

THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

No. 2071] NEW SERIES Vol. LI. No. 3. THURSDAY, MAY 19, 1932. [Registered at the G.P.O. as a Newspaper.] SEVENPENCE

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NOTES OF THE WEEK.

Inside Stuff (January 29) contains some biographical notes about President Hoover and Mr. Bernard Baruch. It says that the latter has displaced Julius Barnes as the President's closest economic adviser and most regular visitor. He has recently been interviewing congressmen and senators in both parties urging them to support the \$2,000,000,000 Finance Reconstruction measure. The President has promised to name Baruch chairman of the commission to administer the fund. The idea of the fund was Baruch's. The President backs the idea with the plea that the nation is in a "state of war" with "financial instability," and that Democrats and Republicans must "rally to the support of the Government as in war time."

"Thus Baruch, the Democrat, is the instrument of Republican politics."

"The association of Hoover and Baruch is not so strange as it appears on the surface. Hoover was food administrator for the Wilson administration during the World War. Baruch was the war president's closest economic adviser. They were associates and friends in a great crisis."

"Baruch was active in sponsoring Hoover's nomination in 1920—as the Democratic candidate. The friendship has endured during the years."

"He (Baruch) made many hasty trips to the capital during the trying days when Hoover was engaged in mapping plans for the moratorium."

Some of the above pointers, taken in conjunction with those connected with Zaharoff's secret mission* to Hoover, will no doubt assist our readers to interpret developments in the near future. The names of the principals should accordingly be memorised: Hoover, Baruch, Zaharoff, Morgan—not forgetting Mellon here in London—the International Big Five.

*There are two ways of interpreting the phrase: "war with financial instability." One is on the domestic plane where the several national banking interests are each at war with internal "extra-

vagance": the other is on the international plane where these interests group themselves to help one of their number to impose the necessary economies in that country which it is mandated to govern. But latterly there has arisen the possibility of another hypothesis, namely that there is a split in the World Banking Combine. It might be supposed to arise something on the following lines.

Let us take Britain as an example. There is much evidence to suggest that the economies already imposed on this country are automatically breeding unrest in those quarters which are best placed to spoke the wheel of the Bank of England. We mean public servants (with whom we merge bank officers), and the police force. We add to them the school-teachers, who, though not directly able to put out a foot and trip up the bankers, are the most efficient and powerful independent instrument of political agitation in the country, and can profoundly stir public opinion at least to sympathise with forms of, let us call it, passive resistance to repression. By "passive" we mean non-violent: and by "resistance" we mean all ways of indicating hostility other than electoral campaigning and voting.

Older readers will remember the Passive Resistance Movement launched by the Nonconformists under Dr. Robertson Nicholl for the purpose of mutual support in withholding from rate-collectors that portion of their rates representing the cost of education. Their protest was that Balfour had planted the Church on the rates, enabling her to apply Free Church money to the teaching of her own doctrines. Balfour had got into power, with the help of Nonconformist votes, upon the single issue (as they declared, and truly) of who should wind up the Boer War which had just been won, the Conservatives who had successfully conducted it, or the Radicals who had "done all they could to encourage the Boers' resistance, and thus lengthened the hostilities, not to speak of the expense." (That was the Conservatives' platform.) The Nonconformists' attitude was: *You have no mandate; and we won't pay.*

*Reported on page 32.

Their revolt was futile, because their passive resistance to the demand for the rate became passive assistance to the brokers who distrained for it. They voluntarily tendered them articles of plate and other valuable pieces of portable property, which were afterwards duly auctioned and knocked down to themselves and friends; and that was that. It is worth remarking here that although, a few years afterwards, they helped the Radicals under Campbell-Bannerman to overturn Balfour's Government by a record majority, they never undid Balfour's legislation. What they got instead was a silly little Bill for the disestablishment of the Welsh Church. (Did it pass? We really forget. Lloyd George, perhaps, remembers.) We may as well complete the joke. Campbell-Bannerman's victory was due to the Trade Union agitation against Balfour's letting the mining magnates in South Africa import indentured Chinese labourers to work in the gold mines. British Labour had been told that the war was to break the yoke of the Boer Republic and enfranchise the British miners so that they and the industry would develop and prosper freely and all that! The miners got their vote all right—that is such of them as were there when the war was over; but they lost their jobs. Even native labour was too expensive for the magnates—it had to be Chinese. So while Balfour had not received a mandate to subsidise the Church, it was equally clear that Campbell-Bannerman had not received one to withdraw the subsidy, or nobody could prove it. After all the electorate were not theologians, and could be presumed to be largely indifferent to that grievance. Well; in the end the Chinese went back to China, but the miners never went back to South Africa. The blacks leaked into the vacancies. But the disillusioned Trade Unions soon regained their spirits in following Lloyd George in his Great War against the Landlords, and the iniquitous burden of the leasehold system on honest traders in general and Timothy Davis in particular. (Them was the Limehouse nights!) Our sophisticated readers will see the monkey biting the cheese at every turn in the game.

Now this is a rather long digression but it is worth while as showing the true value of votes and mandates and all that sort of twaddle, and, more appositely to our subject, the innocuousness of passive resistance conducted by tiny minority-interests in Church-parade style.

It is not necessary—even if it were desirable—to exhort this or that section of the public to follow any prescribed line of resistance to the existing repression. But what is essentially necessary is that the futility of Parliamentary methods for the redressing of grievances should be taught right and left. And the appropriate people to begin are the teachers. They themselves have to be convinced first, but that is an infinitely easier proposition than convincing them of the mystery-trick in the bankers' ramp. And therefore a quicker proposition, which is of greater immediate importance. We have to dispel the superstition that any line of action which takes the form of "being a law to one's self" is necessarily wrong; and the best method is to show that Parliamentary legislation is nothing but the absent-minded legalisation of the bankers' own law to themselves. (Lord Hewart can be generously drawn upon as a witness. Rather a joke; what?) While this sort of thing persists the question for the ordinary citizen or non-banking interest is not "Ought I to act for my self-protection," but "How can I do so?" The "how" to be examined should not refer to personal and unrelated acts of futile heroism: martyrdom is no good; it may have to be chanced, but certainly should not be sought.

Given a general conviction that Parliament is letting everybody down the psychological effect will be the reverse of depressing; it will be an active stimulant to ingenuity. And the British people are quite as capable of evolving a system of extra-Parliamentary co-ordination of political activities when they see the necessity as they were of inventing Parliament itself. To assist this the Social Credit advocate can contribute a great deal. Without necessarily first clarifying the inner technical secrets of the credit system, he can declare the possibility of co-ordination without any clash between the co-ordinated interests. He can confidently affirm that nobody who takes action on his own behalf need fear that his doing so will frustrate the objects of others who are doing the same thing. If we put the bankers in their proper place there will be proper places for all of us. Presumptive evidence of this is afforded by what one may call a cross-section of the social structure of the Social Credit Movement. As readers are fully aware there is no category of social or economic interest but what we can produce someone in the Movement who represents or typifies it, and who can confidently affirm his belief that the adoption of the Social Credit System will give him the security and freedom that he wants.

Note that even if some of these could not explain exactly the technical foundation of their belief, leaving the soundness of the scheme in doubt, that would be of small weight against the demonstration that you had this consensus of belief in the promise of the scheme among a number of people of this diverse character. "Can a scheme be unsound," one can conceive the public to say, "when an employer, a workman, a tax collector, a banker, a soldier, a sailor, and so on all up and down the scale of human activity, each and all see, or think they see, something for each and all." We can go further and put the challenge: Suppose the scheme is unsound; well, is it not better to risk it in a try-out which everybody hopes will succeed and will try to make succeed, than to remain in this state of miserable soundness? That at least is what the public are likely to feel about the matter; and when they remember that according to the Gold Standard prophets last year we were all booked for the tomb if we came off Gold it's a bet they'll pinch themselves and follow their own fancy in spite of the Mansion-House tipsters.

