THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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NOTES OF THE WEEK.

Japanese Competition.

Nearly half a column in *The Times* of January 9 is occupied by a report of the Economic League's exhibition at their headquarters, Millbank House, Westminster. Here are some examples of Japanese products and prices:—

Men's vests and long pants, 7s. 7d. per dozen wholesale. Khaki shirts, best quality, with zipp fasteners, 2s. 6d. each retail.

Men's pullovers, 1s. each, retail.

Men's socks, 3d. and 4d. per pair, retail.

A set of toy soldiers (with tent flying the Union Jack!), 6d. retail.

Children's cotton socks, 1s. per doz. pairs, wholesale.

Concerning ordinary electric lamps it is stated that imports from Japan, which were 5½ million in 1928, had risen to 57 million in 1932, and reached 45 million during the nine months of 1933, for which figures are available. The report concludes with the statement that British trade has been particularly injured because of the depreciation of Japanese currency in terms of sterling, a drop of approximately 40 per cent. having taken place in the second quarter of 1933.

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Last week we received from a correspondent an extract from an authentic report made by an agent to his principal on a visit to Japan. In it this agent remarks on, and gives examples of, low prices not only as concerns Japanese articles on sale outside Japan, but also as concerns those on sale inside. For instance, one could have an evening out for 30 Sen, which (taking the Yen at its nominal sterling equivalent of 24d.) comes to less than 8d., inclusive of a taxi, a meal at any restaurant, and a best seat at a theatre. He observes, on this, that apparently the depreciation of the Yen has not increased the internal cost of living as it should have done according to the theories of "our economists." He says that he saw no signs of poverty, and no beggars, but that everybody was "busy and happy."

American Monetary Policy.

Mr. Garvin, in *The Observer* of January 7, discussing President Roosevelt's monetary policy and economic plans, explains to his readers that great as are the sums to be spent during the next six months they will only bring the Government's national debt up to the same figure as Britain's national debt; and that as there are twice as many people in the United States as there are here the burden of the American internal debt can be borne more easily by Americans than Britain's can by Britons. Mr. Garvin further explains that since America is a self-supporting area in terms of natural resources and capital plant and equipment the Government can afford to run the risk of trying out monetary policies of which the technical soundness is a matter of doubt. The moral which he is putting over is evidently that even if President Roosevelt's policy comes off successfully it does not follow that it could be adopted with the same success in Great Britain.

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In elemental physical terms what Mr. Garvin is saying is that the American population are able to convert their own resources into consumable goods sufficient to maintain them on a more or less comfortable standard of living. In other words, whatever mistakes they may make in the use of their financial credit nothing can deprive them of their real credit. This real credit is sufficient without being supplemented by imports from the outside world. But Mr. Garvin, having implicitly committed himself to this proposition, illogically proceeds to impose a limit of financial cost on President Roosevelt's plans for recovery. The only logical relevance of his reference to the national debts of America and Britain is that the President may safely increase the American debt up to *per-capita* equivalence with the British debt but not beyond it. But why? On what grounds of technique or expedience does Mr. Garvin think that because Henry Dubb's share of the British debt-burden is, say, £400, Hiram Sap's share of the American debt burden should be no greater sum?

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The Government of a country self-sufficing in real credit who choose to ignore the outside world and exploit their own self-sufficiency do not have to observe any law of limitation either as to the size of their internal debt or as to the depreciation of their currency in the "world market." What they've got to watch out for is depreciation inside—a point which Mr. Garvin ignores, although the whole question of whether a naturally self-sufficing country can be a financially self-supporting country depends upon the Government's success in preventing internal depreciation, in other words, preventing price-inflation. External depreciation matters nothing to a country which can dispense with imports—which is Mr. Garvin's basic proposition in regard to the United States.

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Mr. J. M. Keynes's dictum bears on this situation: he said, it will be remembered, that if the world's bankers *kept in step* there was no technical limit to the degree to which they could expand the world's credit. On Mr. Garvin's premise that the United States is able to be a world to itself there is no technical limit to the quantity of new dollar-credits which can be put into circulation there. The bankers (or the national credit authority) would be in step for the simple reason that they were the only bankers concerned, and could not fall out of step with themselves! Any quantity of credit is the right quantity *provided that the physical object of its use is accomplished*, that is to say, provided that internal natural resources are converted to internal human requirements and distributed to the population in adequate measure.

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Of course, as students of Social Credit know, it would not be necessary for a Government who adopted Social-Credit principles of finance to raise the volume of circulating credit to astronomical figures (such as took place in Germany for instance) in order to distribute the country's production among the consuming population. If they began with the proper safeguards against inflation laid down in Major Douglas's proposals they would not need to raise the volume to any startling degree. But our main point here is to assert that a country physically independent of the outside world is able to embark with impunity on any financial experiment it likes *so far as the risks envisaged by orthodox banking opinion are concerned*. That is far from asserting that it would not run any risks at all; it would; but the risks it ran could be resolved into one, namely the risk of failing to accomplish that which it set out to do—the risk of bringing about a deadlock in distribution and thereby a frustration of production.

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It should be noted that this risk is different in nature from the risk which Mr. Garvin appears to have in mind. It is a risk that would exist in any economic area whether self-sufficing or not. The whole world, taken as a single area is self-sufficing in this sense. So if we imagine the world-area run by Mr. Keynes's "world's bankers" all "keeping in step" we see a situation from which the "Garvin" risks have been eliminated; for now there are no conceivable contingent external complications—financial, economic, political or military—which could hamper the "International Finance Corporation" in its choice and implementation of policy. There would now be no exchanges because there would be one world-currency; nor would there be national trade-balances, budgets, tariffs, or any other limiting influences such as are predicated (tacitly or otherwise) in Mr. Garvin's writings and others of the same tenor. *Financial freedom would be absolute; yet at the same time the menace of economic chaos would persist.* Only the Social-Credit policy would avert it.

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Against this background it is possible to assess the achievement of President Roosevelt. It consists simply in his having insisted on, and having, so far, commanded acquiescence in, the principle of political absolutism in the choice and implementation of financial policy.

If his policy should fail the failure would be exploited by the banking interests as proof of their proposition that it is an inherent impossibility for any economic area less than the area of the whole world to provide security and prosperity to the population. And the symptoms of the failure would lend themselves to such an interpretation. For in the last analysis they would all point to the dependence of the United States on the outside world for money to balance its domestic costs. Yet those symptoms would all have arisen from a basic cause which would operate just the same in a "United States of the World" run by an "International Recovery Administration." The world would be under the same apparent necessity of looking for money somewhere outside itself to balance its costs. That would entail exporting goods out of the world, a policy of which the only practical implementation would be that of destroying production to the equivalent financial value of the irrecoverable balance of costs. The puzzle would then present itself: Who would put up the money? Whence would they get it? Why should they pay out tokens of wealth for extinct wealth—something for nothing? It might then occur to someone that since financial solvency necessitated wealth-destruction, the thing to do would be to manufacture this wealth in its most easily destructible forms, and to dispose of it in those places where it could be most conveniently destroyed, and by those people most willing to destroy it—in brief, to distribute it among the world's citizens and pay them the money to consume it. Obviously the thing could be done that way *provided the money were forthcoming for that purpose.*

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Granted that this would be logical and feasible in this hypothetical world-area it is so in the actual area of the United States. When Mr. Garvin allows that America is physically self-supporting he is allowing that she can, if necessary live without imports. And since, as everyone knows, she can, if necessary, produce huge quantities of goods for export, and has in fact exported huge quantities in the past while yet keeping her people alive on the retained balance, she can, if she chooses, keep them more alive still without exports. That is to say she can finance the internal consumption of export surpluses as they are called by the means just described in reference to the world state.

Italian Affairs.

