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INCORPORATING "CREDIT POWER."

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CONTENTS.

NOTES OF THE WEEK.

The Tithe Bill.

Our last extended commentary on the subject of tithes was in THE NEW AGE of August 24, 1933, in the first section of the "notes" headed "The Tithe War." The comments now following, although not written as a sequel to the earlier ones, will gain in weight and direction if read in the light of them; and readers who are likely to be participants in the controversy on tithes are recommended to examine the two series together. Also, for the benefit of those who have filed earlier issues, we cite an editorial article which appeared in THE NEW AGE of May 28, 1931, under the title of "The Passing of Anglicanism.

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To indicate the general background set up by the last-named article we may explain that it was written to prove that the Church had become, in the eyes of the banks, a redundant institution in view of the encroachment of the Press and the B.B.C. on the field of authoritative religious education. We showed that this redundancy was, in the eyes of the banks, also a matter of financial "extravagance"—that insofar as they required religious instruction given, newspaper-articles and wireless-talks were more efficient than pulpits, and far cheaper. We showed, too, how the logic of this fact was being made manifest in the pattern of their political policy.

* * *

The Tithe War which we discussed last August, i.e., two years subsequently, was a new reaction to that policy. The Tithe Bill, which we now proceed to discuss, is the bankers' proposed treaty of peace to be imposed on the warring tithe-owners and tithe-payers. In reviewing its provisions we shall rely on the first leading article in *The Times* of April 24, entitled, "The Tithe Bill." We particularly advise readers to consult that article in full, as every sentence in it confirms or illustrates the various arguments which we have been using in the commentaries to which we have just given the references.

Forecast and Sequel.

Last August we wrote (THE NEW AGE, August 24, 1933, page 196):

> ". . . the practical implication . . . is that the farmers' leaders should *refuse* to be party to any *settlement* (original italics) however 'fair' as between themselves and the tithe-owners. We will bet that among the notabilities who are offering friendly mediation to the heads of the Tithepayers' Association is at least one gentleman in the proverbial striped trousers of the banking profession, the object of whose policy is to buy *a perpetual mortgage on every farmer* (italics now inserted for a reason to follow) at the price of granting him temporary relief from a burden which, in any case, the farmer cannot bear, and which the powers of the law are unable to make him bear. Look at the position. The farmer owes the tithe-owners, say, £7. He can only pay, say, £3. Along comes the banker and says: 'Now let us reason together. The tithe-owner ought to come down a bit. If I get him to call the charge £5 and buy him out on that basis, will you agree to pay £5 to the Government?' "

We said of such a proposition that the farmers should not give their consent to it—that they should leave the proposers with the whole responsibility for enforcing it if they chose to do so. The present Bill embodies the principles of such a proposition, and comes very near to reproducing the methods we described in the above hypothetical interview. As to principle, here is what *The Times* says:

> "The Bill is based on the assumptions that tithe must continue to be paid, and that it must continue to be paid by the landowners who now pay it, but with such modifications that payment will not cause hardship."

Then as to provisions:

> 1. The tithe-payer "shall not pay unless the annual value of his land as assessed to income-tax under Schedule B largely exceeds the amount of the tithe. . . ."
>
> 2. "The tithe-owners . . . obtain permission to collect tithe as a personal debt due to them, which can be *enforced against the tithe-payer instead of, as at present, only against the land*." (Our italics.)

Here are our words come true—" *a perpetual mortgage on every farmer.*" Also the offer made in the imaginary interview we described is closely copied in the provisions of the Bill. Through them it is as if our hypothetical banker made the following proposition to the tithe-payers, regarded as one man:

> " Look here, your present tithe-dues are £7, and your present assessment for income-tax is £10. Your assessment exceeds the tithe-dues by £3. That excess is not quite enough to allow you to live comfortably. I will therefore knock 5 per cent. off the £7, making it £6 13s. Your excess will then be £3 7s. instead of £3, and at that figure you ought to get on all right. But one good turn deserves another. It isn't an onerous one to grant. It is that instead of there being a tithe-charge of £7 leviable on your land, there shall be a tax of £6 13s. leviable upon your person. This is merely a formality—just a change in the basis of the charge from the land to yourself. What do you say? "

In short the banker is proposing, as we said, " to buy a perpetual mortgage on the farmer at the price of granting him temporary relief. . . ." A critic may say: " Yes, but your forecast fails on the word ' temporary.' " Agreed: but it need not. There is no guarantee that the farmer will long enjoy the beneficial use of the 7s., and, in fact, any competent writer on Social Credit could construct a strong case for the proposition that the ultimate consequences of this concession could, and will tend to, deprive him of this gain. *The Times* itself affords certain material for establishing such a case. It recognises that the farmers are at the mercy of prices, and that the tithe-problem is linked up with the Government's success or otherwise in solving the problem of agricultural prices.

