable proportion of the prices they pay is a pre-payment for wealth still in process of manufacture. And the larger the amount of this wealth in course of production the larger the proportion of income constituting the prepayment. Mr. F. R. Hirst once put it another way when he said: "The more money you have the less it will buy." That was like saying: However much money you receive out of loans for building bakehouses it will buy you only the same number of loaves." That is to say, the greater the wealth to come, the larger the proportion of your income will be taken from you in prepayment. Very good. We'll agree. But the prepayments must be chalked up, and deducted from prices when the wealth comes along. Under the present system nothing of the sort happens. The prepayments are ignored by the bankers, and the result is seen in the objective fact of gluts of unbuyable products and inoperable plant.

A little reflection on this rough analysis will show that when the Minister of Health gives it as the opinion of the Ministry that the solution of the problem facing the building trade lies in putting up houses cheap enough for the tenants to pay back their cost, he is, in principle, defying the laws of arithmetic. For even if houses could be put up for a penny each the cost would still be greater than the tenants could pay within the closed circuit of building-finance. It is no answer to say that the tenants would, in practice, be earning money outside as well as inside that circuit, and could therefore make up the building deficit. Probably they could: but their doing so would be no "solution" in the sense implied by the Minister of Health. For there is no distribution of wages anywhere in the country that is not part of a circuit which, if closed and analysed as above, will reveal an internal deficit of income against cost. That is to say, there is a national internal deficit, and it can only be made good by the bankers, who have caused it.

NEWS ITEMS.

"THIS AGE OF PLENTY."—The third edition of this well-known book, by Mr. C. Marshall Hattersley, was published on February 8 by Sir Isaac Pitman and Sons.

SOCIAL CREDIT AND THE PRESS.—Since the publication in the *Belfast Morning News* of January 20 of Miss Alexander's review of Major Douglas's last two books, there have appeared further articles, namely, on January 23 (a reply by Captain W. Adams) on January 29 (a reply to him by Miss Alexander) and on February 4 (a further reply by Captain Adams). The average length of the articles is three columns each—an amount of publicity which is gratifying to the Social Credit Movement and does credit also to the fairness and enterprise of the editor of the *Belfast Morning News*. This paper circulates among the Catholics in Northern Ireland, and although for that reason the number of its readers is limited, its influence is important. We understand that Captain Adams is to write a further article in it on the subject of Social Credit.

NOTICE TO CANADIAN READERS.

Canadians interested in Social Credit are invited to communicate with the undersigned with a view to the formation of some organisation for mutual support in advancing Social Credit principles in Canada. All communications strictly confidential.

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The Fear of Leisure.

By A. R. Orage.

II.

The ultimate truth about Man is possibly God's secret; but, at any rate, there are two indubitable facts about Man that seem to point in the same direction. Man individually has always striven for Liberty, that is to say, for freedom from Servile Labour, and Man collectively has always striven for Progress, that is to say, for freedom from Nature-forced Labour.

It would seem, moreover, to be the case that Progress and Liberty are reciprocally related. No Progress, no Liberty; no Liberty, no Progress.

The first is clearly true since in a community that has not collectively more or less freed itself from Natural necessity, individual Liberty is impossible. Everybody must work for Nature.

And the second seems equally true, if we take into account the fact that all collective Progress has been accomplished by relatively free individuals, that is to say, by such leisured individuals or classes as the Progress of a community could afford to maintain in that condition.

The peril in which the world is placed to-day is from failure to recognise the truth of this. Collectively Man has attained a degree of Progress, as I have defined it, beyond his wildest dreams; and he has attained this increasing freedom from Nature-forced work step by step with and in obvious dependence upon the increasing freedom of individuals from Man-forced or Servile Labour. In other words, we owe our collective Progress to individual Liberty.

But, tragically enough, just at the very moment when the condition of Progress warrants a wider extension of individual Liberty than any community has ever enjoyed, the world is faced with the threat, backed by the sovereign power of private Credit-control, to force an increasing number of individuals into an artificial, Man-made Servitude unredeemed by being even necessary. As Man collectively frees himself from Natural slavery—by the aid of free individuals—a group of individuals, crazy with Will to Power, enslaves him again. I sometimes think that if the great dead pioneers of economic Progress, who dreamed of a time when by their genius the curse laid upon Adam would be at least partially lifted, should see the old curse revived, but with Men in the place of God and Nature, they would groan and turn in their graves. That a Mr. Montagu Norman should exercise the power of distributing the social inheritance of England—or, rather, of *not* distributing it—is a sight for the hell of our great dead.

Even at the risk of appearing to sweep under the mat, I must draw attention to one other detail—if it is a detail. The state and rate of Progress to-day are of such a degree that the alternatives before an increasing fraction of every modern community—apart from the catastrophe of war—are Leisure, as I have defined it, namely, economically guaranteed voluntary activity, and that form of Leisure called Unemployment—a Leisure without security that can more properly be defined as servilely waiting for a servile job. The collective striving of Man against Nature has been so successful that unless Leisure is freely distributed, it will and must be distributed by violence, with disastrous effects ultimately upon Progress itself. Progress, the fruit of Leisure, can hope for nothing but destruction from Unemployment.

I think I have now formulated the idea of Leisure which your Division of the Douglas Army has undertaken to "put over."

We can now proceed to estimate the strength and character of the enemy resistance, and afterwards to consider the means to overcome it.