Having now referred to the economic policies of Japan and the United States we will complete the trinity by reference to Italy. Italy differs from the other two countries in that Mussolini has not been consciously attempting to produce economic results by the use of new credits. At the same time she belongs to the "Triple Alliance of Default," so to speak, because apparently he is not troubling to balance the Budget. According to such information as can be procured, the deficit for the year 1933-34 is in the region of 2,900 million lire. The total of domestic debt in 1933 was 96,000 million lire. At nominal parity with sterling these figures are equivalent to 29 million pounds sterling for the Budget deficit and £965,000,000 for the internal debt. The ratio of the deficit to the debt is approximately 1 : 30. If this position were paralleled in Great Britain it would mean that the Budget deficit, i.e. would be one thirtieth of 7,000 million pounds, [illegible] about £233,000,000. It is not surprising that Mussolini refrains from adducing financial statistics in proof of the triumph of the Italian Renaissance. There was a bit of gossip going round diplomatic circles not long ago to the effect that a certain gentleman who had been invited to become Finance Minister (or to occupy some equivalent post) in the Italian Government agreed to do so, but on the condition that he were free to "tell the Italian people the truth" about their financial condition; upon which, so the story goes, the invitation was promptly withdrawn. Other phenomena in Italy are bankruptcies, which reached the number of 21,000 in

1933, or five times the total figure for the United Kingdom in that year; and unemployment, which came to 1,006,000 in 1932. It may be observed, parenthetically, that when the bankers are anywhere in charge of credit-policy and cannot plead interference from political governments, they invite the public to regard a high bankruptcy rate as evidence of the progress of a healthy surgical operation, but directly this phenomenon appears under a policy of political credit-control the "healthy operation" becomes a "gashly murder." As regards unemployment a large volume of it, side by side with a large volume of unconsumed production, is a sign of potential national health; but against the background of the prevailing philosophy of the primacy of work as a moral discipline and of the doctrine that only workers shall eat, the bankers can hardly expect people to regard unemployment as a proof of sound finance, and hence they ascribe it vaguely to moral obliquity among the masses or lack of confidence among the classes.

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It may be noted that the amount of foreign money invested in Italian industry at the end of 1932 amounted to 4,500 million lire. Bearing in mind the fact that, as commented upon once or twice in this journal, there have been close, confidential negotiations between the Italian Government and financial missions from the United States, it is a reasonable inference that most of this investment debt represents dollar credits. In normal circumstances the foreign ownership of so much capital, and the external financial commitments attached to it, would create problems in regard to the internal finance of Italy. But in view of the fact that President Roosevelt is playing ducks and drakes with a good many accepted notions as to sanctity of contract and promptitude in the fulfilment of obligations, it is not improbable that as a by-product of developments in America the nature and weight of Italian obligations to that country may be radically modified. It stands to reason that if you suppose the U.S. Government to find a way of providing its people with all the credit they want by internal methods of credit-creation and distribution, the exaction of interest and repayment of old credits invested abroad is not practically urgent or even necessary, whatever may be said as to the principle of "letting the foreigner off lightly." So much for the political aspect of the Italian situation.

A "Defaulting" Triple Alliance.

As for the technical implication of the Budget deficit, there is no getting away from the fact that whether Mussolini intends to follow the precepts of "sound finance" or not, the existence of this deficit is a sign that Italy is being financed by outstanding loans made by the banks to the Government. From this point of view the conditions in the United States, Japan, and Italy are identical in nature. In all three countries the problem of balancing the Budget may be said to have been put at the end of the queue of practical policies, and not at the head, as in this and other countries on the gold-standard or itching to get back on it. It is significant that these three countries have also manifested a common attitude in respect of centralised international Government. The evidence lies in the attitude of each, at different times, to the League of Nations as the would-be arbiter of national policies. In the first place, the United States has never joined the League of Nations; in the second place, Italy publicly flouted the League in connection with the Corfu crisis; and in the third place, Japan has given notice to leave the League. So you have these three countries constituting at one and the same time a Triple Alliance of financial heterodoxy and a Triple Alliance of "narrow nationalisms." Of course, students of the credit question will easily see the practical reason, and the logical necessity, for the two things to coincide. In the Old Testament story Elijah, to prove the superiority of his magic over that of the Priests of Baal, drenched the sacrifice with water before he called upon his God to send down fire. In the financial parallel this drenching of the sacrifice is equivalent to the expansion of credit, with the so-called inevitable inflation, which, according to the profane Priests of Basle, would appear to offer difficulties to the operation of the magic of restored prosperity. It is almost as if the "Triple Alliance" jeeringly said: "We will do all the things which you say destroy the chance of national recovery, and leave you to do all those things which you say will ensure it; and then we will let the gods decide which magic is the true magic." They may be compared with the three little pigs in the children's story, and be imagined as singing

We're not afraid of the Big Basle Wolf
The Big Basle Wolf
The Big Basle Wolf!

In this context it remains to be seen whether at least one little piglet gets the right brain-wave and builds his house with the bricks of real-credit instead of the straw and wood of precious metals and base arithmetic. When human personality shall became part of a dynamic economic organism instead of a sacrifice sealed up in a static economic structure, then the security of mankind will rest for once and all upon an unassailable foundation.

U.S. Policy and the Constitution.

On January 4 we referred to a forecast made last November by an ex-Solicitor-General in *Fortune* (New York) that the plans of President Roosevelt would have to run the gauntlet of the Supreme Court. It was evidently a piece of kite-flying on behalf of Wall Street finance, and it seems to have had the effect of stimulating some political agents to make a trial experiment along this line, for on January 10 *The Times's* Washington Correspondent reports that a law passed by Minnesota was brought by its opponents before the Supreme Court of the United States. This law established a two-year moratorium on mortgage foreclosures "for the protection of a basic interest of society." It thereby temporarily set aside the contract clause of the Federal Constitution, and its challengers brought it to Court on that ground, and also on the wider ground that it contained the potentiality of "advancing encroachments upon the sanctity of private and public contracts." The Supreme Court over-ruled these objections and upheld the validity of the law by a majority decision. The majority were Chief Justice Hughes and Judges Brandeis, Stone, Roberts and Cardozo. The minority were Judges Sutherland, Van Devanter, McReynolds and Butler—a pretty close division. The Correspondent gives generous extracts from the text of the majority-judgment, and we strongly recommend readers interested in the constitutional aspect of Social-Credit policy and the problem of getting it put over to study it carefully. The central principle of the judgment was this:

> "That in time of emergency 'public welfare' must take precedence over 'individual rights.'" (Correspondent's paraphrase.)

With reference to the constitutional powers of a State, the following passage occurs in the judgment:

> ". . . the State power may be addressed directly to the prevention of the enforcement of contracts only when these are of a sort which the Legislature may denounce as being in themselves hostile to public morals or public health, safety or welfare, or where the prohibition is merely of injurious practice. . . ."

Continuing later the judgment deals with the "reserved" powers and the "limitations to" the powers of Legislatures, pointing out that:

> "the reserved power cannot be so construed so as to destroy the limitation——"

but quite as clearly on the other hand

> "——nor is the limitation to be construed to destroy the reserved power in its essential aspects . . ."

The concluding section of the judgment is as follows:

"It cannot be maintained" that enforcements of contracts should not be temporarily set aside "if made necessary by a great public calamity, such as fire, flood or earthquake . . . and if the State power exists to give . . . relief in the presence of disasters due to physical causes . . . that power cannot be said to be non-existent when the urgent public need demanding such relief is produced by other and economic causes."

That's given Wall Street something to scratch its head over. Just imagine what the banks and insurance companies would require Congress and the Senate to do supposing that New York were destroyed by fire, and the collective insured value of the city became a collective money-claim. And leaving hypothetical situations aside, remember what the New York banking houses *did* require to be done when their depositors tested the "sanctity of contracts" by trying to draw out their deposits. And, more important than that, they did not wait for the Legislature to do what they required, but did it themselves, putting up their own shutters and declaring their own moratorium, thus creating the *force majeure* of a public panic which left the Government no option but to use public money to protect them from the consequences of their repudiation of contract.