Another Inquiry?

The smallness of the remission in the above hypothetical interview, namely 5 per cent., is justified by the actual figures. *The Times* says that the total relief to be granted would be about £170,000 a year upon a total present payment of £3,000,000 a year, i.e., 5.66 per cent.

Defending the principle of the Bill, *The Times* remarks:

> " Someone must pay the equivalent of tithe if those institutions which the payment of tithe at present supports are not to cease."

Quite, if the assumption be granted that the means of supporting such institutions at present must come out of a fixed collective sum of money in the pockets of the people at present. But this assumption can be disproved; and every person dissatisfied with the Bill, whether as payer of tithes or recipient of payments therefrom, must make it his first business to challenge it, or else he will default on the moral aspect of his case. It does not matter that he cannot sustain the argument to the finish: for others can; and what he has to do is to insist with all his influence on opening that issue for debate by those who are competent to conduct it against the banking classes who are backing the Bill. On this matter *The Times* has got in a challenge first. After saying that tithes and prices are parts of one problem, it continues:

> " This is really the answer to those who are asking for an inquiry as an alternative to the Bill. No one has yet explained what an inquiry is to do. The facts are well known."

Well, it all depends upon what are the terms of reference under which the inquiry were held. The facts that are well known are just those facts which the bankers want to be known and subsidise all sorts of educational agencies to make known. But there are other facts which they do not want known, facts which, if known and considered by a committee of inquiry, would not only be seen to be more closely relevant to the problem than the bankers' facts, but would constitute a complete rebuttal of the conclusions from them which the bankers are hustling everybody into accepting without reflection.

Tithe-Payers' Criticisms.

In *The Times* of April 26 there appeared letters from Sir Charles Hobhouse and others generally criticising *The Times's* article; and in *The Times* of April 27 there appeared a letter in reply to them from Mr. G. R. Y. Radcliffe, The Bursary, New College, Oxford. The main point at issue between these correspondents turns on whether the change of the basis of the tithe charge from the land to the person is a breach of tradition, as the critics say; or is not, as Mr. Radcliffe says. Mr. Radcliffe cites Statute 32, H. VIII., c. 7, which provided that a person could be sentenced to imprisonment if he should " obstinately and wilfully " refuse to pay his tithes. This he adduces to counter an assertion by Sir Charles Hobhouse that the new Bill " overthrows a principle which has maintained since the eighth century." Speaking as laymen, we are disposed to ask whether the penalty under the old Act did not attach rather to the wilfulness and obstinacy than to the fact of non-payment. In so far as that was so, Sir Charles Hobhouse is right in saying that the indiscriminate imposition of personal liability on tithe-payers constitutes a breach of tradition. His opponents, we presume, would urge that, in practice, under the provisions of relief in the Bill, where all those who cannot pay in full are excused a portion of payment, only those persons will be proceeded against who fail to pay after having been formally adjudged capable of paying (under the " Schedule B " criterion of capacity). Hence those opponents could colourably argue that the failure was wilful or obstinate. We will wait and see if the lawyers thrash this out; but in the meantime it appears to us that the oppenents of Sir Charles Hobhouse take up much the same attitude as do people who tell us that imprisonment for debt has long been abolished; the fact being that the penalty is still visited on debtors; but for " contempt of court." It works in this way: the debtor fails to pay; the creditor applies to the Court; the Court orders him to pay; the debtor does not pay; the debtor goes to prison. Does he go because he has not paid, or because he has " wilfully " or " obstinately " disregarded the order of the Court? What do the lawyers say?

The Means Test.