What the public wants now is a scheme which starts with a shell-out, not with a rake-in, by the Government. Mr. Winston Churchill's doctrine that the test of a sound financial policy was its unpleasantness, however trusted in the past, cannot hold its own when the unpleasantness becomes manifestly intolerable. People, for instance, cannot go on paying taxes by selling securities and borrowing on their life-policies; nor can all their belief in abstinence carry them through the period of falling incomes and rising prices which the Press is warning them to expect. They will be ready for the New Morality of the New Economics—for the doctrine that the test of a sound system is the material benefits distributed by it, and that it is the security and comfort of the individual citizen which constitutes the prosperity and stability of the nation. That Scotsman who wrote to the paper recently complaining that Major Douglas's contemplated dividend-distribution of £300 per family was not enough showed true insight, and we hope his attitude may turn out to have been a portent of a widespread public demand for the "doings."

If and when the public realise that the issue lies between themselves and the banking interests, and that at best Parliament is merely a mechanism which

registers the points scored in the contest, they will concentrate on scoring the points, leaving the registration to take care of itself. In that case, since there are such a number of separate interests each with its own kind of grievance against the banks, and each with its own special power and method of offering resistance, there will be no necessity for useless heroism on the part of any one of them. The many mickles make the muckle; and no mickle need try to make itself the muckle. A couple of dozen small acts of passive resistance taking place coincidentally are a greater force than concerted active revolt. There is such a thing as the passive resistance of over-obedience rendered to the authorities, as was witnessed when last year (a) taxpayers rushed to pay before the official date, and (b) the municipalities rushed into retrenchments of their own on top of the official State retrenchments, and had to be held back. More things of this sort are bound to happen, and more things of another sort are bound to happen as a result of attempts to correct the earlier ones. The authorities distrust the efficacy of the orders they are promulgating, and for that very reason they are in constant danger of over-reaching themselves if they start to suppress resistance in any quarter.

As we write, the Press reports the resignation of General Groener, the German Minister of Defence. He had to resign because he received an ultimatum of two high Army Heads and an Admiral, who told him that he had lost the confidence of the Fighting Services. It is supposed that Groener's policy—or at least his method—of suppressing the Nazi organisation was the cause of this extra-constitutional intervention. Without pressing the parallel overmuch, it does illustrate the fact that any act of resistance sets the authorities the problem of how to repress it by methods which will not stir up further acts of resistance in other directions. Thus the Invergordon mutineers were let off until they did it again! Also, and on another plane altogether, the rigid rules of Finance were suspended when hundreds of thousands of pounds were distributed to stock-broking concerns who had been let down by the Hatry affair.

It used to be said by Socialists and Communists that when Capitalism found it couldn't hold its own at home it went to war. The same thing may now be true about the bankers. They seem to be showing signs of regarding war as inevitable, and of making desperate efforts to localise and manage it in the forlorn hope of salvaging their key prerogatives out of it. Assuming (which is not at all certain) that the international bankers are united in their policies, it may be that they are planning so that the alignment of opposing forces will place "sound" "unsound" nations (in the financial doctrinaire sense) on opposite sides. This is confessedly an imprecise indication of what we mean, but one application of the policy might be an attempt to isolate and attack France. In this connection it may be asked what Zaharoff—the Munition King of Europe—was called to Washington for in such secrecy to consult Hoover and Baruch—the latter known as the Napoleon of America.

However, speculations on this mystery are idle. The one thing certain is that there is now left a very short space of time in which either some nation or other shall put its own house in Social-Credit order or they shall together be swallowed up in another world-war.

Graveyard Whistling.
The Daily Mail (May 10) says that unemployment is up to 2,600,000 in spite of the new fiscal policy, but that its readers need not feel downcast because last autumn it was calculated that the figure would be 3,000,000.

The Banks and Protection.

At one of his meetings during the Marylebone election Sir Basil Blackett denied a statement that had been made that he was a Free Trader. His denial was in something like the following terms: "If I were a Free Trader would I have taken part, as I have, in conferences to frame tariffs?" (His exact words will be found in *The Times* on one of the last days of the election campaign.)

This was something like saying: "If I were against Social Credit, would I have taken a hand in organising a movement to push Social Credit?" or: "If I were an autocrat would I have taken part in the education of democracy?" The answer is in the following couplet:

Let me teach you how to rule me,
Then I'll know how I can fool ye.

The Conservative Protectionist ship is by far the largest sailing on the ocean of British practical-politics. What could the Pirates of Finance do to sink her except by coming aboard? She will be known by future historians as "The Mayflower," for the bankers have planted the May Tariff Commission on board her.

Sir Basil Blackett is a philosophic Free Trader, and he, or his financial associates, know how to design a protectionist policy that will eventually subvert Free-Trade ends. They are quite capable of frustrating the Protectionists' hopes by applying "scientific improvements" to the technique of tariff-making.

The "improvement" does not need much ingenuity to design for the reason that without any malicious motive in the case the swing-over from Free Trade to Protection would in any case be disappointing to some section or other of the Protectionist Party. Already the *News-Chronicle* is gloating over the opposition put up by Sir Herbert Austin, the motor-car manufacturer, and more recently by Sir Edward Vestey, the cold-storage magnate.

Readers will remember that when the Protectionist case began to look like becoming practical politics we said that because in the long run the merits of either fiscal system were equal it was better policy for this country to stick to the system to which her administrators had grown accustomed. This, however, is not the reason why the financial interests are interfering. It stands to reason that the change from Free Trade to Protection involves the international banks, of whom one hears so little and who have such a lot to do with international finance. For instance, there is the Anglo-Continental Bank, of which Sir Otto Niemeyer is a director. Nobody knows anything about its operations; but students of the credit system will readily realise that the changes in the interflow of trade caused by tariff's can only too easily disturb the investments of such banks as these; so that if for no other reason the banking interests require plenty of notice of impending tariff schedules and a close contact with those who are responsible for designing them. Hence Sir George May and his two colleagues.

The plot of putting these three gentlemen on the Protectionist bridge is artistically carried out because we have Sir Herbert Samuel, whose long distance policy as a Free Trader coincides with the Tariff Committee's, posturing in the House of Commons (on May 4) as a critic of this Committee and remarking that "The new tariff procedure meant that three men in a room could write our laws."

The Conservative Party have not seen this. They believe, and are intended to believe, that the Free Traders are against the appointment of this independent committee. The result is that, on the principle that it is to your advantage to assent to what your enemy dislikes, the balance of sentiment in

a Protectionist House of Commons will endorse the appointment of the May scuttlers.

Their method of procedure will be to design the tariffs so as to impose the least possible disturbance to banking and insurance arrangements and trust to the natural consequence of tariffs to the interests which have hitherto benefited by Free Trade in order to bring about a spontaneous revolt against the official fiscal policy.

The complaint of Sir Edward Vestey is that there is a danger of Dominion and home producers trying to secure control of Britain's supplies of imported meat. Presumably his objection is that the supplies will not come from the places where they have hitherto come from. Denmark and the Argentine are two such places, and it must be presumed that for certain reasons he or other interests did not wish to divert trade away from these countries. It is true, as he remarks, that a change involving a rise in the price of foodstuffs in this country would be against her interests. That might be considered if it were a question simply of imports from foreign countries or from British Dominions. But he includes home producers and therefore the logic of his argument is that British agriculture must still be subordinated to the industrial principle of buying fodder for wage-earners in the cheapest market. The interests behind this policy naturally object to a rise, because in the present condition of the wage market the workers would find it impossible to buy sufficient food without a rise in pay. There is a very good reason why financial experts should handle this tricky business of reconciling effective protection for home industries with the pegging of the price level where it is. And as things are, it must be admitted that they are more likely to avoid large and sudden lurchings in their progress than would be a committee of competing industrial interests. The moral, of course, is the Social Credit moral, viz., so long as the axioms of high finance are not challenged it is impossible to object logically to their controlling the administration of tariff policy.

It is another illustration of Major Douglas's remark at Glasgow on April 26 that whenever a grievance is to be removed the bankers butt in on the part of the aggrieved and collar the benefits which the aggrieved expect to accrue to themselves. As he said: The cheese will pass over to the monkey and not to you.