We can get at the strength of the enemy resistance best, I think, by imagining a Referendum taken on a proposal to distribute Leisure to Everybody. The formality of a Referendum itself may be improbable, but the idea is not so wild as you may suppose. For, in effect, an informal Referendum is in process to-day. Everybody who takes the trouble knows that Society now possesses the means to provide an ever increasing amount of amply guaranteed leisure to practically everybody. With our present resources alone, a rising standard of living could be guaranteed to our present population working for only a few years of their whole life. Why is there not then a universal clamour for it? Why, if even a formal Referendum were taken on the proposal, would it be rejected, as I think it would be rejected, by an overwhelming majority?

You can say, of course, that every kind of influence and pressure would be brought to bear on the voters by the class that now has a monopoly of Leisure by virtue of its monopoly of Credit-power. Agreed; but since that influence would only make itself effective by trading on the fears of the majority, we have to register the fears of the majority as well as the fears of the minority in the total enemy resistance.

Now precisely what are these fears that inspire in one set of people, a murderous resistance, and, in another set, a suicidal resistance, to a proposal to distribute Leisure to everybody?

It is not so much the case that they doubt whether it can be done, as that they are indisposed to make sure, by enquiry, of the practical possibility of it. Any competent body of statisticians could demonstrate the amplitude of our resources for a general extension of Leisure. But very few people want the proof, for the simple reason that only a few are willing to draw the reasonable conclusion and to give effect to it.

The fears of the already Leisured class and the fears of the present Unleisured masses are, however, different in kind; and we have, I think, to distinguish them. Fortunately we can do it briefly.

The fears of the already Leisured class can be reduced to these two: fear that they will lose their present privileges; and fear that the masses would make a "bad" use of their Leisure.

The fears of the Unleisured class, on the other hand, can be reduced to simply this—fear that, in a Leisure State, they would have nothing whatever to do. (Incidentally, I do not agree that the demand for Employment is merely an alias for the demand for goods. I'm afraid that Employment, particularly servile employment, is sought also for its own sake. There is no responsibility for self-initiated activity in it.)

These two kinds of fear suggest, I think, the desirability of dividing our Leisure Division into two wings. We need one Divisional wing to deal with the psychological resistance of the already Leisured class, and another Divisional wing to deal with the present Unleisured masses.

The practical task of the first wing is to persuade the Leisured that they have little to lose, much to gain, and nothing to fear from the extension of Leisure; and the practical task of the second wing is to persuade the Unleisured that, even if all of them cannot at once make good use of their proposed Leisure, many of them can, more will be able, and all the rising generation will delight in it.

Let us consider the case of the Leisured first, since their resistance to the Douglas Plan is more active than the relatively passive resistance of the Unleisured masses. Assuming that your Society had before it the plenipotentiaries of the Leisured class, and had undertaken the task of persuading them, not merely to consent to, but also to demand with you, the endowment of Leisure for Everybody, how would you set about it? (I am assuming

of course, that the practical possibility had already been established in their mind). What are the points you would have to make, both to allay their fears and to stimulate their hopes?

I know that this kind of preparation for attack may sound to some of you absurdly formal; but, as an old student of psycho-analysis and psycho-synthesis, I am convinced of its value. The "cure" of the psychological morbidities, the phobias and manias, of society, requires at least as carefully thought-out a technique as the "cure" of neurotic individuals. And to a very great extent the methods for both are the same.

Well, then, here is our patient enemy, the Leisured class, and here is your wing of the Leisure Society commissioned to "cure" it—what, I repeat, are the points you would have it try to make?

I do not claim to have enumerated them all or in their proper order of importance, in the following summary. In fact I have set them down more or less as they came into my mind when I was thinking on the subject. They appear to me, however, to fairly cover the case.

The first point, undoubtedly, to make is that, in the absence of a continuous series of wars, the final outcome of which would in all probability be the return of the world to barbarism, the increase of Leisure, resulting from the constant decrease in the demand for human labour, is inevitable. This forced Leisure, as has been said before, can take one of two forms—Unemployment with all its servile and threatening implications, or Leisure proper, that is, the guaranteed condition of optional and voluntary activity. Our Leisured classes must make up their minds to a fateful choice; the dilemma cannot be dodged.

My next point, I think, would be to show that Leisure, restricted though it has been, has nevertheless given us all the values of Civilization, as well as some of the values of Culture. Civilization may be said to be the creation of Leisure, just as Culture may be said to be the right use of Leisure. The fact that we are tolerably civilized and only very elementarily cultured is due to the relative restriction in the past of economic Leisure. Civilization is the work of a Leisured class; Culture is the achievement of a Leisured people. If history is any guide, we might expect the world, as Leisure became universal, to pass from the epoch of Civilization into an epoch of Culture.

Apropos of Culture, I think we might very effectively point to the preciousness of Culture restricted, in its full possibility to a privileged class. There is inevitably something parasitic, something I would almost say, guilty in its expression. I think it can safely be said that the world has never yet seen a complete Culture; but the approximations to it have certainly been in communities most nearly approximating to real commonwealths.

(To be continued.)

Industrial Assurance Enquiries.