This phase of the controversy brings into prominence the principle of the Means Test. The Means Test, as our readers are aware, looks innocent enough when defended as a method by which it can be discovered what people and how many of them have sufficient money to pay their way, but it provides new facilities for discovering what other people and how many of them (a far larger number) possess means of payment (the sufficiency or not of which is, of course, arbitrarily fixed by the inspirers of financial legislation). In practice this means that the Means Test administration forces everyone who cannot pay in full (or to whom payment in full would be an intolerable burden) to undergo a rigorous inquisition precisely as do the poverty-stricken people who need transitional payments. Apart from the humiliation involved in this sort of thing, there is the consideration that inquisitions of this character into the affairs of one person enable agents of Somerset House to gather up lots of useful particulars about the affairs of other people. In verifying the absence of money here, they are able to verify the presence of money elsewhere. The Means Test is a system of espionage.

Lord Bradbury remarked, in his debate with the Hon. R. H. Brand on monetary policy, in *The Times*, some months ago, it is cound financial common sense to reduce the liability of the debtor to his capacity to pay; and this is obviously true in the case of the tithe-payers because if you make them pay more than a certain sum you destroy their means of paying anything at all—you levy charges on property which render it unworkable, and therefore unmarketable, by the proprietor. If a farmer cannot pay, it is morally certain that the tithe-owner could not raise the money by absorbing the farm.

Disarming Tithe-Payers.

We have referred to the Tithe Bill as the Tithe Peace Treaty. Looked at from this point of view, readers of THE NEW AGE will follow our meaning when we say that the Treaty is not designed to appease the belligerents, but to make further warfare impossible. It imposes disarmament on the tithe-payers in return for monetary relief extracted from the tithe-owners. Neither *The Times* nor Mr. Radcliffe makes any secret about this. *The Times* refers to the new recovery-process as " less likely to cause disorder." Mr. Radcliffe defends it because the tithe-owner has a legal remedy which is " less hazarduous and costly " than recovery by distraint.

High Finance at Work.

Within the terms of reference imposed by the bankers neither the tithe-owners nor the tithe-payers can possibly win their case outright, nor arrive at a satisfactory compromise in collaboration, supposing that they were allowed to hammer out a settlement. The Archbishop of Canterbury, who is party to the controversy, is quoted by *The Times* as saying that all other sources of income to the Church of England than tithe income are already " dried up "—a statement which would seem to imply that the proposed remissions under the Bill will have to come out of the stipends of incumbents and other humble beneficiaries of tithes. But the whole view is false in a fundamental sense because it is based upon the axiom put forward that all remissions of public charges in all quarters must necessarily come out of " public funds "—meaning, of course, ultimately from private pockets. To those who are familiar with the fact that Major Douglas has disproved this axiom nothing more need be said. What needs to be done is for them to use their best efforts to induce the parties to the quarrel who may wish to challenge the Tithe Bill to investigate the Social Credit Analysis, perhaps with particular reference to Major Douglas's recent proposals to the New Zealand Parliamentary Committee with regard to the disclosure of assets held by banks and other financial institutions. The pertinence of this suggestion lies in the fact that the institutions called Queen Anne's Bounty and the Ecclesiastical Commission are now virtually departmental extensions of the banking-insurance-investment combine which we are accustomed to refer to as the Money Monopoly. As such, these institutions are, so to speak, accessories (though unwittingly so) to the secretion of large reserves of credit which could be mobilised and distributed for the purpose of filling up any gap made by tithe remissions. Needless to say, when once it is proved that monetary hardships on tithe-payers can be removed without cost to the tithe-owners there is nothing left to argue about. We must emphasise that no imputation is implied here against any of the church authorities. The trouble about them is not a matter of guilt in a moral sense, but of ignorance in a scientific sense. The great exemplar of this ignorance was the Archbishop of Melbourne, who made himself ridiculous by virtually pronouncing the excommunication of the Church on expansionists of credit for the sin of " inflation." He was ignorant of the scientific fact that inflation is not a necessary consequence of expansion; also of the political fact that whenever inflation has followed expansion, the reason has been (at least since 1919) that it was allowed to happen by bankers who could have prevented it, but did not want to. Inflation is not a technical consequence of expansion, but a political reprisal deliberately visited on expansionists. Let us put a case. Someone comes and says to you: " Look here; be careful not to offend that fellow yonder, or he will go home and beat his wife, and the assault will be laid at your door by the Press, the Church and public opinion." That is what happened in the case of Mr. Lang: he annoyed the banking-interests, and they assaulted the markets—investment and commercial—producing disturbing phenomena which were exhibited to frightened or exasperated investors and traders as the inevitable natural consequences of Mr. Lang's announced intention to adopt a credit-policy of his own. Consequently the Archbishop of Melbourne's ecclesiastical excommunication of Mr. Lang was followed and implemented by Sir Philip Game's sentence of political excommunication on Mr. Lang.