Government Enters into Bank Management.

Apropos of this *The Times's* Correspondent, in the cable we are dealing with, points out that the Reconstruction Finance Corporation has acquired stock and voting power in 5,000 out of the 15,000 banks now operating in the United States, and that it is using that power to control bank-policy. For example, he mentions the Continental Illinois National Bank of Chicago. The Finance Corporation hold $50 millions of preferred stock, and by virtue of that holding has insisted on the election of its own nominee, Mr. Walter Cummings, as President. A deputation of the Bank's directors went to Washington and vainly urged Mr. Jones, chairman of the Finance Corporation, to allow the stockholders to elect their own officers, Mr. Jones announcing that Mr. Cummings would be elected, adding that he "enjoys the personal friendship" of the President, the Secretary of the Treasury, and the Comptroller of the Currency. *The Times* of January 13 devotes its second leading article to this situation, beginning with the observation:

"American banks are now discovering the price which they have to pay for the financial help received from the Government during the crisis. The weaknesses disclosed under the strains of the past two or three years made a stricter control inevitable. That was taken for granted; but it was not expected that the Government would use the money advanced to individual banks to claim a dominant voice in their management. . . .

". . . Mr. Roosevelt is making the Government an active participant in banking business as well as the ultimate controlling authority . . . (This) involves an interference with private enterprise contrary to cherished American tradition . . ." (and) "it is not likely that the Administration's incursions into the banking business will meet with any more effective opposition than have the restrictions imposed upon agriculture and industry."

The article further comments on the Supreme Court's judgment, which it says, "is held by some to cover in the spirit, if not in the letter, all the emergency measures taken by the Government to meet the economic crisis."

The U.S. Supreme Court and "Rights."

The doctrine that "public welfare" should take precedence over "individual rights" is made conditional by the Court upon the existence of an emergency. The wisdom of this limitation is self-evident if the basic principles of private and public finance, as generally accepted, are taken as immutable. But to those who have grasped the Social-Credit Analysis it will be seen that the limitation is fundamentally unnecessary, and that the welfare of the public could always take precedence over the rights of individuals in respect of matters subject to legal contract. In fact, it would be difficult to conceive of issues involving such precedence arising under a Social-Credit Administration, because the rights of the few would not clash with the welfare of the many; or, to put it another way, if the rights did clash with the welfare, they would do so on some order of issue not subject to settlement by the transfer of money or things subject to monetary valuation. When once you rule out issues whereof the outcome involves material loss to one party or the other, there are precious few left, if any at all, wherein the validity of the majority interest would not be self-evident to everyone capable of forming a reasoned judgment by reference to the criteria of common sense and common morals. To make our meaning clear let us take the example of a group of ten people of whom one is the creditor of the other nine in the sum of £1 each. Ruling out "emergencies" (which connote circumstances in which debtors cannot pay) it would be unjust to deny the creditor repayment on the ground that this would subtract from the "welfare" of the other nine (the "public") to part up with their pounds. But now suppose this creditor not only to demand his money back but to insist that the debtors should earn the money in a certain way before he would accept repayment, and you have the case of one person assuming to constitute himself a Government over nine others by virtue of a specific narrow contractual right. He could only win judgment on such an issue by showing that he would suffer hardship if the debtors raised the money by the methods he was objecting to—and even then he would probably have to show that his contract specifically or impliedly restricted them in this respect. Briefly public opinion would be: "You are entitled to get your money; and if your debtors pay it is no business of yours how they get the money."

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The Supreme Court's judgment is avowedly an emergency-judgment: that is to say it is based on the fact that certain debtors are temporarily unable to pay, being without money and without immediate prospects of getting any. Next—and this is interesting—it makes no distinction between a natural calamity and an economic crisis, identifying the two as something beyond the wit and power of mankind to foresee or prevent. As our readers know, this identification is false within the framework of fundamental credit-economics. But it is true in the sense that the debtors who have been relieved by the Minnesota Legislature have been powerless to prevent the ruinous conditions which they now experience. The same might be said of some of the creditors, thought not all of them, and certainly not the richest and most powerful, as our readers will appreciate. However, allowing something for hardships on the creditors' side, the Court was wise in its judgment because—as we saw during the distraint-troubles in the Eastern Counties not long ago—it is merely futile, even from the creditors' point of view, to scrap and disperse the only means by which debtors can ever pay their debts—that is, their physical assets. In this particular case it would have meant divorcing from large areas of land men who know best how to handle the productive assets situate thereon—and that at a time when the policy of the Government, avowed by the President and acclaimed by the people, is precisely to consolidate and develop the internal resources of the United States.

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We have, ourselves, reasons for upholding the judgment—reasons already hinted at, namely that the emergency facing the American people is not a natural

calamity but one brought about entirely by artifice. The question of how far it has been intentional, and how far not, is immediately irrelevant—though it may become relevant in course of time: what is immediately relevant is the fact that the processes of the artifice are known, and that the reversal of those processes is apparently within the power of the Reconstruction Finance Corporation to procure. It may not remain so for long! An exemplary scheme of reversal is laid out in administrative form in Major Douglas's Scheme for Scotland. (See THE NEW AGE, March 9, 1933, or the published reprint.)

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One section of that document which is peculiarly applicable to the subject of the Supreme Court's judgment is that which provides that

"*bonded indebtedness will be recognised for purposes of compensation where held by individuals, upon a proper investigation, but where held by corporations will be subject to*" (imposed terms of redemption). Again: "*. . . the holding of any stock, share or bond by a holding company or trustee will not be recognised.*"

It has been remarked of corporations that they have no souls to be saved. It may as truly be remarked that they have no blood to shed. The financial assets of these institutions are paraded as if they constituted the beating heart of a co-operative organism, and as if the natural consequence of denying validity to their corporate claims as creditors was to cut the throat of every human being who is registered at first, second or any farther remove as depending for his life on the "stability" of these institutions. They exhibit their swollen financial girth and say: "We are big with young." Yes, but it is the organ of digestion, not gestation, that is distended. The corporate "right" is not the sum of existing individual "rights"; it represents the past confiscation of individual rights; and the value of the "right" to the corporation consists in the power to engage in further confiscation and at the same time to prevent the reversal of the process by which past confiscation has been carried out.

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Dropping figurative language, one aspect of the truth here affirmed can be grasped by reference to huge charity organisations where the individual recipient of the charity receives only the fractional residuum of the original donation after "expenses" have been met. But there is a fundamental distinction between "pickings" by administrators for personal profit and the leakages which take place in the banking system. For out of the immense gross sums of money which are constantly flowing into that system as repayments of loans, dividends on investments, and interest on loans, a substantial proportion is not credited to any personal or business account at all but is written out of existence.

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Let it be well noted that the cancellation of money is not wrong in principle. What we are indicting as wrong in principle is the rate at which the cancellation is taking place; and the wrongness lies in the fact that the quickness of the rate of cancellation does not leave time for the corresponding quantity of production to be sold in the consumption markets. Money issued on loan for production by the banks must, in the nature of the case of modern large-scale and long-chain manufacturing processes, enter into circulation long before the products to which it refers become available for sale in consumable form. The consequence is that instead of this new money being used by consumers to buy the corresponding new goods, it is used by the initial borrowers, and subsequently by other business enterprises to buy plant or material. Their new demand tends to raise the prices of these things, and the wages they pay out similarly tend to raise prices in the consumption-markets; and the ultimate result of all this is that by the time the new production is ready to flow into the consumption market practically the whole of the new credit has been absorbed by sellers of prior production and been returned to the banking system and destroyed. The agencies through which this is done, otherwise than by the repayment of trade loans, are insurance companies and the Stock Exchange, who between them absorb any margin of floating credit not spent on consumption, and feed it back to the banking system.