The *Daily Express* of January 19, 20, and 27 devotes, in all, several columns to a report made by the Industrial Assurance Commission in which he alleges that rights have been withheld from 100,000 policyholders. He names certain companies and gives particulars. Claims have been underpaid: fully-paid-up policies have not been delivered to the owners. One excuse is that these small creditors neglect to notify changes of address. Small debtors only wish that they could get lost so easily.

Shoplifting.

"Shoplifting is a growing vice," is the opinion of the Drapers' Chamber of Trade. The lone lifter is being super-seeded by the organised gang. Sentences are too light, and an appeal is to be made to the Home Office about it.—(*Daily Herald*, January 20.)

If the stores are insured against theft, the insurance company buys the stolen goods. This is good for trade. If thieves get longer sentences, our prisons will cost us more.

Cecil Gray on Sibelius.

Mr. Newman, very obviously smarting under some of Mr. Gray's shrewd hits in the latter's admirable book, proceeds like all his tribe, to shoot out a cloud of ink when pursued, a cloud that promises to fill his "Sunday Times" columns for weeks to come. Having for long declared that no composer of the first order ever failed to win general recognition from his contemporaries, he now seeks to qualify that by saying when the composer's contemporaries had opportunities of becoming properly acquainted with his works, and that the reason why Bach did not gain this general recognition was that he was known only to a small circle, and that the public concert in his day was practically unknown. Passing over for a moment, the fact that the qualification of itself completely stultifies the proposition, this is a blatant assumption of what has to be proved—and equally so is Mr. Newman's assertion that the reason why Beethoven's most mature works were derided or misunderstood was either that there were not sufficient opportunities for people to hear them, or that they were so badly performed when performed at all: but how on earth does Mr. Newman, living and writing in 1932 know *how* any given audience in 1832 for instance would have received any particular work of Beethoven under circumstances that on his own evidence did not exist?

Again, given the datum that the public concert at those times hardly existed and earlier still not at all, and that consequently only those heard music who belonged to a small cultured aristocratic and music loving circle as we know to have been the case what becomes of that widespread recognition of music lovers and the applause and admiration of that plain man whom Mr. Newman alternately flatters or clubs as it suits his purpose, and without which no great composer is great according to the same authority? And if it be not the recognition and admiration of a small circle of educated and cultivated music lovers on whom the great masters of the pre-Bach times depended who then was it? My own feeling about the matter is that neither the recognition nor the reverse of any majority of people has any importance at all as an index to an artist's status either during his life time or after. And talk about immortal masterpieces, when the oldest masterpieces within the average music-lover's or musician's ken is scarcely more than a couple of centuries old, is frankly ridiculous when compared with the achievements of sculpture, architecture or literature, which persist over millennia. Mr. Newman is always saying that it is not possible to estimate the ultimate position of work being produced to-day, as we are too near it in point of time to see it in proper perspective: but the question is, how far in time must we get away from it, and can it really be said that a paltry couple of centuries counts for anything as evidence of immortality in the history of a culture-period that may cover a couple or more millennia? After a very short lapse of time comparatively speaking, a whole body of music like that of the great Tudor masters, becomes a closed book except to a handful of specialists and students, incomprehensible except to those with a special knowledge of its technical procedure and modes of expression—the same thing is true *mutatis mutandis* of literature; what is the proportion of the reading of literature; what is the proportion of the reading of literature; what is the proportion of the reading of literature equivalent of Mr. Newman's plain man of music who reads can read or would, Lord Berners, Langland or Chaucer as compared with those who read and think themselves forsooth intellectuals for (doing so!) Virginia Woolfe Bertrand Russell Violet Sackville-West and the rest of them?

But to come to the theme that has given rise to this protracted introduction, Mr. Cecil Gray's *Sibelius* (Oxford University Press: Humphrey Milford, 7s. 6d. net). First of all the masterly formal

arrangement of the book—the admirable schematic divisions leading through the expository *Preliminaries* in which, like the penetrating and profound critic he is, Mr. Gray expounds the racial and cultural influences and heredity of his subject in so far as they pertain, passing then to a detailed consideration of Sibelius' work, *the Music*, and then finally on to *Conclusions* of a more general nature. I do not remember ever having seen a book of this kind better nor more ably arranged, and it is a fitting frame work for the brilliance and subtlety of the detailed treatment of the Master's work that it contains, showing an imaginative insight and an artistic sympathy of the rarest kind. Particularly enjoyable is the utter destruction of the critical futilities of certain German commentators apropos Sibelius' major works, and Mr. Gray's delightful exposure of that absurd pretence, so dear to the heart of German musicians, that the Symphony is some sacred exclusive and especial province of theirs—that in fact the whole realm of music is merely a German colony, a notion as ludicrous as it is impudent. As a specimen of critical egregiousness Mr. Gray's quotation from the German critic Adolph Weissmann to the effect that Sibelius' preoccupation with Finnish folk music had prevented his attaining "true symphonic form" or some such nonsense, could with difficulty be surpassed seeing that thematic matter of this sort is practically completely lacking in his work unless it be by a gem from the leading musical journal of the U.S.A. *Musical Courier* which has succeeded in finding what it calls a workmanship "which runs to cloudiness and prolixity in Sibelius' 4th Symphony," a work unique and outstanding in all symphonic music for its formal condensation compactness, and a terseness to the point of abruptness in its concentrated laconic utterance.