The Poor to Relieve the Poor.

The Times points out that the Tithe Bill " concentrates relief . . . where relief is most needed." Directly afterwards it says:

> " The poorest tithe-owners are likely to be found in districts most affected by the depression, and *it is they who will be most hardly hit* by the new concessions to tithepayers. . . ."

Evidently, then, the cost of the concessions is to be spread over all the tithe-owners, rich and poor alike, presumably at a flat percentage rate of the value. But even were the rate to be graduated, the poorest tithe-owners would still be the most hardly hit, for the measure of hardship involved in a percentage unit on a small value is a multiple of that involved by the same percentage unit on a high value. A sacrifice of one per cent. of £100 is harder to support than one of five per cent. out of £1,000. This prompts the question: Why should the poorest tithe-owners be hit at all—let alone being most hardly hit? Why should not the remission of £170,000 be borne by the richer tithe-owners? The answer is that the banking interests inspiring this legislation particularly wish hardship to be borne at the bottom. In our " Notes " on August 24, 1933, previously referred to, we discussed the reason, pointing out that nothing was better calculated to dissuade a well-intentioned tithe-payer (and most are such) from resisting payment as the idea of an impoverished clergyman in his immediate neighbourhood, and probably known to him, having to pinch himself as a consequence of his (the tithe-payer's) avoidance of payment. It is the bankers' old widow-and-orphan trick, by which they so often succeed in " bringing home to " those who complain of financial burdens that whoever escapes them lives on the charity of the poor. And, of course, the argument is irrefutable so long as the doctrine of the inexpansibility of public funds is accepted as axiomatic. In that case, if some pay less, others must pay more: and if the " some " are the better-off, the " others " must be the worse-off, provided that the latter can remain alive and inert on less. But the doctrine is false: and, as we have said earlier, the way to defeat the Bill is to expose the falsity of the doctrine behind it. This is the broad issue.

Tithes and Corporations.

On a narrower issue *The Times's* challenge, already quoted, about what there can be to inquire about as an alternative to accepting the Bill, another section of our " Notes " of August 24, 1933, contains material for a reply. In it we quoted A. A. B., of the *Evening Standard*, who had just previously written about the Tithe War then proceeding, and who had referred to the ownership of tithe-rents as having become concentrated more and more in the hands of " distant corporations " in recent times. It would be interesting to know who are these corporations; and an inquiry to that end might well be pressed for by individual tithe-owners and tithe-payers, both of whom have nothing to lose, and probably a lot to gain, if it is pursued. These corporations would be found to be large financial institutions (in some cases holding companies thereof) affiliated to the banking system on the one hand and virtually supervisors of Church finance on the other. They would be found to occupy the position of mortgagees of the Church's property and endowments. The Archbishop of Canterbury's statement that the Church's " other sources " of income are dried up means that the earning-power of the Church's assets, or their disposal value (if conscience tolerated disposal), are fixed and inexpansible in terms of money. In effect his Lordship was saying: We cannot raise prices; we cannot reduce costs; and we cannot raise loans. In short, the Church's credit is pledged to the full with the Money Monopoly.

Where Is the Church's Missing Income?

Now if we were conducting an inquiry into the alternatives to the Tithe Bill we should want to know who had the power to restrict the financial credit of the Church in relation to her assets in the above sense. We should have two objects. The first would be to find out whether the finance of the Church is kept short of what the value of her assets justifies in the commercial frame of reference. The second would be to elicit evidence on which we could show that the anchoring of Church finance even at the point of equivalence with these assets is technically unnecessary.