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For this and other reasons any Government or High Court of Justice needs to identify alleged individual creditors and to verify their rights with the same particularity as is already the case with individual debtors. When Mr. Theodore, in Australia, before the abdication of the Labour Government, proposed to scale down the interest payable to Australian holders of Government debt, and was attacked by the trade banks and associated financial institutions on the same grounds as the Minnesota legislation has been challenged, he retorted to the effect that if any citizen came forward and proved that the reduction in the interest involved hardship the Government would grant the necessary relief. It was as if he had said to these institutions: "Yes, we've heard a lot about the widows and orphans whom you are husbanding and fathering, but we would like to make their acquaintance and assure ourselves that their small individual rights are not being made a disguise for anti-public corporate privileges." There is a wide distinction between reducing interest payable to a small stock-holder from, say, £50 to £30 and reducing that payable to a bank or insurance company from, say, £50,000 to £30,000; for in the first case there is a clear loss of £20 income to an individual, whereas in the second case there need not be any loss at all to individuals—the reason being that it is a normal practice of these great financial houses to allocate profits to reserves instead of distributing them to their stockholders. These "reserve funds" as they are called are not funds of money, they are statistical records of with-held dividends—the money represented by the figures having been destroyed in the process of loan-repayment transactions with the banks. On our hypothetical figures it might easily happen that when the Government was paying £50,000 interest to the company, not more than £30,000 reached the "widows and orphans." In that case it is clear that the balance of £20,000 does not represent benefits enjoyed by individuals, and that were the Government to cease paying it no loss of benefit is sustained by individuals. On the other hand, £20,000 less taxation is a direct relief to individual taxpayers. If the hypothetical company changes its ground of objection and says that the cut in interest will oblige it to discontinue allocating profits to reserve, that opens up quite another problem, one, not of balancing the personal rights of individual creditors against individual debtors (i.e., not affecting the question whether "public welfare" shall take precedence over "individual rights"), but one of investigating the basic technical principles of finance on which the alleged necessity to accumulate reserves is founded.

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Such accumulations are not confined to financial houses, they are a universal practice throughout successful business enterprise. To the business man "reserves" represent his borrowing-power at his bank. To the consumer they represent payments of money in prices for which he gets nothing in return. Politically they represent the working out of the principle of Deflation.

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Now by whatever name the Reconstruction Finance Corporation choose to call the principle on which they found their policy, it is certainly not Deflation. Deflation connotes credit-contraction, whereas the R.F.C. are all out for credit-expansion. But on present evidence they are at cross-purposes with themselves; for they are looking for higher prices as the chief sign that their ultimate policy is working according to plan. We assert, on the contrary, that the rise will have precisely the opposite significance. It will register credit-contraction, automatically counteracting the credit-expansion being engineered by the Government. To stop that it is not necessary to prevent sellers recovering their full costs and good profits from buyers, nor even to prevent a temporary rise in the retail price-levels (which might be tolerated while industry was in the early stages of its expanded production plans), but it is necessary to empower consumers to pay the required prices by issuing to them credits gratuitously (and outside the employment-system) so that the industrialists shall be able to concentrate on quantity-output with the assurance that however much they make it will find buyers, and that the more they sell the greater will be their profit.

A + B.

NEED CONSUMERS' INCOME EXCEED CONSUMPTION-PRICES?

[The following letter appeared in the *East Anglian Times* on June 7 last. It is of particular interest at present, and we reproduce it with acknowledgments to the newspaper and author.—ED.]

Sir,—In his search for the truth of Social Credit, your correspondent "Observer" is getting warm. He appreciates, I notice, that priced product is always flowing on to industrial markets and consumers markets at a rate represented by A + B, while incomes are only flowing into consumers' purses at a rate represented by A. But he contends that, while the total national income cannot buy the total national product, it need only be sufficient to buy the "consumers" or "ultimate" commodities and not the "capital" or "intermediate" goods. As a matter of equity, the community should be in a position to buy its total output; and, furthermore, "Observer" has failed to observe that consumers do in the long run pay for all "capital" goods in the prices they pay for the goods and services which they do purchase, due to the operation of depreciation charges.

However, to take what is left of "Observer's" objection, an analysis on the following lines may throw some light on a corner which he has not up till now explored. Let A_1 represent all payments made to individuals (wages, salaries, etc.) by producers of "consumer" goods; let A_2 represent similar payments by producers of all "capital" goods; similarly, let B_1 and B_2 represent all payments made to other organisations by producers of "capital" goods respectively. The prices of "consumer" goods will be represented by (at least) $A_1 + B_1$, while prices of "capital" goods will be represented by $A_2 + B_2$.

The point for "Observer" to consider is whether he is correct in his assumption that total incomes, i.e., $A_1 + A_2$, can buy the total production of consumer goods priced $A_1 + B_1$. "Observer" is correct in his assumption if $A_2 = B_1$. Will "Observer" now pause to realise that in modern production "B" costs are always increasing relative to "A"? If, therefore, B_2 is expanding relative to A_2 and $A_2 = B_1$ (which is expanding relative to A_1) it follows that B_2 is expanding rapidly relative to A_1. By adding A_2 (which is less than one of them) to both these amounts, we see that $A_2 + B_2$ is expanding rapidly relative to $A_1 + A_2$. It will be seen, therefore, that capital development to the amount of $A_2 + B_2$ cannot possibly be financed out of any savings, however large, skimmed off total incomes $A_1 + A_2$. The money for such purpose would have to be new credit. It will further be seen that, as B_2 is expanding rapidly relative to A_1, it becomes necessary to undertake progressively larger capital development (to be used theoretically in future production) to enable consumers to purchase the same quantity of consumer goods to-day.

M.A., CANTAB.

Retiring Consumption Credits.

(GENERAL PRINCIPLES.)

The reason why this question is always with us—to quote Mr. A. W. Coleman—is because critics assume that there can be no alternative to the method at present in operation for retiring Production Credits.

What these critics cannot understand is that to create a credit there need not be a *borrower*.

They assume that the Government would need to become borrower for the amount of Social Credit distributed.

Arising from this misconception they reason that, as the Government could not repay the Social Credit borrowed unless by simply demanding its return, every new issue of Social Credit would have the effect of piling up a mountain of debt offset only by equally large credits for benefit of—in the end—Producers and Distributors, etc. But what is true of a *Loan* Money System need not be true of a money system not founded on loans.

Before indicating the lines along which this new non-*loan* system might be operated let us be quite clear on certain points.

(1) Most financial book-keeping entries make no difference to the Purchasing Power of the community as such.

(2) If all debts were repaid there would be no money in existence.

(3) But there would still remain the community's physical assets.

(4) Practically every asset in a community is privately owned.

(5) Money value is not inherent in ownership but in the existence of money to buy what is owned.

(6) Although at present every business must recover all book costs plus profit—if it is to continue—what *really* concerns the proprietor is that he receives his share of profit.

(7) Major Douglas has shown that the true cost of production is consumption. Therefore all that need be recovered by way of price under a true money system is the money equivalent of Wages, Salaries, Dividends and National Dividends.

It is generally agreed that each individual should receive his share of the National Dividend from a National Credit Office, but the writer suggests that in addition Employers should receive from the same source for distribution a monthly or weekly sum to cover Wages, Salaries and Dividends. Now it will be apparent that if the real costs of each business (Wages, Salaries and Dividends) are to be paid not by the proprietors but by the National Credit Office *those sums will belong to the collected by way of price* (Sales) *will belong to the National Office* and not to the collector.

But as the real costs to the National Credit Office will equal its total payments of Wages, Salaries and Dividends *plus* National Dividends, prices will require to be regulated to recover such aggregate figure.

As any problem attaching to the issue and retiral of Consumption Credits is necessarily one of book-keeping the following "double entries" may be of interest.

CONSUMERS' ACCOUNTS.

(II.) To Purchases £WXYZ	(I.) By Wages (ex N.C. Office)	£W
	(I.) By Salaries (ex N.C. Office)	X
	(I.) By Dividends (ex N.C. Office)	Y
	(I.) By National Div. (ex N.C. Office)	Z

DISTRIBUTORS' ACCOUNTS.