Particularly interesting and suggestive is Mr. Gray's thesis, ably presented and convincingly argued, that the symphony is not a form but a style—that it is not a structure of this or that category that makes a symphony but the way of its writing, a thesis I find myself in cordial sympathy with. Mr. Gray further goes on to lay it down, and rightly in my opinion, that long trailing themes of an outwardly impressive and imposing aspect, are no necessary nor inevitable, nor even good foundations for a symphony, calling as they do for that isolation and individualisation of orchestral treatment that contradicts everything that is connoted by the word *symphony*, which is a *concert* or *consort* of instruments.

What, I confess surprised me, was to find Mr. Gray conceding, as though he considered it a legitimate basis of criticism, that there is "a certain lack of warmth, of humanity" in the music of Sibelius: I do not feel the criticism to be pertinent. This music of brooding, of magic and incantation (which Mr. Gray himself shows are in the very air of Finland and everything pertaining to it,) is by just so much the more impressive in virtue of this very fact of its aloofness or indifference to the ordinary emotional well-springs of music; by the feeling—so powerful and intense—that it belongs to a spiritual realm where these questions do not arise. More and more I question the validity of that commonplace of criticism "well springs of our common humanity" or some such, and its pertinence in any respect whatsoever in passing judgment on a work of art. It seems to me a wholly gratuitous assumption—and it is worth noticing that the great and ancient artificers of the East have never assumed it—that the possession of an alleged "humanity" confers on one work of art any sort of hierarchical superiority—other things being more or less equal, as far as they can be as between one work of art and another—over another that lacks it.

KAIKHOSRU SORABJI.

The Films.

The Film Censorship.

At the recent annual luncheon of the Critics' Circle, the Lord Chamberlain attempted a defence of the anomaly of stage plays being under an official censorship, while films are subject only to an unofficial censorship, which is, moreover, exercised by a private trade organisation whose blessing and banning are alike devoid of legal status. Unless I misunderstand Lord Cromer, his justification of the difference is that the film industry is of such magnitude that no Government department can tackle the job of censorship. If this means anything at all, it means that because the annual output of the film industry is larger than that of the stage, the former is beyond the power of a State organisation to handle. I confess myself entirely unable to follow the logic of the argument. Apart from the fact that several hundred films a year are dealt with by quite a small staff in Wardour Street, so that the task is not of such extraordinary magnitude, one has yet to learn that a Government department considers itself unable to take on new duties because they would involve an increase of staff. Lord Cromer may, of course, have been mindful of the interests of what is nowadays fashionable to call "National Economy," or he may, and I do not blame him, have no desire to be saddled with the responsibilities of a function whose exercise entails much blame and little praise, however well they are discharged. But the assertion that the Lord Chamberlain's Office, which deals far more satisfactorily with stage plays than the Film Censorship does with the screen, is incompetent to concern itself with the cinema industry on account of its "magnitude," frankly strikes me as absurd.

Apart from a number of other reasons with which my readers are familiar, there are special grounds for advocating a transference of the Film Censorship from private to public hands. The Lord Chamberlain is not responsible to Parliament in so far as concerns his authority over the stage, but as a public official he is amenable to public criticism. Not so the Mandarins of Wardour Street, who work in the dark, and are responsible to no one, not even to the trade that pays their salaries. And there is at least a possibility of the Censorship being exercised for reasons connected solely with the internal politics of the industry.

Combine v. Combine.

The possibility has arisen in this way. The film exhibitors, or theatre proprietors, and the producers—by whom they are controlled—used to hire a film at a fixed price, varying according to the size of the theatre and other circumstances. The advent of the talkie not only forced up prices, but led to the introduction of a system under which the exhibitor pays a prescribed percentage of his gross receipts, which may amount to as much as 50 per cent., with the result that by the time he has paid his fixed charges and met the cost of the remainder of the programme he may be running his theatre at a loss. For over a year this matter of film hire charges has been the burning question in the industry, and the position has been accentuated by the fact that the big circuits, which are controlled by producing concerns, pay a much smaller percentage than the independent houses that form the majority of the four thousand odd picture theatres in the country. All negotiations recently launched a successful, the independents recently launched a co-operative booking scheme, with the object of securing better terms by collective bargaining. The result to date has been that the majority of the producers, both American and English, have announced that they will refuse to rent their product

to any exhibitor who is a party to the co-operative organisation. That is to say, while it is right and proper that the closest possible combination should exist between producers, any combination on the part of independent exhibitors contravenes the principles of fair trading.

Now it is, of course, possible that this boycott threat is only a bluff, since it is rather difficult to imagine that the film makers will voluntarily deprive themselves of over three-quarters of their English market, as reckoned in number of theatres. But if the boycott should materialise, even if only as a temporary measure, the result will be that the independents will have to face a shortage of pictures. They will then have to obtain them from other sources, including Russia, and they may even be led to consider the establishment of their own studios. The possibility of any such pictures being banned purely in order to break down the co-operative movement does not seem so very remote.

Muzzling the Press.

Lest any of my readers may think that I am doing the Trade Censorship an injustice, I may refer to a new development, on which nearly the whole Press has been silent. (For reasons connected with advertising, the Press has also maintained a very discreet silence regarding the co-operative scheme.) The American and English producers have withdrawn the whole of their advertising from the two leading trade papers, which were not prepared to excommunicate the co-operative scheme, and they have for the same reason extended the boycott to one of the best known of our theatrical weeklies. Having regard to the workings of the Film Censorship, it does not require much searching of mind to forecast on which side its sympathies would lie in the event of hostilities between Hollywood and Elstree on the one hand and any new and independent producers on the other.