There was recently a meeting of business men who were discussing the defaults of slate club secretaries that are so familiar a feature at Christmas time. The remedy proposed was that such secretaries should be compelled by law to put their money in a bank. Happily there was a brewer present who pointed out the lack of logic in this suggestion by saying that the examination of a pass book by a committee would be no more reliable than the examination of the secretary's own books: that the trouble was that the secretary did not pay in the money he received. On the other hand, he went on, if he did pay it in the brewers, who had hitherto been the customary bankers of the funds, were not less able to look after the money than the banks. Whether intentionally or not, this brewer exposed the kind of ramp we are referring to, viz., attempted exploitation by the bankers of the correction of abuses for the purpose of increasing their own control over even the most trivial financial transactions.

The prime duty of banks, we are told, is to keep their assets fluid. It is also the duty of their partners, the insurance combines. Loans must be readily recoverable, and investments readily saleable. Both institutions have large holdings abroad, and naturally they are concerned to be the first to be protected by Protection. Their method will be one of two things: either (a) to see that British

tariffs do not adversely affect those foreign exporting concerns in which they hold stock, or, if not (b) to unload their stock "before the bottom falls out of the market." The "impartiality" of the Tariff Committee set up in Britain is really the indifference of the British Financial Directorate as to which industries gain or which lose in British territory, and, by extension, the indifference of the International Financial Directorate as to which countries gain or lose in the world. As the Rt. Hon. R. H. Brand said, "Capital knows no national boundaries," and flows where it can best assist "development."

The bankers' fundamental objections to Protection are that it is superfluous, and public. It is superfluous because it seeks to do through tariffs what can be better done (so they would say) by the exchanges. The old Cobdenite argument that movements in the exchanges automatically corrected anomalies in trade balances between countries was perfectly sound—provided bankers could not wangle the exchanges. Since the war most students have seen that they can and are convinced that they do. But in pre-war days it could plausibly be said that under free-imports Britain gained on the overseas swings what she lost on the home roundabouts. And at the outbreak of the war her huge accumulation of overseas investments was proof of the statement—if one interprets "gain" as reserve financial buying power in an emergency.

As Lord Beaverbrook is busily pointing out, there are foreign financial interests on the Bank of England. United States interests are bound to be heavily represented; and this means that, collectively, the Bank Directors and their associates can control the course of the world's exchanges. Having that control they can modify, impede, or nullify the general operation of any schedule of tariffs laid down by the May Tariff Committee. "But why should they," someone will say, "if the Committee is their own?" Well, the Committee has to tackle in the open the problem of placating several hundred hungry Conservatives; and since, in the nature of the case, they cannot cheat them of the duties they insistently demand (i.e., they cannot cook the schedules, which of course have to be published) they are put where they are to concede as little as possible, and if such concessions as the Protectionists get out of them happen to be greater than the bankers approve, they can be secretly nullified as just described.

A British Protectionist policy under cosmopolitan financial direction is a contradiction in terms. The policy cannot serve Britain until Britain controls her own credit. And then, if she knows how to control it, she will no longer need to trouble with Protection.

RT. HON. R. H. BRAND'S SPEECH.

This speech, which formed the text of last week's "Notes," was delivered by the Hon. R. H. Brand at a Conference on Disarmament and Unemployment held by the League of Nations Union at the London School of Economics on March 2, 1932, at 10.30 a.m. (See "The Times," March 3.) He is managing director of Lazard Bros. and Co.

NOTICES OF MEETINGS.

Newcastle-on-Tyne Douglas Social Credit Group meeting will be held at 4, Blandford Street, Newcastle, on May 24, at 7.30 p.m. Mr. Adamson will speak on "The Financial Muddle." Further meetings will be held fortnightly.

Major C. H. Douglas will address a public meeting to be held at the Houldsworth Hall, Deansgate, Manchester, at 7.30 p.m. on Tuesday, May 24. Title of address: "The Credit Monopoly and its Alternatives." Admission will be free, but a number of seats will be reserved. Tickets for reserved seats, at 1s. and 2s. 6d., can be obtained from the Manchester Douglas Social Credit Association, 4, Piccadilly, Manchester.

The Social Credit Press.

We record the first issue, this month, of *Front Line*, an eight-page monthly issued by the Kibbo Kift. It is intended to review the activities of this organisation, and also those of any parallel or subsidiary organisations, now existing and hereafter to be formed, which make Social Credit the object of their policy. Thus there is a page this month describing the origin of the Legion of Unemployed, and discussing and advising on its problems and tactics. May not the "Coventry Green-Shirts," the writer asks, turn out to have been the founders of a "National Green Shirt Movement"? There is an article on "Economic Nationalism," and one on "The Re-Awakening of Women." The first explains why Finance spreads about the idea that "nothing can be done in one country alone;" and the writer insists that it is precisely in each country separately where activities must be begun if they are to produce any effect. His analysis of the international "interdependence" doctrine is acute and clear. The second article is particularly valuable since it lays emphasis on the fact that political success is not the same thing as economic success. The writer broadly surveys the old "Votes For Women" movement and draws the same moral as has often been drawn in *THE NEW AGE*. We consider this an important subject to discuss in connection with Social Credit propaganda because potentially women are more responsive to realistic economic teaching than are men—in fact not a few good male advocates and exponents of Social Credit were brought to the penitential form by their wives. It should not be difficult to show any woman of average intelligence that the financial interests bestowed on her political equality at a price. For when they lifted women up to the political status of men they commenced to let men down to the economic status of women. In the old days the cry "Equal work, equal pay" echoed through the land. "Certainly, my dears," said the bankers to themselves; "we'll cut the men's pay." The process is not completed yet; but something worse has supervened, which is that the depression of purchasing power in general has gone so far that inequalities in particular rates of pay are hardly worth the trouble of agitating about. What does it matter that the boy gets 6d. and the girl 4d. if the minimum cost of their urgent needs is a shilling? No; the cry now must be changed to "Equal citizenship, equal national dividends." Secure that, and then, instead of splitting on a paltry tenpence, the two will pair up on five shillings; and while he goes out and teaches other people's children she can teach her own children in her own home. Pundits are at present ascribing the increase in crime to the slackening of parental control over boys when their fathers were away at the war. We would like to know how an out-of-work father is to control the son who has taken his job—for, if this picture is premature it is prophetic; or would be if the logic of the financial system could be worked out to its conclusion in terms of life. That is impossible; but a great effort is needed from those who know what is wrong to prevent the impossibility from being made manifest in terms of catastrophe.

The main article, by John Hargrave, has as its text an account in a Canadian paper of a public ceremony in Quebec where a toy steam shovel was buried to symbolise the Government's rumoured intention to scrap machines to employ manual workers. He compares this with primitive ritual where disease, ill-luck and other unpleasant things were banished by the ceremonial burning of a model. From that he develops an exposure of the magic-working devices and pretences of modern finance. Thus when the "shaman" of the "Ghost-Shark Tribe" beat his drum and spat in the air he caused rain to fall. ("Imitative magic" as Dr. Frazer describes such ritual.)

"You remind him that on many occasions the rain did not come, and the people starved to death during the prolonged drought. 'But that,' says the simple soul, 'was because some of our young men had removed the taboo-post from the Ghost-Shark Lodge. Umkaboola, the Ghost-Shark Spirit, was angry. He stopped the rain as a punishment. The shaman explained this to us.'

"So it is with your faith in the Credit-fakers. 'After all,' you say, 'if we had only obeyed the taboo—if we had only restored (or abandoned) the Gold Fetish, trade and industry would have recovered. The bankers explained this to us.'"

Curiously enough, within a few hours of reading this article we came across a letter in *The Times* (May 12) signed by Lieut.-Col. the Hon. Arthur Murray, of Brooks's, St. James's. In the course of it occurs this statement:

"Last year the appointment (followed by the recommendations) of the May Committee saved the nation from financial and economic disaster."

Three cheers for the May-totem-pole. Presumably the gentleman sees, or thinks he sees, the rain falling. But then again he seems to think it is not, or not fast enough, because he asks if the shaman could not be invited to come out and spit some more.

"Why should not the example of the appointment of that committee be followed?"

Why not, indeed? Let us have out the whole school of shamans spitting in relays? If you can only keep them at it long enough you'll be sure to see it rain again if you don't look.

We put it to this gentleman that if he is honest with his memory he will be obliged to confess to himself that last autumn he believed just as implicitly in the Gold-Standard totem as the one and only rain-getter. Well; some "young men" or other (they say it was Frenchmen) removed it; yet we got the rain all the same—or so he asserts, or doesn't.