The investigation would be much the same for both objectives. It would consist in calling upon the Money Monopoly (banks and other financial institutions) for a declaration of all assets and values on the model of the New Zealand Proposals, differentiating Church assets (including tithes with other property) from general assets. Now, as readers will understand, the value of both blocks of assets combined, calculated at current market valuations, would show a large excess over the value admitted in the balance sheets involved. But only the first valuation could be made of Church assets alone. That would be because the Church is a "non-productive" organisation, not regarded as an object of investment or speculation. The Church is not quoted on the market. Therefore the official figures would not so far support the submission (implied under the first objective) that Church assets were worth more than what they were pledged for and financed. On the other hand the figures would show a large excess in regard to general assets. This excess let us designate as reserves—meaning undivided national wealth which can be distributed as incomes or claims to incomes. The question arises: What contribution has the Church, as a moral agency, made in the past towards rendering the accumulation of these reserves possible? What has been the effect of her insistence on all those human virtues conducive to the patient and orderly development of industry? (These questions apply to other religious denominations as well; but this consideration is not immediately relevant.) We do not forget that we have said that the Church is considered by the bankers, and is becoming, a redundant institution as a moral agency; but even if she were superseded to-morrow this would not wipe out her services during the century before the Press Combine and the Wireless Corporation usurped her authority and function. So she is entitled to claim (as a commercial proposition) arrears of dividend out of the national reserve she has helped to create. If she were a commercial concern, the recognition of that claim to-day would raise the value of her assets and the "price" of her "shares." Conversely, and actually, the non-recognition of her claim has raised the undisclosed value of general assets as well as (probably) their disclosed value. Of course the Church does not bargain on a commercial basis, but the labours of past generations of churchpeople give their present-day successors and workers the right to insist upon a just monetary valuation and recognition of their devoted service. Fortunately there is no need for differentiated payment for that service. The general distribution of the reserve as National Dividends to private citizens will enable those who love the Church to raise her to a higher pinnacle of opportunity for the deepening of culture than ever before.

Mosley on "International Finance."

International finance "seeking profits": danger of: (Mosley). This is not the international finance spoken of by Douglas. The broad distinction is as follows: (a) the "international finance" which exercises open political pressure to get monetary profits (the policy of goods-manufacturing internationalism), and (b) the "international finance" which exercises secret monetary pressure to get political power (the policy of credit-manufacturing internationalism). Conception "a" is Mosley's, and is a resurrection of the one that Walton Newbold used to canvass a generation ago. The Macmillan Inquiry proved to be Newbold's Damascus, changing his name from Saul to Paul. Conception "b" is Douglas's. Note that an attack on "a" (Mosley's) does not necessarily imply an attack on "b" (Douglas's). In fact goods-manufacturing-selling manoeuvres may easily hinder money-manufacturing-lending policy. Policy "b" automatically necessitates policy "a"; but policy "a" automatically provokes resistances leading to war, an event which automatically frustrates policy "b." To attack policy "a" *because of its provocations* and *without pointing out that it is the automatic consequence* of policy "b," is to assist the purposes of the promoters of policy "b." Mosley is unwittingly doing this (*Vide* his citation of the India White Paper and his reference to the "danger to Lancashire trade," etc.). The bankers can be pictured as sharpening knives of world power on a grindstone in the dead of night, and as fearing lest sparks should be thrown off and give the game away. If so, then the Blackshirts can be pictured as standing round with buckets and keeping the stone drenched with water. And if you imagine the operation to be going on in an enclosure where all sorts of explosives are lying about, you will have a pretty faithful picture of the international situation to-day. Clearly, there is nothing in common between the Blackshirt's intermediate *no-spark-flying* policy, and Douglas's basic *no-knife-grinding* policy. And the mutual irreconcilability of the two policies will be further emphasised if the possibility is admitted that the Blackshirt bucket-brigade might be presented with knives partly as a reward for their spark-drenching services, and partly as weapons wherewith to protect the knife-grinder from interference.

We are ready to believe that no member of the Blackshirt Movement would consciously lend himself to such a purpose; but good intentions are no guarantee against the trickery of the Money Monopoly.

Administrative and Financial Tyranny.

Apropos of this, we have just received a cutting from *The Press* (Canada) of April 12, in which the following declarations by Major Douglas are reported.

"Whether it is by accident or by design, the world is steadily moving over from a financial tyranny, which has both the elements of breakdown and has also been found out, to another tyranny, a tyranny of administration, which, as a matter of fact, theoretically, at any rate, can be made to work," said Major C. H. Douglas, exponent of the Douglas theory of social credit, Wednesday evening, following his arrival here to address the Canadian club, to-day.