I need not apologise for devoting so much attention this week to the internal politics of the film industry. Without a knowledge of those politics, it is largely impossible to understand why the public is shown the films that it sees and is not allowed to see much better pictures. Since the organisation and tactics of the industry are so largely inimical to the art of the screen, something of its methods should be made known to those who regard the cinema as more than an after-dinner entertainment.

This Week's Films.

The Academy is reviving Trauberg's "The Blue Express," and is also showing "The Town of Tomorrow," a German town-planning film. "Suicide Fleet" is being given at both the Regal and the Pavilion, and the Rialto presents "A Nous la Liberté." This is René Clair's latest picture, a talkie with only about 20 per cent. dialogue, but with music and other sound accompaniment used in much the same manner as in "Le Million." "Politics," with Marie Dressler, is at the Stoll. "Condemned to Death," which I reviewed shortly after its recent private presentation, is in the Capitol programme.

DAVID OCKHAM.

Theatre Notes.

By John Shand.

The death of those ingenious authors, Mr. Edgar Wallace, will be regretted by that large body of people, his readers and audiences. I do not mean to imply, by the way, that he employed "ghosts," a charge he was naturally sensitive about and always hotly denied. I have never read any of his books except one. As a child I was thrilled by his novel, "The Four Just Men," one of his earliest efforts in "mystery" fiction. But I have seen a number of

his plays; and it is as a playwright I may appropriately speak of him in these notes. He wrote one first-rate melodrama, a story of the Chicago gunmen and racketeers, called "On the Spot"; and first-rate melodramas are as rare as first-rate works in higher levels of dramatic writing. When one considers it was only in the last few years that he turned his serious attention to the theatre, to have written a piece which excited the interest of the audience from beginning to end, and provided at least one of the actors, Mr. Charles Laughton, with a part which drew from him all his considerable resources in portraying bizarre, sinister personalities, was an achievement. This melodrama proved how quickly Mr. Wallace had gained a complete control of the technique of putting a tale over the footlights, of moving his characters on and off the stage; of moving them about the stage so as to create a feeling of excitement through the eye as well as through the ear; of writing dialogue that sounded like natural speech in the mouths of the actors—whom, by the bye, he generally chose himself and chose well. He was for a short time dramatic critic to the *Morning Post* just before he began to write successfully for the stage, and I have no doubt he secured the appointment as deliberate preparation. It at least gave him current knowledge of the capabilities of London actors—not that he was quite unacquainted with them, since from before the war he had earned money writing sketches and lyrics for reviews and musical shows. With the exception of "On the Spot," which over and above its virtues as excellent melodrama contained some incisive satire on the corruption caused by Prohibition in America, and possibly of "The Ringer," which was a good melodrama of London's criminals, the rest of the Wallace collection was mostly poor stuff, carelessly written. There would perhaps be an occasional scene which awoke one's attention, an occasional minor character—a policeman or night-club attendant—who was obviously and skilfully drawn from life, but that was all. His last play, "The Green Pack," produced the night before he died at Wyndham's Theatre, is such a dull, slow-moving, commonplace piece that I will not bother with it here.

But there was one point in "The Green Pack" that gave me some malicious pleasure. The three leading male parts are oh so very public-school, and it seemed to me that Wallace, who was proud of having risen from poverty, was possibly guying the "Cheer-up-old-man-keep-a-stiff-upper-lip" behaviour. So it made me grin to watch Sir Gerald du Maurier, despite of all his experience in utilising such parts, becoming more and more ridiculous as he padded more and more shoulders encouragingly and became ever more "gentlemanly" as villainy increased; and I grinned still more when I remembered that Wallace must have heard those rumours about Sir Gerald's strong preference for public school and university men in his productions. I might also mention here that it annoyed me to find Miss Joan Maude disporting herself in the leading female role, because this young woman continues to be given important parts for no obvious reason except that she is the daughter of a well-known actor and actress. As she grows older she may become as accomplished as her father, but certainly she is not yet capable of handling big parts. She is not a leading actress in her own right at present as is Miss Jean Forbesher Robertson, and she ought to learn her job in the usual way and not at the expense of authors and audiences.

Mr. Clifford Bax, whose new play, "The Rose Without a Thorn," was given a good welcome last week at the Duchess Theatre, may yet succeed in writing the stage equivalent to a best-seller, which will be sufficiently surprising in a playwright who