Events of the Week.

1932. (Compiled by M. A. Phillips.)

- May 7.
Assassination of M. Doumer.
Financial Crisis now in middle of general default-stage.
Flight from the \$ resumed.
U.S. Steel Corporation cuts salaries and wages by 15 per cent.
Failure of international cotton-restriction plan.
- May 9.
French elections (second ballot). Radical majority of about 100.
- May 10.
Unemployment in Britain up by 85,000; in Germany down by 300,000 in one month.
New silk duties.
Churchill, Horne, and Amery advocate inflation in the House of Commons.
Further rioting reported in New Zealand.
- May 11.
Chamberlain hints at raising prices by monetary means.
M. Lebrun elected French President in place of M. Doumer.
Termination of cotton wage agreements.
U.S. Congress insists on inflation for public works unemployment-relief. Hoover declines to accede to this.
Gates McGarrah, Chairman of B.I.S., talks of evils of tariffs and interdependence of nations at annual meeting of the Bank.
Gilt edged boom continues—Debt Conversion now talked of semi-authoritatively.
- May 12.
Irish Oath—Ireland not to have fiscal preference if Oath Bill passes.
Irish Budget—heavy new taxation.
Bruening: "Reparations will not be resumed."
Jugo-Slavia—Revolutionary activity.
Bank Rate reduced from 3 to 2½ per cent.
- May 13.
Receiver for Waring and Gillows.
Hoover gives way: big grant on loan basis for unemployment relief works.
Lang Government dismissed by the Governor of New South Wales, Sir Philip Game.

The Beaverbrook Credit-Scheme

In the *Sunday Express* (May 8) Lord Beaverbrook continues his attack on Mr. Montagu Norman, and with so much virulence that one must presume him to have the moral support of influential banking sentiment behind him. "Let us contemplate," he says, "the launching of a well-organised movement to drive the foreign bankers off the Board of Direction of the Bank of England." He says that while "we cannot force the Directors to remove him (i.e., Mr. Norman) "we can raise an agitation among the shareholders of the Bank of England." And he continues: "The shares of the Bank are like those of any other bank—They are in the hands of members of the public." Lastly he says: "We can force a change of money policy by persuading Mr. Chamberlain, the Chancellor of the Exchequer, to give us cheap money and plenty of it. He can do it. He can do it by increasing the Ways and Means advances at the Bank of England." (Our italics throughout.)

We hope no follower of Social Credit will be deceived by the close resemblance between Lord Beaverbrook's sentiments and those they are familiar with in THE NEW AGE. Major Douglas forecasted years ago that when the banking interests could no longer ignore the Social-Credit attack they would produce an alternative policy popularly indistinguishable from Social Credit. We do not suggest that Lord Beaverbrook is conniving at the deception of such public opinion as is inclined to back Major Douglas's policy; in fact we are ready to believe that he has very little notion of the fundamental change contemplated in that policy, and honestly considers his policy superior. But if good intentions pave the road to hell, bad methods steepen its gradient and grease its surface. And so, when Lord Beaverbrook, as he does, uses the analogy so frequently used by our supporters, namely that of the railway company which has trains, drivers and so on but stops the trains running because it has run out of tickets, it by no means follows that the reaction of public opinion will be favourable to our practical policy just because it applauds our analogy. If Lord Beaverbrook had stopped short at the analysis conveyed in it we could have made something of his teaching; but he has made it an argument for a purely inflationist policy. In the analogy as we have used it the held-up would-be travellers in the station were representative of private consumers—people outside industry waiting to buy goods from industry and take them right out of the market. But in the Beaverbrook context they can just as well figure as manufacturing and trading interests waiting to make and exchange goods within industry; and, indeed, one is forced to put that interpretation on it when one reads the moral "cheap money and plenty of it." The word "cheap" at once marks the money as borrowed money and borrowed at interest; hence borrowed to earn profits through sales. Again, in almost consecutive sentences Lord Beaverbrook speaks of getting Mr. Chamberlain to "give" money to "us" (whom ever that may be) which he is to borrow from the Bank by "Ways and Means advances." No Chancellor of the Exchequer can give away borrowed money. So all the money must be lent; and if lent, lent above the heads of consumers, who will only handle such proportion of it as is paid out in incomes by the borrowing industrial interests. Lord Beaverbrook's scheme is what we know as a "Producer Credit" scheme. It is technically worthless, and any political agitation based on it a waste of time in which no supporter of Social Credit should participate.

Land-Confiscation.

Mr. J. E. Cowie, President of the Land Agents' Society, 12, Little College-street, S.W.1, writes to *The Times* of May 3, with suggestions for altering the method of levying Death Duties. He gives cases of three estates in which the following percentages of their value were paid in taxes in the times shown:—

- Sixty per cent. in 12 years.
- Thirty-three per cent. in 3 years.
- Thirty-three per cent. in 10 years.

In case (a) the owner had also contributed more than half his income in taxes. Case (c) was purely agricultural property, and adequate capital for repairs is no longer available owing to the heavy incidence of the Death Duties.

Mr. Cowie's suggestions are three:

- That owners should be allowed to pay Duties by instalments in advance during life. A life-insurance policy does not meet the case, because the value of the policy is added to that of the estate at death for computing the duty!
- That the duties should be levied on some sliding scale so that the shorter the interval between the deaths and successions the less the amount to be paid in taxes.
- That the present principle of valuation should be modified so that those estates which are more difficult to sell as complete estates (i.e., the large properties) should be charged more lightly than those which are readily saleable. No distinction is made at present between a 50,000-acre estate and a small holding.

One's immediate reaction to these modest suggestions and the facts supporting them is to wonder what the followers of the late Henry George think they have to grumble about in regard to the Land-lord.

Mr. Cowie is not asking relief in the burden of taxation generally but redistribution of its incidence on various sections of ownership. It may have puzzled him and other members of the Association that the reasonable adjustments he submits to *The Times* had not long ago been voluntarily incorporated in the system by the Government. The answer to the puzzle is to be found in the high financial policy underlying the system of land taxes of all sorts. The whole point is whether the intention of the policy in regard to death duties as levied upon big estates is not that of producing the very consequences which Mr. Cowie seeks to avert; that is to say, whether the intention is not to prevent the heir to a large estate from clearing off his liability for it without breaking it up.

For some light upon this fundamental question we recommend Mr. Cowie to study a book called "The Social Significance of Death Duties," published a year or two ago by Noel Douglas. This book is an adapted translation by Sir Josiah Stamp (who may be considered as representing high-financial policy) from the works of Professor Rignano. Professor Rignano's idea is to increase in a steep progression the incidence of death duties at every succession with a view of extinguishing the estate within, say, five generations. The following passage indicates Professor Rignano's idea:—

"He contends that while all the property acquired by an individual during his life and by his own exertions should be virtually free from taxation, that part of the estate which he has inherited from someone else should be subject to heavy taxation. By increasing the rate according to the degree or time of acquisition, the result would be an automatic turning over to the Government of a continually increasing fund of capital."

Commenting on this passage Sir Josiah Stamp says:—

"Third, it is directed to those who would use the fiscal engine for purposes beyond the fisc, and avowedly for socialistic aims, either to redistribute individual wealth, or to accumulate State wealth. It is not necessary for one to share Professor Rignano's ambitions under the third head—indeed one

The Waterlow Judgment

Lord Macmillan's contribution to the Lords' Judgments concluded with a departing shot at Mr. Gavin Simon's main argument. It reads as follows:—

"In parting from the case I cannot refrain from observing that the fact that a sum of nearly half a million pounds has been recovered by the Bank from the conspirators gives occasion for a comment on the leading contention of Messrs. Waterlow and Sons that the Bank lost nothing by issuing its good notes in exchange for spurious ones. The conspirators constituted themselves an illegal bank of issue for the spurious notes which cost them nothing but the cost of the paper and the printing, yet they seem to have made half a million sterling, and probably much more, by the issue of these notes. Why, it occurs to me to ask, should it be said that the Bank would not equally have received value in return if it had issued a corresponding number of genuine notes in ordinary course and that it has been deprived of nothing by having had to issue them gratuitously?" (From a full official report of the Judgments published by Messrs. Travers Smith, Braithwaite and Co., 4, Throgmorton Avenue, E.C.2, transcribed from the shorthand notes of Cherer and Co., 2, New Court, Carey Street, W.C.2, and Harry Counsell and Co., The Gateway, New Court, Carey Street, W.C.2. No price is stated; and probably the publication is not intended for sale—though it might be procurable on application.)