(I.) To National Costs (ex N.C. Office) £WXYZ	(II.) By Sales ... £WXYZ

Side numbers indicate order of transaction.

"ACCOUNTANT."

The Unsound Shortage.

By B. J. Boothroyd.

The shortage of water is causing the Government great concern. Naturally: it is the wrong kind of shortage. Nature did it; and Nature has no business to pinch the bankers' prerogative.

Not that I, personally, care what happens to water. I am concerned solely with the principle of the thing. Mine is the broadminded, disinterested attitude of the teetotaller who opposes prohibition.

If the maintenance of sound economic laws were not my first interest in life, I should be tempted to welcome the drought, in the hope that it might reduce that over-indulgence in washing which constitutes the most serious of the English neuroses, and is a permanent menace to national health. It is a serious impediment to the proper function of the skin, which is to act as a protective covering to the underlying tissues. Of course, if you aren't interested in your underlying tissues, by all means go on having baths. All I ask is that you know what you're doing.

Washing removes from the surface of the skin those natural exudations by which the body adapts itself to changes in the temperature. Yet in England, where the temperature changes most often, the people have most baths. It is courting disaster. In my opinion, every healthy man is slightly filthy.

Continual interference with the excretory functions of the sebaceous glands of the dermis tends to reduce the end-organs of the nerves to a state of atrophy, thus rendering the subject impervious to all sensation, so that he doesn't know whether he is sitting on a pin or having his wages cut.

Further, if the water shortage would discourage the habit of cold baths in the morning, it would go far to remove the anxious furrow which cleaves the brow of every clean-limbed Englishman, and, by ridding the nation of its masochistic complex, would enable the British people to face the possibility of an age of leisure without panic.

Nevertheless, I am an economist before I am a hygienist, and I protest against the water shortage. To go short of a necessity simply because there isn't enough of it is a primitive and uncivilised thing to do. It is contrary to the laws of sound economics to economise in anything unless there is a surplus of it. This shortage is UNSOUND.

It is causing a great deal of embarrassment. Econ-

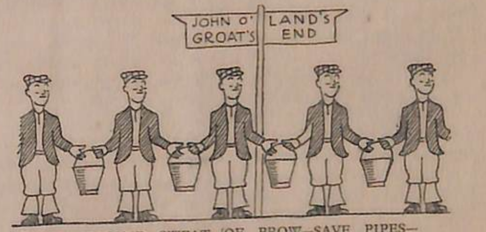
ARGUMENT: WHAT IS THE MINIMUM OF WATER NECESSARY TO HEALTH?

omists cannot demand that science shall overcome Nature's deficiency, lest anyone should ask them at what point it will become necessary to economise because of over-production. Ministers cannot ask the nation to make patriotic sacrifices of water because there isn't enough, lest the following week they have to ask us to economise in something else because there is too much. Interpolating this dialectic problem at this stage in the economic situation Nature has again proved herself to be an ill-mannered hussy.

There is only one thing to do if economic stability and a Sound Money are to be maintained: we must make the drought a bona-fide orthodox, scientific shortage; we must make it a Sound Shortage. And to do that we must first get a water surplus.

The Government must raise a loan for an enormous national water scheme, and cover the land with reservoirs and wells and distribute by a water grid. Then, having got our surplus, the proper shortage can begin. The Chancellor will ask for sacrifices to meet the repayment of the water-loan; the water rate will be raised to 5s. in the £ and taxation raised 25 per cent. Purchasing power then being inadequate to the supply, a Water Conference will decide to adjust output to demand.

That is to say, the reservoirs will be broken down, the wells filled in and the grid de-grud. There will be a campaign for water economy; newspapers will discuss alternatives to washing; and policemen and inspectors



UNEMPLOYED—SWEAT OF BROW—SAVE PIPES—ECONOMY—BALANCED BUDGET.

will stop children in the streets and ask them why (if) their necks are so clean. Unless they can prove that the dirt dropped off, their parents' houses will be searched for hidden water. New houses will be built without taps, and people will queue up at street pumps. It will be regarded as a patriotic thing to keep your coal in the bath.

Thus will the nation meet the situation caused by the crippling water-debt. The Chancellor will say that the nation's dirty face is a sign of our splendid spirit of sacrifice in the hour of need. If we are lucky, there will be a record wet summer so that Mr. Macdonald can say that the difficulty caused by over-production of water is due to Providence and/or the Cyclone. And while the water swirls about their feet, the Ministry of Health and the British Medical Association will debate as to how little water a human being can do with.

Having thus held up the distribution of the water surplus according to sound financial principles, we can then start redistributing it economically. This is where the unemployed will come in. I have worked it out and find that three million men, standing a yard apart and handing water about in pails, will save the cost of about 1,700 miles of pipes.

ECONOMY CAMPAIGN "WHERE'S THAT SMUT YOU HAD ON YOUR FACE LAST WEEK?"

Then Mr. Macdonald will boast that three million more men are now earning their bread by sweat of brow; and if the sweat gets into the pails, so much the better for the Budget. The usual statistics of progress will be reversed: instead of bragging that one machine can do the work of so many men, we shall rejoice because so many men are now doing the work of one length of pipe.

Anyhow, you see the idea: the water shortage will be on a scientific basis, and history will record one more victory of Man over Nature. Instead of pouring money out like water, we shall be dribbling water out like money.

And the nation will be more than compensated for the loss of its bath-night by the knowledge that it now has a Sound Water.

"Douglas."

[Reprinted from *The New Era*, Australia.]

This story began about thirty years ago.

In those days electrical engineering was young.

America had Edison.

America was then doing bigger and better electrical power work than England.

To America went the young engineer Douglas to gain experience.

Presently the Westinghouse Electric and Manufacturing Company extended its operations to England.

Douglas returned to England, and joined the engineering staff of the Westinghouse Company. He was soon in charge of important outside works connected mainly with power station plant, installation and supply, distribution, lighting, tramways and electrification projects.

Then somehow from somewhere came the raw colonial, Brannigan, working his way round the world to gain the engineering experience that he desired. Parkes, the rough diamond who was superintendent of the outside engineering department, took a chance on Brannigan, and sent him to assist Douglas.

Douglas and Brannigan looked each other over for a day or two, as the newly-associated always do, and then Douglas moved to settle things. He asked Brannigan to his rooms next morning for breakfast, next morning being Sunday. This was a new one on the wild colonial who had never heard of an invitation for breakfast. It seemed a chummy idea to him. If a fellow could entertain at breakfast time the chances were that he was human. Brannigan gladly said he would come. He was round before Douglas was out of bed. This showed Douglas that Brannigan had a chummy feeling too. They were off to a good start.

The landlady thought they had just an ordinary English—bacon and egg, toast and marmalade—breakfast. Nothing of the kind. From that breakfast they knew and depended on each other.

It was Sunday. They had time to spare. They went into session to reform the world. It was not reforming to them. There was no sentiment or ethics about their ideas. To them it was just engineering. They were mutually astounded at the rotten way things were run. They supposed that somebody or some authority must be in charge of things. Whoever they were, they were not worthy of the name engineers at all. Nothing seemed to be managed. Plainly everything was mismanaged. They did not know why. Something surely ought to be done about it. There was plain speaking—and planning, too.

After that they utterly forgot the occasion for thirty years. Then one day in 1933 Brannigan knocked unannounced on the Douglas door, and Douglas, personally opening, knew him at sight after twenty-five years of separation.

Straight they went into an old-time session. Among others they recalled Parkes, their beloved old superintendent of the electrical department. "You know," gleefully laughed Douglas, "I sent one of my books to old Parkes. I found he was still the same old Parkes. He wrote back at once saying he was tickled to death to get the book, but he had not the faintest idea what it was about"—and Douglas laughed again enjoying the joke the more keenly because it appeared to be against him.