seemed at first to have doomed himself to those small audiences of superior persons who have forgotten that the theatre is either a popular art or it is nothing. His present effort tells an interesting story of some people he chooses to call Henry the Eighth and Katheryn Howard. They are both perfectly good stage figures and one is content that he should call these creations of his fancy by these names in order that he shall borrow so much of their story from history's cupboard of fact and fiction to weave a romantic drama out of them. This imaginary Tudor is one of those great lovers who have high ideals of womanhood and he is sadly disillusioned when he discovers that Katheryn is little better than one of the wicked. There are brief but trying moments when he lyricises about the rosy beauty of English maids and the loveliness of English hedgerows almost as enthusiastically as an American film star about to earn a salary in London; but on the whole one accepts this sentimental monarch. There are such people who expect human beings to live up to standards which being conceived intellectually are therefore inhuman; they are generally unmarried, however, and luckily do not have a Tudor King's power to say like Carroll's Queen, "Off with her head!" Mr. Frank Vosper gives an excellent version of the Baxian King Hal. Miss Angela Baddeley is not quite so good as Katheryn, but only because she is one of those actresses who, like Miss Fay Compton and Miss Edna Best, infuse a curiously virginal quality into their work. On the stage she is always the maiden and this quality in her gave something unreal to her confession of wantonness. This, of course, is merely a matter of whether the actress is well cast or not. Personally, I found her so charming to look at and as always so accomplished in her craft that I easily swallowed all doubts as to the truth of her alleged misbehaviour with Tom, Dick, and Harry—who, by the way, all had to be executed with poor Katheryn for having either anticipated the king in enjoying her favour or for having made him a cuckold later. If only the last act of "The Rose Without A Thorn" were as good as the first two acts I would be certain that this play would succeed. But the tale loses impetus while the author dabbles in the macabre showing us Katheryn in the Tower rehearsing her execution with the block in front of her; and it practically fades away with a picture of the Court trying to amuse the monarch on the day of Katheryn's death, and failing dismally. The courtiers choose a clownish interlude and have it played by clowns before the king. This scene would be tedious any time in the evening; as a final one it is almost disastrous. Henry and Katheryn have disappeared, and as they are the play, so has the play.

The Waterlow Appeal.

[The following extracts from counsels' speeches are taken from "The Times's" Law Reports, published on February 9 (Mr. Gavin Symonds for Messrs. Waterlow) and February 13 (Mr. Stuart Bevan for the Bank of Portugal) respectively.]

THE BANK AND THIRD PARTIES.

Mr. Gavin Symonds, continuing his address, said that the question was what pecuniary loss the bank had suffered by issuing their own notes in exchange for the Marang notes. On behalf of the bank it was contended that the bank's notes being the currency of the country, had the same value in their hands as in those of third parties, and that contention formed the basis of the judgments in the Courts below. He contended that. The position of the third party and of a bank of issue was wholly different. If the liability of the bank was to pay in gold their liability would be measured by so much gold, but if the notes were only to be honoured in paper the value of the paper was their only liability; and it had been found by the Courts below that there was no probability of a return to gold. Those notes did not in form contain any promise to pay, but, assuming a promise to pay to be implied, it was impossible to say that a wad of promissory notes in the possession of the bank was of the same value as if the notes were in the

possession of the third party. A bank note in the hands of the bank of issue was just a piece of stationery of paper worth.

One test was to see how the notes were to be replaced. The third party would have to pay the face value either in currency or services. The bank could replace the notes from their stock at the cost of the printers' bill. If the notes were burnt while in the hands of the bank, they would lose nothing; but the third party could not replace the notes except at the cost of the face value. Apart from any question of a limitation on their power of issue, the bank of issue would only lose the value of the paper.

Lord Russell: Is your argument this: that if you hand over a piece of paper—say, a note for 500 escudos—which in the hands of a third party becomes legal currency, it does not follow that the bank have lost that value?

Counsel assented. He said that in respect of the loss to the bank there was no distinction between putting a note in the hands of a third party and burning it. A bank with an inconvertible currency occupied a very peculiar position, but, like other people, they must establish their loss.

If the bank had had to contract their currency in order to meet their liability a different question would have arisen, but that had never been suggested. If the damage which the bank suffered was a diminution of their power of issue, that point was not clearly stated, and there was no evidence to support it. In any case, the measure of value would not be the face value of the notes.

Mr. Stuart Bevan, interposing, said that the bank had never put their claim on any diminished power of issue; they claimed the value of the notes.

Then, said Mr. Simonds, he was entitled to treat this as a case of a bank with an unlimited power of issue. The total result of his argument was that the bank had not proved any damage beyond the paper value of the notes.

MARKET VALUE CLAIMED.

Mr. Stuart Bevan, continuing his argument on behalf of the bank, said that at no time, with or without knowledge, were the bank not justified in paying the unauthorised notes, and the bank, therefore, claimed the market value of the genuine notes given in exchange for the false notes until December 20, 1925, the day on which the bank announced that the exchange would cease. Assuming the date taken by Mr. Justice Wright—December 16—as the date on which the bank ought to have distinguished between false and true notes as correct, the claim could be made of his figure. But, assuming that the Court of Appeal were right in fixing December 9 as the crucial date, there was no warrant for fixing the date at £300,000. That appeared to be a purely arbitrary figure and was no guide for anything, and Lord Justice Greer gave no reasons for arriving at that figure.

As to the argument for Waterlow's founded on inconvertibility, if Mr. Simonds was right in his contention as to the position of the Bank of Portugal, the Bank of England to-day were in the same position. It was rather a startling proposition that if the Bank of England were deprived by theft or otherwise of certain notes in circulation the Bank were only entitled to the cost of paper and printing. Face value had been spoken of, but the true measure of damage was the market value of the genuine notes, and at all material times they had value of a note was approximately £5. If in the ordinary way the bank had handed out 200,000 notes, whereas here they had received assets of a corresponding value, whereas here they had received nothing except worthless pieces of paper.