With all respect to his Lordship, we humbly submit that he has missed the target. Let us call a hypothetical expert witness from the Bank of Portugal and, on the supposition that the above reasoning was part of his statement of evidence, cross-examine him on it.

- Your statement is that Mr. Marang's gains, accruing from his issue of notes, could have accrued to you had you issued the notes instead?—Yes.
- And on that you claim to have lost the face-value of the notes issued by you to replace his?—Yes.
- Let us examine the process on the basis of a token figure, say a £10 note. Mr. Marang obtains this note from Messrs. Waterlow for nothing and takes it to Portugal?—Yes.
- He uses it there for purposes of gain?—Yes.
- Chiefly by buying securities?—Yes. But whatever he bought would bring him an asset of the face value of the note.
- You will agree that the principle of your submission can be illustrated just as well in respect of Mr. Marang's purchase of securities as by any other kind of purchase?—Yes.
- So we will assume he buys a Bond of some sort for £10, giving the bondholder the illicit note in exchange. Is it your contention that that bond is now his personal property?—Yes, but he founded a bank, and the bond became an asset of the bank.
- Let us call it the Marang Bank. As you now submit, the Marang Bank issues a note and acquires a bond, thereby gaining an asset of the value of £10 for nothing?—Yes.
- Now, applying the rules of accountancy governing such banking transactions, how would this transaction be recorded in the books of the Marang Bank?—The bond would be entered as an asset under "Investments."
- What would be the corresponding entry on the other side of the balance-sheet?—Well, in the circumstances he would have to create an account, calling it "Reserves," or, perhaps, "Paid-up Capital."
- Of the two alternatives you will agree that the second would be the more suitable for a balance-sheet that was going to be published?—Yes, for a public balance-sheet; but the Marang Bank was not going to publish one, and even if it did there was no necessity for it to observe any proper accountancy rules.
- But the point we are seeking to elucidate is this: What would the accountancy rules applicable to the transactions of your own bank require of the Marang Bank?—Disregarding the fact of the anterior illegality, naturally the rules would require the asset to be balanced somewhere, and I agree that an entry purporting to represent paid-up capital would best meet the case.
- It would have this advantage, would it not, that the figures, if published, would appear to mean that certain persons had subscribed £10 of capital to the Marang Bank, which had invested that capital in the bond?—Yes.
- While the fact would have been that the said shareholders—presumably Mr. Marang himself—had acquired beneficial ownership of the bond for nothing?—Yes.
- They had in effect made £10 profit by issuing the illicit £10 note?—Yes.
- Generalising, you are saying that the Marang Bank

may be quite hostile to them—in order to assess the value of his principal idea for the purposes of the first two objects above mentioned" (i.e., levying of death duties as a "valuable part of our fiscal system," or as a special tax for the express purpose of the "redemption of debt").

Readers acquainted with Major Douglas's analysis of the credit-system, and of the politics of the Mansion-House interests who preside over it, will here see proof of the point he made in his speech at Glasgow on April 26 regarding what he referred to as the "capitalisation of an attack upon privilege," which was that the reversion of the privilege never accrued to the people who agitated against it. It is clear from Sir Josiah Stamp's remarks that while he has no sympathy with Professor Rignano's third objective, viz.: to redistribute individual wealth, he is quite willing to back the taxing policy designed by the Professor to attain that objective. These are his words:—

"One may be entirely out of sympathy with his desire to secure progressive socialization of wealth, and yet look, in the milder application of his principle, for some amelioration of the economic drawbacks of the present taxation system" (our italics).

This illustrates the old proverb about "the slip between the cup and the lip" or, as Major Douglas expressed it that "the cheese will always pass over to the monkey and not to you." The position is like Wagner's presentation of Wotan, who was very willing to recover from the thief the gold of which he robbed the Rhine Maidens but who took care when he got it that he did not restore it to them. Thus it comes about that after generations of confiscatory taxation applied to British land ownership the economic condition of agriculture and the people engaged on the land has not visibly improved to any degree, and some may say has visibly declined.

The moral is that drawn by Major Douglas at the meeting referred to, that it is no use trying to persuade any elected Government to deal with fiscal or any other financial anomalies, whether by reasonable argument or by the pressure of voting. What practical alternative there is, as he frankly said to his audience, he could not suggest, but whatever that alternative may be it will have to be the product of consultation and co-operation between many different interests which have hitherto been antagonistic to each other. Happily such co-operation has been rendered feasible by Major Douglas's credit analysis and can be appreciated by those who study the scheme for Scotland which he contributed to the *Glasgow Evening Times* of March 11th.

The Dismissal of Mr. Lang's Government.

Mr. Lang has scored by compelling the bankers to dismiss him. We have consistently maintained that the present Commonwealth Government was a pantomime animal—Niemeyer and Lyons performing within the Kangaroo's skin of democratic constitutional form. This last event has twisted the animal up; and the face of Niemeyer and the feet of Lyons are unmistakably modelled in its tightened skin. The "democratic" deceit is on the point of bursting. Lang's policy was technically and politically vulnerable to criticism; but even if not—if he had adopted Social Credit—the same result would have taken place. We have no space to repeat our arguments now (at this late moment when the news is just to hand). Readers in Scotland, Canada, New Zealand and South Africa can point their moral to the democracies of those countries. Lang has been dismissed for breaking the law of a cooked Constitution. It is nonsense to talk of Federal "mandates"; for once granting that the bankers have power to compel an appeal to the electorate whenever they like, then they are bound to get the verdict they want.

Zaharoff and Hoover.

Extracts from Inside Stuff (U.S.A. publication), January 29, 1932.

"The power behind the Old World Powers—the biggest munitions man in all Europe—is Sir Basil Zaharoff, the 82-year-old 'mystery man' of Britain."

Discussing a recent meeting between Zaharoff, Hoover and J. P. Morgan Jr. *Inside Stuff* says:—

"All along the route, from his vast estate in England to the colonnaded Presidential home in Washington, Sir Basil's presence was so scrupulously guarded that even those who were charged with the business of assuring his incognito are still unaware of his real identity.

"The voyage across the Atlantic was made in Morgan's private yacht, the richly appointed *Corsair*. The secrecy enveloping the trip may be gauged by the fact that the *Corsair* got clearance papers direct to the Potomac River. Disembarkation was at a point near the capital from which the visitor was rushed to the White House by automobile under cover of darkness and with Secret Service men posted all along the route to clear the way and assure that no accident should reveal to the world that Sir Basil was not at home in England or at his villa in Monte Carlo.

"Sir Basil Zaharoff is reputed the richest man in Europe. His fortune is conservatively estimated at \$100,000,000. His interests, limited to war munitions and supplies, extends into nearly every country.

"Although he does not gamble, he at one time owned Monte Carlo where he still has a villa at which he spends much of his time.

"His acquisition of the title of Knight of the Grand Cross of the Bath, one of the most coveted prizes within the power of King George V. to bestow—only twenty-one of them are in existence—is a mystery which England has been trying to fathom. It was awarded to the munition king on recommendation of David Lloyd George, then Prime Minister, for 'services rendered.' The services were concessions in the furnishing of ammunition.

"About three years ago, during the 'epidemic' of memoirs of the war by those who had had a leading part in it, Sir Basil burned all his diaries. In them he had recorded happenings of each day with his comments. A French newspaper had offered \$5,000 for a single page of any of them. The Zaharoff library holds more facts about the secret history of modern Europe than any other existing record."

The Douglas Social Credit Association (N.S.W.).

REPORT.