"The present system," Major Douglas went on, "will at no very distant date either have to be replaced, or will itself break up from the onset of another great war. I myself have no doubt as to what is happening at the present time, and that is that the upholders of the system are trying to change it, and the endeavour is being made to change over from a tyranny of finance to a tyranny of administration.

"That is being pursued with extraordinary sagacity," he continued. "It is coming in many nations, as you may see at this moment almost under your very eyes.

"In Great Britain, the phase under which this change is taking place is called rationalisation or planning. In Italy it is the Fascisti or corporate state. In Russia it is the dictatorship of the proletariat. What you are seeing in the United States is exactly the same thing that it being pursued in Great Britain. It has been successfully attained in Italy, and is being aimed at in Germany by the Nazis.

"You are seeing the amalgamation of industry into huge cartels or trusts or guilds, or any name you like to put to them. The conditions under which these guilds are being operated is administratively backed by the supreme power of the State, so that not only the worker, as might be the case at the present time, is the slave to the system, but the employer is the slave to the system also.

"You will have to decide whether you will lose all those things you have been accustomed to call liberty, and probably lose them not for one generation, but for a whole period, probably hundreds of years or more, or whether you will take such steps as are possible to obtain a solution."

To readers of THE NEW AGE this analysis of financial policy needs no elucidation. The one problem it sets for them is that of thinking out the best ways to put this truth across to the various types of intelligence with which we all have to deal in our propaganda among the public. Put shortly, the picture that has been evoked by past propaganda has been one in which the bankers were presented as proceeding on the "Divide-and-Conquer" policy. Their policy has been to *divide*, and then to *conquer by absorbing the divided parts.* But a more subtle policy has supervened upon, though not yet superseded, the old one. Their new policy is to *unite the divided parts,* and then to *conquer by being absorbed in the unified whole.* The apotheosis of such unification would be reached in what is called the "Nationalisation of Banking," or "Public Control of Credit." On the way to it, and preparing the way for it, could be such manifestations of "action" as were forecast and idealised in Sir Oswald Mosley's speech at the Albert Hall. For instance, you are to vote by economic functions (not as citizens) at the bottom; and the veto on what you vote for is to be vested in a council of experts at the top (superseding the House of Lords). You will thus become a cog in some wheel of a system of pure production-policy, instead of a personality in a system of production-consumption representative government. You are to be absorbed at the bottom of the system, and the banker is to be absorbed at the top. Thus the whole system will be administered internally—and its laws will blot out the jurisdiction of the Courts. The liberty of the subject, which the Law protects (in an ideal sense) is at root the liberty of the consumer: so it is inevitable that if the status of the consumer, as such, is not to be recognised, his recourse to the Law may as well be abolished, as it would be.

Social-Credit Politics.

The Sydney "Sun's" Questionnaire.

The following questions were put before Major Douglas by a representative of the Sydney *Sun* on the morning of January 25, at the Blaxland Galleries, with the request that they should be answered by 3 p.m. on the same day. (Anybody might imagine that the Commonwealth Cabinet plus the chief of the Commonwealth Bank were sitting in the boardroom of the *Sun* ready to proclaim the Social Credit State at 3.15 if the four points raised were reasonably answered.) Major Douglas did not supply the answers until a month later—transmitting them from New Zealand to the Sydney D.S.C. Association for communication to the *Sun*. They are given below.

Questions and Answers.

You suggest in your Scheme for Scotland that £300 per annum could be given away by the Government (or credit authority) to every family as a beginning for the Scheme. Do you consider this is practicable for Australia? Is this in addition to the ordinary earnings of the family?

Yes, subject to the modifying clauses in the Scheme.

You also suggest in the same Scheme that every purchaser of goods for his own use should have added to his banking account a sum equal to 25 per cent. of the cost of the goods. Do you see any difficulty in putting this into operation? Have you ever made an estimate of the amount of credits that would be issued annually in Australia by this means?

The feasibility of this merely turns on the ability to deliver 25 per cent. more goods, which is obvious.

Do you still believe that the working hours in Government offices should be reduced to four per day with a duplicate set of officials?

Yes.

You stated yesterday that the Douglas System could be installed to-morrow with no more upset, trouble or expense than would be involved in the adoption of daylight saving. Would this include such of your proposals as installation in all businesses of a uniform system of costing, open to inspection (as proposed in your book "Economic Democracy"); replacement of existing company shares by "equity shares of no par value"; the recognition of bonded debts only for purposes of compensation; the prohibition of the rights of private individuals to sell real estate, except to the Government?