As one thing after another came back to them they remembered again that Sunday morning breakfast. They remembered how they had decided that the gutter sweepers and the like, if any were needed in a sane world, would easily be got to do the work by paying enough to get men to do unpleasant jobs. They found they were both still in 1933 ready to do the dirty work, if any, themselves, if the pay was right, and now Douglas knew it was no trouble to any people with common sense to manage the money system, so that the pay would be right. Brannigan knew, too, for he had heard the story clear across the world.

Ask Brannigan how Douglas ever thought Social Credit would be accepted by the world. Didn't he know what size of job he was taking on? Didn't he know he had neither the equipment nor precedent nor any authority over the people already on the scene?

Brannigan just laughs, and says, "Douglas always worked under conditions like that. On those construction jobs where engineers were continually developing new industries—always doing things that were never done before as in those days—we always started without equipment, without precedent and without authority over the people already on the scene.

"Douglas used to say, 'When the Westinghouse Company sends us out on these jobs they give us nothing but a pocket knife and a piece of string.' With no better start than that Douglas always carried through the work. How? Because he had common sense. That is what an engineer is—a man with common sense. He used to say, 'This job is easy. All we need for this is just common sense.'

"So Douglas started to tell the world about Social Credit, because it is just common sense. The job is easy.

"Nothing can defeat common sense.

"And common sense is Social Credit."

Money and Costs.

Money has been defined as a medium of exchange, but it is much more than that.

Money in a community performs two distinct functions, which we shall define as:—

(1) THE PRIMARY FUNCTION—to remove goods permanently from the market;

(2) THE SECONDARY FUNCTION—to effect changes of ownership or to liquidate debts.

Let us observe how money originates. "A" owes to "B" £100 and, having no money with which to pay, obtains from his banker the right to draw cheques up to £100. For the sake of simplicity we shall assume that A and B deal with the same bank. In the books of the bank no entry will appear until B lodges A's cheque. The book-keeping will then record as follows:—

Dr.	A's ACCOUNT.	Cr.
To cheque in favour of B, £100.		

	B's ACCOUNT.	
		By cheque ex A, £100

From the foregoing it will be seen that the bank's action in permitting A to put B into credit does so without reducing the credit of any of its other customers. Thus an entirely new credit of £100 is available against which B may draw.

Banks, of course, have limits beyond which they will not lend, but it must be emphasised that these limits are self-imposed. For instance, under a "Gold Standard" a certain ratio of credit to gold held will be given. Thus loans up to ten times the gold holding might be the standard at a particular time. This, however, is by the way.

In our illustration of A and B, whether the £100 at B's credit will perform the primary or merely the secondary function of money will depend on the object to which B puts it.

Should he offset the £100 against an already-existing overdraft, or pay the £100 to any person who, in turn, liquidates debt to a bank, then the community's purchasing power will be unchanged by the transaction. This apart, however, the net effect of the original loan to A has been to increase the potential purchasing power of the community by £100.

Nothing has been said so far as to the part played by notes, silver and copper in the money system. These, however, may be considered as being merely the small change of the system. Notes, when printed by a bank, are credited to Note Issue Account, and treated as a liability in the bank balance sheet. The corresponding debit is to Cash Account. Silver and copper are similarly dealt with, except that the credits will be to Government Account. However, as bank notes are auxiliary and not additional to the purchasing power created by bank loans, they will from this point be ignored in our analyses.

Let us return to the analyses of A and B's transactions. Presumably, although not necessarily, some consideration passed which gave rise to the bank loan. Let us assume that it was goods. Further, knowing that banks, generally speaking, do not finance "Consumption Credits," we may assume that the goods were for re-sale. In course of time, A will expect to sell the goods either to another dealer or to the general public, and will realise £100 at least.* Now, if A sells his goods to a dealer, that dealer will pay A by one of the following methods:—

(1) A cheque against his credit balance at Bank;
(2) Borrowing from his Banker—an overdraft;
(3) Borrowing from an outside party.

Should the dealer settle by method (1), his credit Bank Balance will be reduced by £100, and reimbursement by sales to customers will result in the amount of money in circulation being reduced by £100.

Should the dealer settle by method (2), then the net position is unchanged, except that the ownership of the goods is in new hands.

Should the dealer settle by method (3)—by borrowing from an outside party, say "C"—then C's Bank credit will be reduced by £100. Sales to the general public for consumption will result in the dealer recovering his £100 with which to reimburse C. As this is a common instance, let us follow out the double entry bookkeeping at the Bank.

BOOKS OF BANK.

Dr.	A's ACCOUNT.	Cr.
(1) To cheque to B ... £100		(3) By cheque to ex Dealer £100

	B's ACCOUNT.	
		(1) By cheque ex A ... £100

	DEALER'S ACCOUNT.	
(3) To cheque to A for goods £100		(2) By Loan from C ... £100
(5) To repayment of Loan to C £100		(4) By Sales to Consumers £100

	C's ACCOUNT.	
(2) To Loan to Dealer £100		In Credit brought forward .... ——
		(5) By repayment ex Dealer £100

	SUNDRY CONSUMERS A/c. (or CASH A/c.).	
(4) To Purchases ex Dealer £100		

Note:—Side numbers in brackets indicate order of transactions.

We have established, therefore, that the repayment of Bank Loans, unless by the creation of new Bank Loans, destroys deposits and their equivalent potential purchasing power. We have established, also, that the only means by which a Bank Loan can be repaid is the deposit created by it or some other Bank Loan. Therefore it is clear that, unless those who receive proceeds of Bank Loans spend *in full*, borrowers can never repay.

The irony of this will be best appreciated by those indebted to Banks when next they read on a hoarding of the virtues of saving.

Finally, if all Bank Loans were to become due and repayable on a given date—which is at least possible—there would be no money in existence. At the same time, there would still remain the community's assets, representing costs unrecovered.

Therefore, if ever the community is to be enabled to pay for all costs created by it, money equal to the cost of every asset in existence will require to be issued—*but not as loans.*

W. J. C.

* Profits or losses have been excluded, as they do not affect the points at issue.

The Theatre.

"The Tempest," Sadler's Wells.

The fact that this theatre is under the same control as the "Old Vic" enables it to draw on the services of the talented players forming the stock company at the sister house during the current season. The cast assembled for the present production is remarkable, embracing Roger Livesey, as Caliban; Lawrence Baskcomb, as Trinculo; Charles Laughton, as Prospero; Ursula Jeans, as Miranda; and Flora Robson, as Juno. Dennis Arundell, who plays Antonio, also composed the special music, in partnership with Herbert Menges, and Marius Goring, Clifford Evans, Evan John, and Elsa Lanchester (as Ariel) are among the other members of the cast.

"Revudeville" at the Windmill.

The continued presentation of non-stop variety at the little Windmill Theatre is the more remarkable when one recalls the numerous other theatres that embarked on the same policy and were obliged to drop it after dropping a good deal of money in the process. It is true that the Windmill was the pioneer of the present vogue, but it has had to face the competition of a number of much larger theatres. The current "Revudeville" is the thirty-eighth to be produced since the first performance on February 4, 1932, and I am informed that approximately three-quarters of a million people paid for admission up to the end of last year. The anniversary performance on the evening of February 5 will be the 3,075th, and is to be a gala affair, complete with ball. Tickets, at 10s. each, will be restricted to 300, this being the seating capacity of the house.

"Beau Brummell." By Harold Simpson and B. C. Hilliam. Produced by Nigel Playfair. Saville.

Here you have a "romantic play" with music, with Harry Welchman as the particular star. The formula is, quite frankly, not one of my favourites, but then I would also go to quite considerable trouble to avoid seeing an Aldwych farce. Obviously, I am in the minority on both occasions. "Beau Brummell" is good entertainment of its kind. The music might have been better, but is very well sung—and not only by Mr. Welchman; Diana Gould's dancing is charming; Charles Hayes is a good low comedian; and among the rest of the long cast are Noël Hood, as the Duchess of Devonshire, Thea Holme, and Guy le Feuvre.