Our Association is making rapid progress—fourteen new branches will be formed during the forthcoming three weeks in N.S.W. Our twenty-five first-grade lecturers are doing great work. Some nights we have six meetings going in different districts at the same time. Our Head Office has an honorary staff working full time, so that a large organisation is now in operation. We have District Councils in many Federal constituencies all producing well-trained speakers and propagandists. The feeding of our country press entails a large amount of literary work at our headquarters. Our central classes and weekly lectures are well attended. A large volume of public opinion is in formation in N. S. W. Members of both political parties are becoming concerned as to the effect of the Douglas vote at the next elections. Our Ways and Means Committees have been instructed to find larger premises in the centre of Sydney so that mid-day meetings can be held and reading rooms made available where our members can meet daily. A monthly bulletin is being prepared to co-ordinate the work of our branches with headquarters. The N. S. W. Juniors had a successful dance and social on April 11 at the Hunter Cafe. On April 21 in the Royal Empire Rooms a Musicales and Supper will be held, the music will be under the direction of Professor Randall Woodhouse, and a large attendance is anticipated. These social functions are helpful in supplying funds for our propaganda. The second cheap Australian edition of the "Deadlock in Finance" is now ready for sale. We had visitors to Sydney from our country study-circles at Parkes and Tamworth during the month, also visitors from New Zealand. Our President, Mr. McReaddie, who is recognised as one of the most capable exponents of Douglasism in Australia, is preparing a series of articles dealing with the immediate practical application of the Douglas proposals in Australia.

Social Credit Lecturing Technique.

AN EXPERIMENT.

II.

[Conclusion of Social-Credit experimental lecture discussed last week.]

5.—CREDIT.

The essence of Major Douglas's proposals lies in finding new uses for the very powerful force known as credit. Just as steam can be used for other purposes than driving a steam engine, so can credit be used for other purposes than financing production.

At one time in history there were no restrictions on the issue of credit; any country gentleman could issue his own promissory notes, and these would pass freely locally as money, so long as people believed in the gentleman's honesty and stability.

Such notes were really drafts on the communities' credit, depending for their efficiency on the fact that there was general productive activity going on, with people ready to provide each other with goods or services. There was no nonsense about gold in them.

Unfortunately, these country gentlemen were dabbling in something mighty and powerful which they did not understand, and the results were sometimes very awkward; they were called inflation and can be studied in the text books. Consequently all sorts of legislation was indulged in, some of it a little panicky, until finally, for what no doubt seemed excellent reasons, the monopoly of note issue was given to the Bank of England. For a long time it was thought that as a result no banks would be able to carry on business successfully in London. Nevertheless, it was found to be possible, though the reason is seldom given.

The fact is that by allowing their customers to write cheques on current account and overdraft, and by other means, and by making arrangements with each other to cancel out at the clearing house, the banks can issue credit to an amount which they voluntarily limit to about ten times their actual cash.

It is still the communities' credit and not the bankers' credit, although we have allowed them the sole power to issue it. And it costs practically nothing to make! It is as easy to write £1,000 as £10.

Now we see no particular reason to disturb the monopoly of issuing our credit, but abundant reasons for altering the rules both of issue and of recall.

Since credit belongs to the whole community and can exist only by reason of a stable community capable of producing and consuming a sufficiency of goods, it is evident that we might empower the banks to do either or both of two things:—

1. To issue credit to individuals for the purpose of production, as a loan from the community and therefore repayable.

2. To issue credit for any purpose which might serve the interest of the whole community as a right, as something to which the community is obviously entitled, and which need not therefore be paid back into its own common fund.

Please remember this second point as it will be needed when we come to the proposed remedy.

6.—THE REMEDY.

If we now review the situation it will be found that we have most of the ingredients for the achievement of our objective, which is to facilitate the production and delivery of goods and services as, when, and where required; and to do so with the least disturbance of existing facilities.

Thanks to science and co-operation there exists actual abundance of all the necessities of life, and a reserve of still greater potential abundance.

As an inducement to produce and a means of distributing the product, money having proved inadequate, we have credit, an almost costless device which, being a measure of the public ability to deliver goods and services as, when, and where required, belongs to the public.

But we have a chronic shortage of purchasing power in the hands of the public, so that all the abundance lies rotting.

Obviously we must put the necessary purchasing power into their hands, and there are more ways than one of doing that, just as there are all sorts of terms and conditions we could make. We could give them some money on condition that they built a battleship for the Chinese, or made some cotton machinery for the Argentine—provided they could sell it.

We could just give them money without any conditions at all, which might lead to complications, such as rising

It is not proposed to do either.

We could give them the money more safely provided we could get control of prices and stop them from rising, and there are two ways of doing that:—the first way is by machine-guns, and might cause distress in industrial circles; the second is by making it worth the producers' while to agree. And that is the first step towards the remedy, and this is one way in which it could be done.

We could say to all retailers, "Make up your prices to include all your costs plus a reasonable profit, and then sell your goods to the public at a discount of 25 per cent.; if you will do this we will give you the 25 per cent. balance. In this way you will get 75 per cent. from your customers and 25 per cent. from us, and your customers will have enough left to buy more goods from you or from someone else, up will go your turnover and you will make more profit as a result." That would make it worth their while to agree, and we should have done quite a lot towards our objective.

a. Everybody would be able to buy more of the abundance of goods available.

b. Everyone's money would be worth more, which is quite as good as having more money.

c. Our money being worth more we should have an advantage in foreign exchange.

d. We have got control of prices and of price-making; that is to say, prices would be made up of cost plus an agreed profit, and reduced 25 per cent.

You will see that we have nearly reached our objective, but not quite, as we have not dealt with the people who are not capable of productive work, or who are not required through mechanisation. Not only have they a right to live, they are also valuable as consumers of the increased production from the machinery which has displaced them.

But since we now have prices controlled, it is a simple matter to give them the money which is their effective right to consume; and please note that if we give people money as a right and not as a dole, any money they can earn from employment is additional income.

In principle then the remedy proposed is first to obtain control of prices and pricemaking by offering producers a subsidy in order to reduce prices; and second, to pay a national dividend so that no one is dependent on work for the absolute necessities of life, but only for the amenities of life, and even the latter in an ever-decreasing degree as the dividend progressively replaces the wage.

We need not bother ourselves at present about the administration of these principles, any more than the inventor of income-tax had to bother about the machinery of collecting it. If it is worth doing it can be done.

We know where the money is to come from, the communities' credit, which should be theirs for the asking; so that all we need worry about is how much credit is available for these two purposes.

The answer to this is the margin between the nation's productive capacity for any period of time, over its actual consumption for the same period. Statistics are available now for a rough conservative estimate to be made, and it would not be long before the Treasury could publish a periodical statement of absolute accuracy, just as it can now furnish the figures on which the Chancellor bases his Budget.

Human Sterilisation.*

The aims of compulsory human sterilisation may be summed up under three headings: (1) Eugenic, (2) Therapeutic, and (3) Punitive. In America, that Dark Continent given over to the devil-worship of Go-getting and Progress, all three aims have provided an excuse for sterilisation, and in this book Dr. Landman has gathered together all the available data as to its effects and possibilities. The punitive motive is so barbarous that even in America it has caused much heart-searching, and a Bill introduced into the Fifty-fifth General Assembly of the Missouri State Legislature in 1929 for the sterilisation of persons "convicted of murder (not in the heat of passion), rape, highway robbery, chicken stealing, bombing, or theft of automobiles" was defeated. Nevertheless, many sodomists, rapists, and sexual perverts have been sterilised. To what end, one wonders? For the boast of the modern technique is that, unlike castration, it does not interfere in any way with the individual's sexual life.

The therapeutic claims made for sterilisation are that many mentally defective or insane patients might be so much improved by the operation that they could be set free from institutional imprisonment and return to their homes. Yet, after a careful study of the results so far obtained

*"Human Sterilisation." By J. H. Landman, Ph.D., J.D., J.S.D. (The Macmillan Co. New York. 4 dols.)

could convert illicit notes into clear profit to the amount of their face value, whether £10 or £1,000,000?—Yes.

17. Now, by Question 1 you state that the gains accruing to Mr. Marang were a measure of the gains that could have accrued to the Bank of Portugal if it had issued its own notes to the same amount as he?—Yes; but when I said "could have," I meant only technically; not legally.

18. Take the point of legality first; is that relevant to the question and measure of your loss? If anyone gains by breaking the law, cannot everybody else who forgoes such gains by keeping the law plead loss?—Yes, but the circumstances are peculiar; for the Bank of Portugal had to issue notes to retire Mr. Marang's.