The general rule with regard to damages was stated by Lord Blackburn in *Livingstone v. Rawyards Coal Company* (5 App. Cas., 25) as follows:—

Where any injury is to be compensated by damages, in settling the sum of money to be given for reparation or damages, you should as nearly as possible get at that sum of money which will put the party who has been injured, or who has suffered, in the same position as he would have been in if he had not sustained the wrong for which he is now getting this compensation or reparation.

Applying that principle, the bank were entitled to the market value of the genuine notes with which they had parted for no consideration. The whole thing turned on this: that, whether the notes were convertible or inconvertible, they had a market value, and the market value of the thing of which the bank had been deprived was the true measure of damage.

By the issue of those notes the bank were without the sterling value of those notes. In the normal course the bank always issued notes for assets; here they had issued notes for no assets. The bank were under the same liability with regard to those notes as if they had parted with them for assets, and that liability was valued all over the world at £5. No liability was incurred on notes until they were put into circulation; but as soon as they were issued a liability was incurred, and for that liability the bank got nothing in exchange.

The bank claimed for the 209,000 notes what they would have received if they had issued them in the ordinary way, but here they had issued notes for which they had received nothing. The bank had been compelled to incur a liability which they had incurred. As a consequence of what happened the bank stood short in its assets. That lack was in no way affected by the fact that it was competent to the bank to issue a corresponding number of notes out of its reserve. The liability which the bank had incurred was to accept each of the Marang

notes as of the value of £5, whereas the notes were worth nothing: and an equivalent number of genuine notes had to be handed over to the customer.

The loss which the bank had sustained was by delivering these notes. The notes passing from the bank by delivery had just the same value as the notes in the hands of a third party. As long as the notes were in the hands of the bank they had a potential value only; they acquired an actual value by being issued. Convertibility or inconvertibility simply went to market value. For all other purposes it could be disregarded. On that point he submitted that the opinion of the majority of the Court of Appeal was right.

LETTERS TO THE EDITOR.

N.S.W. DOUGLAS SOCIAL CREDIT ASSOCIATION.

Sir,—This Association has completed an arduous and successful year's work.

It would be extremely difficult to estimate the spread of financial knowledge caused by the recent Federal Elections. The policy speeches of Messrs. Lang and Beasley brought the banks into the political field, and the advertisements in the papers in reply to their attacks (issued by the Sane Democracy League and such-like bodies) have made them an electoral issue for some time to come. It will be difficult for the banks to withdraw from politics now. The ideas of Social Credit, real wealth as against financial wealth, received a great deal of publicity. The "Red Menace" was, of course, used to the fullest, and the U.A.P. promised to deport all Communists. As was to be expected, the Scullin Government was defeated, and the vote generally went against each State Government in its own territory. Thus N.S.W. returned an U.A.P. majority, and Queensland a Labour majority. A cutting from the *Sunday Sun* shows that the turn-over in votes in this State was only 71,178. The Victorian Association ran a Mr. Robertson in the Queensland electorate, and he polled about 2,200 votes. The Queensland Association ran Mr. Mason as their candidate for the Lilley electorate, where he polled 6,850 votes. In this state we decided that it would be better to keep the movement non-political. However, Mr. Nelson, who stood as the Lang Plan candidate for North Sydney, the sitting member being William M. Hughes, M.P., took Douglasism as his programme, and our speakers took full use of the opportunity. In the ten days we made remarkable progress, addressing meetings up to 3,000. The result was that Nelson polled over 12,000 votes—a record for the Labour candidate for this electorate. Taken as a whole, I think the result is the best thing that could have happened. People will slowly, but surely, come to realise that they are ruled by the banks, and not by their elected representatives, as they think at present.

At present we have suspended all our operations till the middle of this month, when the holidays will be finished, and we are looking forward to redouble our efforts during 1932.

At the end of 1931 we published a cheap abridged edition of Major Powell's "Deadlock in Finance," at 1s. per copy. We expect to have a good sale for this work throughout Australia, and will introduce the Douglas System to an ever-increasing circle of people. Twenty-five thousand copies of Mr. Rhys' "Real Wealth and Financial Poverty" have now been sold.

We are in close touch with our Douglas friends in N.Z., and are informed that new branches are being formed at Christchurch, Invercargill, Oamaru, and Wellington in the Dominion. Miss King, who is Principal of the Girls' High School in Otago, has been severely reprimanded for lecturing at a public meeting on the Douglas System, and, later, asking questions at a meeting held during the recent election in the Dominion by the Minister for Finance. The Otago School Board has requested the Minister of Education to pass regulations or to legislate that teachers be absolutely barred from expressing political views, and regretted that they had no powers to deal with the matter.

ROBERT POLLACK.

Sydney, January 5, 1932.

"THE NATION'S CREDIT."

Sir,—This book is good, but it contains a mistake on page 21, para. 9.

A₁ represents rate of production of consumers' goods. A₂ represents rate of production of capital goods. Therefore for capital goods to be produced at the same rate as consumers' goods, A₁ should equal A₂; which is not postulated.

It seems to me that B₁, of the period of time under consideration, represents the A₂ of the immediately preceding

period of time. Therefore, if A₂ = B₁, capital goods must be produced at a constant rate.

This means that even though there may be a sufficiency of capital goods, they must continue to be produced at the previous rate, to maintain purchasing power; which of course is not desirable. S.

LAND UTILISATION SURVEY.

Sir,—The letter from the Organising Secretary of the L.U.S. of Britain (p. 167) was most illuminating. In all respect to the officials of the Survey who have to do their duty, may I say at the outset, that I have no quarrel with them? We all have to try and make ends meet these hard times.