This is by way of being a chronicle play, with an interpolated ballet. Beginning at Caen, in 1840, when the Beau was at the end of his life, it reverts next to Devonshire House in 1804, then moves to the Paris and Calais of 1821, and ends at Caen in 1840. In a programme "foreword" the producer tells us that the story is "true to history in practically every detail, or at least to well-founded tradition, though many of the characters are fictitious." The command to the First Gentleman in Europe to "ring the bell" is given in soliloquy, but even "that is more than likely to have been the case," and the Duchess of Devonshire is made to use the historic phrase, "my fat friend," as "an allusion to something Brummell may notoriously have said before the play began."

Sir Nigel need really not have been so conscientious. People go to the play to be entertained, not for historical reconstruction. A few captious persons, including a stray dramatic critic, may quarrel with a too patent anachronism—here the stage makes on the whole a much better showing than the screen—but their only reward is to be called high-brows or pedants. Tell the average playgoer that "Beau Brummell" may not be absolutely accurate in every detail, and he will tell you, "I should worry."

VERNON SOMMERFIELD.

The Films.

" Christopher Bean." Based on the Play by Réné Fauchois. Metro-Goldwyn-Mayer Production. Directed by Sam Wood.

" Christopher Bean," which finished its week's pre-release run at the Empire last Thursday, again gives us Marie Dressler and Lionel Barrymore impersonating themselves. The impersonations have worn rather thin on the top. There is a stage at which virtuosity becomes boring, and these two finished players are on the verge of achieving it here; a too familiar mannerism becomes as monotonous as a gramophone record heard too often. The film itself could easily have been bettered; the high comedy element has been dimmed both by distortion of the original theme, and by slowness of action, and some of the sequences are held much too long.

According to the Empire publicity agent, the words " The Late," which figure in the title of the play were eliminated in the case of the film, because " they might conceivably suggest a morbid or tragic story." The point is interesting and debatable; the film based on Clemence Dane's " Enter Sir John," was styled " Murder," in the belief that the change was better for the box office, and morbidity or tragedy is not regarded by a considerable section of the industry as calculated to keep people away from the movies. And what about " Murders in the Rue Morgue," where the nature of the theme is accentuated by the title? As a matter of fact, the screen would not recognise itself if it were deprived of assassinations, suicides, motor accidents, operations, and other incidents whose festive nature escapes me.

Anyhow, for once in a while the public obtains an answer to that baffling problem: how do films get their names, and why? Incidentally, " Christopher Bean " is being shown in the United States under the marvellously inappropriate title of " Her Sweetheart," and the writer of the scenario is apparently under the impression that our National Gallery is housed in the British Museum.

" Captured." Based on the novel by Philip Gibbs. Warner Brothers Production. Directed by Roydel Ruth. General Release.

A promising theme has gone astray here. Instead of a psychological study of the reactions of men bored and driven to hysteria by the monotonous existence in a war-time prison camp, the eternal triangle is dished up. And it is dished up in such a way that one is not interested in what happens to any of the three, played by Leslie Howard, Douglas Fairbanks, junior, and Margaret Linday. The film is also a mass of absurdities; the escape by air from the prison camp, in aeroplanes captured from the Germans and flying in perfect review formation, is so glaringly improbable as to be reminiscent of the less sophisticated film serials of twenty years ago, and I am still wondering why Mr. Fairbanks should have chosen to face a firing squad rather than give an account of his movements on the night of the murder, of which he was innocent. Nor do I understand why the real murderer should have confessed; men do these things either out of remorse, or because, when it comes to the point, they cannot let an innocent person suffer in their stead, but we are given no hint of the workings of Strogin's mind; he just writes a confession on a scrap of paper, and fades out of the picture. Mr. Howard, who vies with Mr. Fairbanks in the endeavour to see which of the two shall be the more self-sacrificing, is too ladylike. The one redeeming feature of a film of which the only adequate characterisation is the expressive American word " hokum," is Paul Lukas's sympathetic impersonation of the German prison commandant.

News Reel.

Among current general releases I strongly recommend " The Stranger's Return," which figures on my list of the best films of 1933. It is being shown at both Tussauds and the Stoll until Sunday next.

" The Mystery of the Dead Police " is the title to be given to the screen version of that outstanding crime story " X versus Rex," which is in course of production at the Metro-Goldwyn-Mayer studios. Edgar Selwyn is directing, and the cast includes Lewis Stone, Robert Montgomery, and Elizabeth Allan.

" Little Women," which has set up some remarkable box office records in America, was privately shown at the Regal last week, and is shortly to be seen in the West End. Another private presentation last week was that of " Prenez Garde à la Peinture," the French version of " The Late Christopher Bean," which, together with " Ombres sur l'Europe "—dealing with the Polish corridor—is now in the programme at Cinema House. I hope to review these three films next week.

DAVID OCKHAM.

Hadwen of Gloucester.

Mark Twain defined a crank as " a man with a new idea, and the man continues to be a crank until that idea is proved successful." Being a disbeliever in the orthodox medical conclusions regarding the germ theory of disease, the subject of this book* was long known as a crank. Colour was lent to that unscientific classification by the fact that Dr. Hadwen was in pathology both an anti-vaccinationist and an anti-vivisectionist; in religion a Plymouth Brother; in diet a vegetarian; and in general a champion of unpopular causes. Indeed, his daring to oppose the consensus of his own profession ultimately landed him in the dock as defendant in an action for manslaughter of a child-patient that died of pneumonia. Though seventy at the time of his trial this venerable practitioner so convincingly defended himself and so confounded several leading upholders of orthodox medical opinion that he secured a well-deserved acquittal. His trial afforded an unpleasant exhibition of medical men washing their swabs in public; and revealed for the thousandth time how easy it is for doctors to differ fundamentally in their hazy interpretations of medical " science."

The main source of this professional conflict seemed to lie in the confusion of inoculation with sanitation as the protective factor. Hadwen's wide experience as pharmacist and medico led him to conclude that the germ-fetish was another phase of the witchcraft-fetish of an earlier age. He preferred rather to pay strict attention to hygiene and sanitation as the surest prophylactics than to search for germs which are liable to assume whatever properties it was convenient to the searchers that they should assume. History had shown him that doctors could be unanimously wrong—perhaps never unanimous except when they had been unanimously wrong. He was too honest to shut his mind to the fact that fashions in medical treatment change like other fashions—for example, in regard to bleeding, the use of mercury, of alcohol in fevers, the disuse of numerous drugs annually, and so on. He had lived long enough to see the closed-window treatment for T.B. discarded in favour of the fresh-air cure. His vindication obtained for the medical conscience the same freedom as for the religious conscience, the right to accept or not any medical superstition.

This life of " The Old Warrior " is well documented. His biographers are able to throw a floodlight on the polemics and the tactics of Authority when dealing with a " heretic." The lay-reader will find amusement in the flatly contradictory opinions expressed by the rival experts looking at opposite sides of the Esculapian shield.

Incidentally, the book records the statement made by the wife of Charles Dickens to Hadwen in his youth when manager of a pharmacy at Clapham: " I never can understand how people can really like reading my husband's books. I never see anything interesting in them myself!" —a side-light most illuminating for students of the novelist's married life.

WILLIAM BELL.

* " Hadwen of Gloucester." Man, Medico, Martyr. By Miss Beatrice Kidd and Mrs. Edith Richards. (Murray. 7s. 6d. net.)

Engineers' Economic Study Group.

The paradox of poverty amidst plenty, of over-production on the one side and under-consumption on the other, presents for technical men a problem of outstanding importance. Technical progress along present lines appears to many to be a contributory cause of the present economic disorganisation; further, the practical knowledge of many qualified engineers and technicians is being wasted to an increasing extent.