19. Yes, but that takes us into the technical aspect of the matter. What applies here is this: Did you receive legal dispensation to issue your notes?—Yes.

20. So your answer to question 17 means that whereas you could legally issue notes you could not legally convert them into commercial assets for your own benefit as did the Marang Bank?—Yes, the notes are in our custody but are not our property.

21. As they pass, in normal circumstances, from your custody into circulation, your duty is merely to record the issue in your books?—Yes, but we have to use our judgment as to the advisability of the issue.

22. In what way?—If we issue a £10 note, whether as a loan or a purchase of property, we create a new liability against ourselves.

23. Referring to question 7, where the Marang Bank bought the bond; and to your answer to question 10 on the accounting of the transaction: how would your accounting differ from his supposing you buy a bond?—On the assets side we should show £10 as "Investments" as he did, and on the other side we should show, not Bank's reserves or pretended paid-up capital, as the Marang Bank would; but a liability to depositors in the sum of £10.

24. Why?—Because the seller of the bond would deposit the note with some Portuguese bank, and that bank would incur a liability to him and look to us to cover it.

25. Why you?—Because we are the central and sole Bank of Issue for the Kingdom of Portugal.

26. It would seem, then, that in the case of the Marang Bank, it could issue a £10 note and leave the holder to deposit it with another bank and ultimately with you.—Yes, the Marang Bank would get an asset without a liability, while we would get a liability without an asset.

27. We see in your statement this passage: "The conspirators constituted themselves an illegal bank of issue for the spurious notes which cost them nothing but the cost of the paper and the printing, yet they seem to have made half a million sterling." Upon that you base the contention that you could have done the same if you had issued the same number of genuine notes "in the ordinary way."—Yes.

28. But "in the ordinary way" means the legal way?—I agree that this phrase is careless. I should put it in another form and say that we could do the same as Marang did if we concealed the transaction from the public.

29. The reason why the Marang Bank "made half a million sterling" was because it secretly converted new notes to its own gain.—Yes.

30. That was illegal?—Yes.

31. We put it to you that the reason why this secret conversion is illegal is because open conversion also, of that sort and to that end, is illegal? The right to get something for nothing belongs to everybody or else to nobody?—I agree that no private institutions or persons should appropriate the proceeds of such transactions to their own profit.

32. Can we put it this way: That while the Government does not forbid you to do this, you do not do it?—Yes.

33. You say in your statement that because you have issued genuine notes to replace the Marang notes you ought to "receive value."—Yes, receive value, but not appropriate it to our own gain.

34. But if your receiving it is not to result in your own gain how can your failure to receive it result in your own loss?—I think that we must be regarded as suing in the character of trustees for the Portuguese community.

35. But in that case it is they who have suffered loss and should "receive value" to retrieve it. Can you prove and quantify such loss?—Yes, but the process would be complex and lengthy.

36. At any rate we now have reached this position: That the action of the Marang Bank, according to your contention, has resulted, is resulting, or will result, in loss to the Portuguese community. Is that so?—We intervened to suspend the loss.

37. And your intervention has cost you the same as the loss suspended?—Yes.

38. And that loss may yet fall on them if you do not "receive value"?—Yes; either the public or ourselves will have to bear it.

and a comparison with those obtained by a "psychological reconditioning of the patients through the routinisation of an institution, together with a reasonable system of parole," Dr. Landman comes to the conclusion that "the sterilisation operation itself has little, if any, therapeutic effect on the patient."

Remains then the eugenic motive. The strength of the eugenic claim lies in the undoubted fact that both mental instability and mental deficiency show a distinct tendency to be inherited. It is far from uncommon to find several members of a family as inmates of any of our institutions for such unfortunates, while, reluctant as relatives are to admit the "stigma" of insanity in the family, it is usually possible to obtain a family history of mental abnormality in a fair proportion of cases (some 30 per cent. to 40 per cent. in my experience).

Well, then, say the Eugenists, is it not imperative to sterilise these "cacogenic" types (what barbarous words they use!), and so prevent the appalling rise in the tide of social incompetency which threatens to overwhelm us?

But, suppose we grant them this for the moment and provisionally, we find that the problem is by no means solved. Indeed, the further we go the more difficult it becomes. The trouble is, first to catch your cacogenic type. You may sterilise all the unfortunates at your mercy in institutions, but since the majority of these would not have been liberated in any case this can hardly have much effect on the rate of increase of such people outside.

In order to check this increase it will be necessary to run amok in society with a gelding-knife, and it will also be necessary to sterilise not only borderline psychotics and mental defectives, but apparently normal individuals as well.

To quote Dr. Landman again: "P. Popenoe has discovered that the fecundity of the mentally diseased is comparatively low. The married mentally diseased woman in California will produce a living child only as infrequently as every fifteen years. Only one-sixth of these married females will produce enough children to increase the size of their group. The perniciousness of it all is that most of the psychotics are born of normal parents, who may or may not be . . . latent carriers of mental disease determiners in their germ-plasms."

Mental deficiency, of course, differs entirely from insanity both in its characters and from the point of view of inheritance, yet Dr. Landman tells us that "in the main the sterilisation of the obviously feeble-minded, though it has a certain diminutive effect, far from solves the problem of eradicating the ever increasing wave of the socially inadequate."

Is it not true to call a halt to this ignorant maiming of human beings and to admit frankly that, for practical purposes, we know nothing whatever of the laws of human inheritance. Mendel, it is true, taught us something about beans and peas, but it is sheer folly to generalise from such slender data about the infinitely more complex human problem.

After all, how are we to decide what is most valuable and worthy to be selected for human breeding? There, if anywhere, the saying about the stone that the builders rejected is most worthy of remembrance.

But it is astounding how few people can see the problem in this light. Almost everyone seems to be obsessed by the fear that if these mental misfits increase we shall soon be short of workers or soldiers. Even Dr. Landman's shrewdness and balance seem to forsake him here, for he has a chapter on the economic waste of mental disease, in which he calculates not only the "loss" to the community in wages and salaries paid out to individuals for the building, upkeep, equipment, and administration of mental hospitals, but also the loss accruing from the productive incompetency of their inmates. One would imagine that America had never heard of under-consumption or unemployment.

Yet here we have the strongest plea for sterilisation, and also its final condemnation for all thoughtful minds. It is neither more nor less than an economy ramp.

Readers of this journal will be interested to know that, according to Dr. Landman, that in California, the most "progressive" State in this matter, "Verily thousands of mentally disordered have been sterilised. This result, undoubtedly, has been effected by the propaganda launched by the Human Betterment Foundation of Pasadena, inspired and headed by E. S. Gosney, the financier, and P. Popenoe, the statistician and eugenicist."

Is there any evidence, I wonder, that the Banker's mentality "Mendelises"? If so, there may be a case to be made out for sterilisation after all.

Apart from the bad economic break, there is ample justification for Dr. Landman's claim that this book "purports to be a scholarly and scientific treatment of the available data on the subject."

NEIL MONTGOMERY, D.P.M.

Reviews.

Individual Psychology and Psychosomatic Disorders.

Drs. W. Langdon Brown, O. H. Woodcock, J. C. Young, S. Vere Pearson, M. B. Ray, M. Robbs, and F. G. Crookshank. (C. W. Daniel Co. 2s. 6d. net.)

Progress in science occurs as elsewhere, not in a straight line, but in a spiral. Consequently, there is the appearance of coming back to old positions, of re-accepting outworn theories. The stones rejected by the builders are always being wanted again. For this reason, the fourth of the series of medical pamphlets issued by the Medical Society of Individual Psychology begins with an essay by Dr. Langdon Brown on the "Return to Aesculapius," after centuries of wandering in all kinds of physiological and pathological labyrinths, medicine is once more discovering the Aesculapian cult of "cleanliness, fresh air, suggestion, dream analysis, and psychological explanation." The last of these is the subject with which the pamphlet, as a whole, is concerned. The doctrines of "organ-jargon" and "somatic resonance" are stressed and explained, and all disease tends more and more to be regarded as a manifestation of a "faulty life style." The real difficulty is, naturally, to get the patient to agree to this point of view. Personally, I have as yet had little success with my patients in this matter, even though they were carefully selected, but, of course, this may be merely a matter of faulty technique or of lack of patience; yet I feel there are considerable therapeutic possibilities in Individual Psychology.