I notice that the Survey is an independent organisation—I presume free from political control, as the Bankers say. It is attempting to do in a mere year or so what the Ordnance Survey and Land Valuation Department of the Government would take years to accomplish accurately. But what is the true purpose of this new Domesday Survey? It looks like another example of Bankers' lawlessness under the guise of education.

We farmers want to know how this Survey is going to help us to sell our produce and recover our costs of production. Will the survey tell us how to dispose of glut and bumper harvests, which means bankruptcy to the farmers while the produce remains to rot and people badly want the foodstuffs. Unless this Domesday Survey can answer these practical problems, it is nothing more or less than rank humbug. Its wonderful one-inch picture maps, soon to be issued, will be poor consolation to the many land-owners, squires and farmers who have become dispossessed by death duties, crushing taxation and agricultural depression.

This Survey looks very much like another "Big Idea" orphan waiting to be planted on to somebody. It is notorious that Bankers don't care and can't wait, and now it looks as if we are to be dragged into the big mechanical farm as the solution of our agricultural problem. The eldritch idea as the solution of our agricultural problem, and this trifurcation of Britain is now nearing completion, and this will be another "Big Idea" orphan to be planted on the country, including farmers. These big schemes have many admirable points in their favour, but under our present economy, it is the same as putting your head into a noose.

If there is no purpose behind this Survey, then the hordes of merry school children conscripted for this work are simply hunting for oozlem eggs. The next move will be to enlist babes in arms for the purpose of teaching parents how to suck oozlem eggs.

RICHARD HOLYOAKE.

SPENGLER AND "THE CULTURE CYCLE."

Sir,—Your correspondent, Mr. C. F. Smith, takes exception to my remarks under the heading of "The Culture Cycle," in your issue of December 10 last. I stated therein that "the passing-away (of successive civilisations) is taken (by Spengler) as inherent and inevitable, but, strangely enough, no real attempt is made to show why this should be so." I cannot admit that this in any way misrepresents Spengler's attitude. Spengler's statement that "having exhausted their possibilities they die from inward necessity" does not seem to me a real attempt to answer the riddle: it is an evasion of the difficulty. I have grave doubts as to whether the possibilities of a culture can ever be said to be exhausted: no doubt Mozart's contemporaries thought that he had exhausted the possibilities of the symphony till Beethoven proved them wrong. And the verdict, "Death from Inward Necessity" would hardly satisfy any coroner.

I do not know how Mr. Smith gained the impression that my article was intended as a supplement to Spengler's work. With many apologies for my temerity, my remarks were designed to reject his conclusions and to offer another hypothesis. I pointed out that an eternal reversion to the *status quo ante* was not Nature's method of operation, and was therefore, suspect. An alternative explanation of Spengler's facts, not open to this criticism I saw no reason to jettison, laws of cause and effect which I saw no reason to jettison, and peculiar symbolism of each culture to the operation of what we may call for convenience the "Life Force," which we know to proceed by means of "trial and error" adjustments, and the death to the growth and influence of centralised control and its implications. Ensure individual free-

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dom, and the death of the culture may be indefinitely postponed, or at least we shall have a new world in which prediction from present historical data will be no longer valid. It is already a commonplace in these columns that the Douglas Proposals inaugurate a new biological era.

Which explanation one accepts is, of course, a matter of opinion and judgment: I am still unrepentant, and prefer my own.
R. L. N.

ANSWERS TO CORRESPONDENTS.

AN INDEPENDENT CENTRAL BANK.

C. Hunt.—Your recommendation that the "Movement" should proclaim its right and intention to form a central bank independently of the Bank of England is noted. There are one or two preliminary difficulties: (a) Drawing up an agreed proclamation; (b) financing the printing and circulating of it; (c) naming the proposed directorate and executive officers; (d) acquiring premises and hiring a staff; (e) assessing the probable demand for the services of the bank. It is no use proclaiming an intention (even if full publicity would be allowed free of charge) without indicating how it is to be carried out, and inspiring public confidence in the credentials and qualifications of those who propose to do the job. We do not see how the "Movement" could succeed in this; and suggest that it is doing all that is possible by emphasising the principle that the prerogatives of the central bank properly belong to the Crown.

ON "CREDIT-REFORM" SCHEMES.

J. R. M.—We do not see any good purpose in giving publicity to all the promoters of credit-reform schemes who keep turning up. The only scheme in which we should take an interest would be one which (a) embodied the essential principles of Social Credit, and at the same time (b) showed how they could be applied in a more acceptable manner (from the point of view of either the official administrators or the public, or both) than has been hitherto thought out. Then again, supposing someone turned up with a scheme which fulfilled both tests, and calmly baptised it with his own name, we should want to know what his game was. For the effect of his putting forward his own name alone would be to isolate his following from others who accept the same principles. Why? If he liked to say: "I endorse the principles laid down by Major Douglas, but have designed a better method than he for making them acceptable and practical in administration, that would be all right, although there would still remain the question why he was starting a separate movement to push it without first seeing if the Social Credit Movement would take it up. For we are quite sure that if anyone made such a discovery, neither Major Douglas nor any of his followers would hesitate for a moment to accord him the fullest credit, and in the most public manner, for his service in giving a new impetus to the Movement."

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