The welter of advice, comment, and opinion now being offered from many quarters is more confusing than instructive to most people, for the basic causes of the trouble have not yet been isolated from subsidiary and associated effects. Many technical and scientific men, however, believe that the real difficulty arises from the fact that scientific methods have not been properly applied to economic and social problems. They consider that the application of such methods to production, distribution, and consumption alike offers the logical solution of the world's economic difficulties.

Consciousness of these facts has stimulated a Group of Mechanical, Electrical, Civil, and Chemical Engineers, and others having scientific and technical experience, to meet together to exchange views, collect data, and investigate the problem.

Neither orthodox nor particular economic or political theories are allowed to prejudice the investigation, but constructive proposals from all quarters will be carefully examined. The Group hopes eventually to issue a memorandum setting forth the conclusions reached, together with

practical recommendations for meeting the very serious situation which now threatens social well-being.

The Group meets, for the time being, every alternate Tuesday, at 6.30 p.m., at the Guildhouse, Berwick Street, London, S.W.1. The Hon. Secretary is Mr. P. Johnson, M.I.Mech.E., Gunnersbury House, Hounslow, Middlesex, to whom those interested can apply for further information.

The Group will welcome the assistance of technical and scientific workers in investigating this vital problem of widespread poverty and distress in the midst of plenty.

LETTERS TO THE EDITOR.

BANKS AND NEW CAPITAL.

Sir,—There is no inconsistency between the statement that an undiminished flow of money can purchase current output and the recognition that some of the money may in fact be saved by individuals, whether saving is taken to mean hoarding, capital investment, or, as in this case, transference to the Government for the purchase of war supplies. But " Accountant " seems to be turning the discussion back on its own tracks. In an earlier letter I pointed out that economists know quite well that saving out of income has economic consequences, and the Douglas theory has not taught them anything about that.

Mr. A. Cunliffe incorrectly says that I assume bank loans to have " had nothing to do with the raising of war stock," and quite correctly says that I state that the banks hold only a fraction of the public debt " without adducing the slightest evidence in support." If I mentioned that the Bank rate was 2 per cent. I shouldn't think it necessary to adduce evidence for that either.

AUGUSTUS BAKER.

Sir,—Mr. Augustus Baker, in your issue of January 4, *instead of replying to my questions* in the December 21 issue, asks me a question, gives what he considers my " probable " answer, and proceeds discursively to demolish it. Typical of the methods of opponents of Douglas!

ARTHUR WILLIAMSON.

" DIVIDEND RETIREMENT IN THE FUTURE."

Dear Sir,—It does not appear to me that the situation referred to by Mr. Coleman in your issue of January 11 requires the application of anything but the ordinary routine of the " Just Price " system. I do not agree, however, that " if this community is self-supporting, and consumes its whole production, its price-factor will be unity." Social Creditors have been so occupied in dealing with the present condition of money-shortage that the question of interpreting the just price formula when the factor exceeds unity has received little attention, but it seems to me that, in these circumstances, " price-value of total consumption " must be interpreted as " total money collected from consumers in exchange for ultimate products " (plus depreciation).

If this interpretation be adopted, then it follows that if, in any period under review by the Statistical department of the National Credit Authority, the factor passes unity, then in future periods, the " price-value of consumption " will be based upon the enhanced prices produced by the operation of this factor, and this process will continue until the actual sums which consumers have to spend are fully absorbed by the prices charged. Thus, in the example given, although costs fall to £100 per month, the adjusted price will remain at £2,000, this being the total sum available as purchasing power.

Now, just as a deficiency in purchasing power, as manifested by a factor of less than unity, is made up by an issue of credit, so the surplus when the factor is greater than unity will mean a withdrawal of credit—in other words, the excess money received by the manufacturer will be returned to the National Authority for cancellation.

It may be asked how, without consumption exceeding production (in quantity), the price factor can actually *become* greater than unity. This will occur if, when the factor is approaching unity, savings of currency are spent, or there is a time-lag between a fall in costs of production and the resulting fall in unadjusted prices.—Yours faithfully,

G. F. LLEWELLYN.

BANKS AND CREDIT-CREATION.

Sir,—In his recent book, " Free Money," Mr. Büchi, who has, on occasion, condemned the Douglas Proposals, states that " banks do not create credit," and that " anyone saying something to the contrary simply acknowledges that he has never seen the inside of bank management."

Well, Mr. McKenna says something very much to the contrary, and somehow one feels reluctant to believe that the Chairman of the Midland Bank is totally unacquainted with bank management from the inside.

Mr. R. G. Hawtrey, of the Treasury, in his " Trade Depression and the Way Out," published last month, says: " When a bank lends it creates money out of nothing."

It may be left to your readers to decide who is likely to be the more familiar with finance and banking, Mr. McKenna and Mr. Hawtrey or Mr. Büchi.

J. A. FRANKLIN.

DR. GRODDECK.

Sir,—On returning from a visit to Dr. Groddeck at Baden Baden I find awaiting me the criticism of a compilation of articles written by him which appeared in your number of December 28, and which is signed N. M.

The critic's assumption of superiority and expressions of contempt are merely absurd to anyone whose mind is not merely secondhand, but your readers are surely entitled to better guidance than this.

In writing my prefatory note to the book I endeavoured to ward off the smart Alec type of reviewer by quoting Whitehead's criterion of criticism, but N. M. has either missed the point of this or has signally failed in an attempt to satisfy Whitehead's standard.

Groddeck asks none of his readers to accept his views, but he does beg them to look at life for themselves, try their own experiments, and see whether they come to his conclusions or not, instead of remaining satisfied in the blinkers which orthodox teaching provides. He has not only the six years' medical training behind him which N. M. seems to think so remarkable, but forty years of clinical work, and a dramatic record of success with chronic cases given up as hopeless by orthodox and specialist medicine men. No one who has seen anything of his work would take N. M. to be anything but a poor misguided body. He (or she) may some day be in need of help and find none among the clever people, yet he need not give up hope so long as Groddeck still lives, and continues to accomplish the incredible.—Yours very truly,

M. COLLINS (M.A.)

3, Buckingham Palace Mansions, S.W.1. 12-1-34.

WORLD BANK FORETOLD.

Sir,—Your quotation in last week's " Notes " from Dr. Nicholas Murray Butler's " inspired " New Year's message, does indeed link up most remarkably with your " Notes " of December 28 on world centralisation. There is a still more remarkable connection, however, to which you do not refer, namely, that between Dr. Butler's suggestion of concentrating control of the credit policies of all countries in the Bank of International Settlements, and your foreshadowing of this development in the article (with chart) entitled " A World Crisis," published in THE NEW AGE on February 11, 1926.

It is a strange coincidence that you should have been engaged in writing your " Notes " for December 28 at about the time Dr. Butler must have been preparing his message of hope for 1934, but it is still more interesting that you should have anticipated the proposal he now makes by a period of seven years.

AT.64.

Social Credit and Popular Education.

The New Popular Educator (Editor, Sir J. A. Hammerton), published by the Amalgamated Press, Ltd., in fifty-two parts, price 6d. each, contains in Part 46 two sections of interest to readers of this journal. On page 1269, Lesson 46 is entitled: " Conflicting Views on Unemployment "; on page 1281, Lesson 27 is entitled " Douglas and Soddy 'Social Credit' Theories." The latter article has the merit of being a fairly objective description of the Social Credit argument. The earlier lesson is shorter and not quite so objective. The interest of these two lessons lies chiefly in their appearance in a popular educational series. This, taken in conjunction with the appearance of three separate criticisms of Social Credit in one number of the *Railway Service Journal* and the recent series in the *Daily Herald*, seems to indicate that financial policy is beginning to send Englishmen after Australians to school.

FORTHCOMING MEETI[illegible]

London.

London Social Credit Club.—A public meeting, at Central Hall, Westminster, on Friday, January 19, at 7.45 p.m. Speaker, B. J. Boothroyd, Esq.

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.

SUBSCRIPTION RATES.

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