N. M.

Everybody Pays. By Stephen Graham. (Benn's Nine-penny Series.)

This account of the love-affair of an Income Tax Official throws light on the efforts of the Inland Revenue Department to drown the "crisis" in blood out of stones.

BANKS' ENCOURAGEMENT OF CRIME.

At Ashington Police Court where a man was sentenced for uttering worthless cheques the following complaint against the banks was made.

Supt. Wight, describing how Taylor had obtained two cheque books and used many of these cheques to obtain money illegally, said:

"In all his cases where the bankers have been directly concerned they have actually refused to assist the course of justice by making charges against the prisoner.

"In cases where they have been able to recoup themselves by inducing relatives of the prisoner to pay the money and in cases where the manager has paid it himself rather than bring the name of the bank into court or show up the manager as being so gullible and unbusinesslike, they preferred not to assist the police."

These passages are from a report in *The Evening Chronicle* (Newcastle).

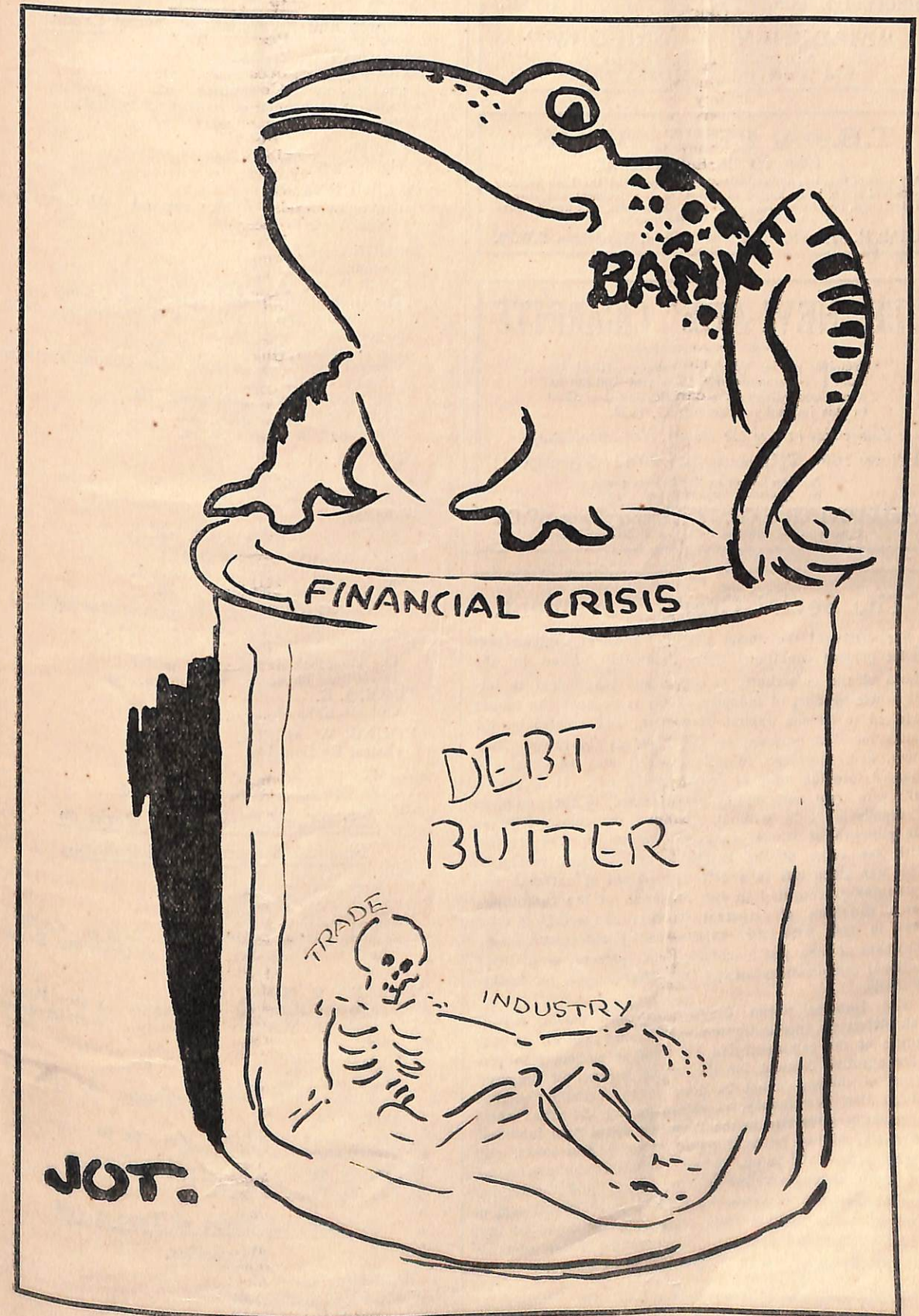
WHAT MAKES CONTRACTS SOLEMN?

The Press of May 7 reports a Government plan to reduce women's insurance benefits. Spinsters are to get 1s. 6d. less and wives 2s. 6d. less. The reason for the reduction of women's benefits, it is stated, is the "high rate of their claims for sickness and disability benefits." In Australia Mr. Lang felt disturbed at the high rate of bondholders' claims for interest; and he produced a Government plan to reduce bondholders' dividend benefits. His action was condemned as that of varying a contract without the consent of the other party. Presumably there will be a plebiscite of insured women here to ascertain if they agree to the proposed reduction—if any.

INCOME TAX ON VOLUNTARY PENSIONS.

Lord Decies writes a letter to *The Times* of May 6, calling attention to Clause 15 in the Finance Bill issued on the previous day. He says that under this clause it is proposed that a person on ceasing to hold employment in circumstances which render his retiring allowance (or pension) a voluntary one or an act of grace on the part of the payer, and which impose no legal liability on the latter to continue the payment, shall be liable to pay income tax on it. He points out that the basic and cardinal principle of taxation under the Income Tax Acts is that income of the nature above described shall not be taxed, and that this principle has been repeatedly emphasised and declared in direct terms in the Courts of Justice, including the highest legal tribunal of all, the House of Lords. The new clause thus "goes to the very root of Income Tax, and is not a mere alteration or amendment of the machinery relating to such tax, nor a convenient change in the incidence of the tax." "It, in fact, seeks to do something which is contrary to the very 'constitution' of the income-tax scheme—a most dangerous precedent."

CARTOON BY "JOT." (No. 3)



RECOVERY!

The Frog: "There now! I said we should get out of it all right!"

(One of Aesop's fables relates how a frog fell into a bowl of milk, and, in swimming about to save himself from drowning, churned the milk into butter.)

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 (Almost on the corner of Holborn and Chancery Lane).

The Social Credit Movement.

Supporters of the Social Credit Movement contend that under present conditions the purchasing power in the hands of the community is chronically insufficient to buy the whole product of industry. This is because the money required to finance capital production, and created by the banks for that purpose, is regarded as borrowed from them, and, therefore, in order that it may be repaid, is charged into the price of consumers' goods. It is a vital fallacy to treat new money thus created by the banks as a repayable loan, without crediting the community, on the strength of whose resources the money was created, with the value of the resulting new capital resources. This has given rise to a defective system of national loan accountancy, resulting in the reduction of the community to a condition of perpetual scarcity, and bringing them face to face with the alternatives of widespread unemployment of men and machines, as at present, or of international complications arising from the struggle for foreign markets.

The Douglas Social Credit Proposals would remedy this defect by increasing the purchasing power in the hands of the community to an amount sufficient to provide effective demand for the whole product of industry. This, of course, cannot be done by the orthodox method of creating new money, prevalent during the war, which necessarily gives rise to the "vicious spiral" of increased currency, higher prices, higher wages, higher costs, still higher prices, and so on. The essentials of the scheme are the simultaneous creation of new money and the regulation of the price of consumers' goods at their real cost of production (as distinct from their apparent financial cost under the present system). The technique for effecting this is fully described in Major Douglas's books.

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Published by the Proprietor (ARTHUR BRENTON), 70, High Holborn, London, W.C. (Telephone: Chancery 8470), and printed for him by THE ARGUS PRESS LIMITED, Temple-avenue and Tudor-street, London, E.C.4.