A uniform costing system is substantially in operation. Generally, there is no rigid "Douglas Scheme," any more than there is one bridge suitable for all conditions. The constant demand for a final scheme is as irrational and unscientific as a demand for one bridge, and betrays complete unfamiliarity with the problem.

Land-Taxers and Social Credit.

Commonweal, the organ of what is left of the Henry-George single-tax movement launched under such plutocratic auspices once upon a time, is engaged in "unmasking" Douglas. The unmasking consists of two allegations (with supporting "evidence") of evasion on Douglas's part while in New Zealand, the one as regards a challenge to debate issued by the Land-taxers' association in that Dominion, and the other as regards the request of the New Zealand Parliamentary Committee that Douglas would lay before it his proposals for a Social-Credit scheme applicable to New Zealand.

Taking the debate first, the Land-taxers' issue of a challenge to Douglas was, in itself, a piece of unconscious impudence. They were virtually proposing to exploit for their own purposes the publicity preceding and attending Douglas's arrival, without contributing anything in the way of effort or money towards the achievement of that publicity. The Douglasites having paid for the advertising, the Georgites proposed to answer the elicited inquiries—or, to be accurate, to insert their bids for orders alongside Douglas's in the same envelope. Talk about rack-rents—they look small stuff against this rack-ramp. If Codlin's the friend, not Short, let the cost of saying so come out of Codlin's pocket, not Short's.

Coming to the Parliamentary Committee, *Commonweal* quotes some of the correspondence between Major Douglas and the Committee, but we have been unable to trace in that paper the passage in Major Douglas's letter of February 21, 1934, to the Secretary of the Committee in which he pointed out that in view of the Committee's previous statement that the fundamental analysis of the economic problem was *sub judice* he thought it proper not to make proposals based on the assumption that the issue had been decided. (See THE NEW AGE of April 12, page 280, paragraph 1, in Major Douglas's letter above cited.) Since the whole question of whether Major Douglas was guilty of evasion or not turns on the contents of this section of his letter the conclusions to which *Commonweal* invites its readers to come have no verifiable support behind them. It is usual, when charging a person with dodging issues, to fasten first on the reasons he puts forward in order to show if possible that they are merely excuses.

The Gold Standard.

The gold standard, says the writer of an article in *The Times* of April 27, worked all right up to the War, and the proof is that we all tried to get back to it after the War. If you should think of asking why we came off during the War, he has forestalled you with an answer. The first sentence of his article is: "In times of stress ideals suffer." Evidently the gold standard was a mechanism designed to prompt in observers the *idea* of its *wheels going round.* When it was wound up the *idea* of wheels going round suffered from the *spectacle* of wheels not going round. It's all our fault for looking at the blamed thing! You should always turn away when these delicate devices are being tested out. Be sports, and think of the designers' feelings. Once upon a time a boy threw a flint in front of a steam-roller, and—well we forget what happened; but if the flint stopped the steam-roller you may be sure that it was because someone was watching.

The Christchurch Oration

Delivered by Major Douglas at Christchurch, N.Z., on Feb. 13th.

I.

Your Worship, Ladies, and Gentlemen: I should like to begin the explanation and the address that I am privileged to make to you to-night by stating what I have no doubt, to many of you, is a truism, and that is, that we are familiar with two kinds of laws. There is the natural law of the nature of the conditions which compel a stone to fall when it is dropped from a height, and which, if it falls, let us say, in a vacuum, always falls at the same rate under the compulsion of gravity. That is a natural law, and, so far as we know, those laws are compelling laws. We cannot change the laws of that description, and all we can do is adjust ourselves to those laws.

But there is also a second type of law, a law which is what we may call a conventional law. Of course, our legal laws—the laws of our Government—are conventional laws. On a smaller scale, of course, we have the same sort of thing in connection with playing a game. We agree that, in a game we call cricket, if the ball is struck by the batsman and is caught by a fielder before it touches the ground the batsman is out. We are not obliged to have those sort of conventions. We could change them if we found that we could improve cricket by some other convention.

Those two laws have to be very carefully separated in one's mind in considering such matters as we are discussing to-night.

It has been very frequently stated during the past fifteen years or so that there is no escape from inexorable economic laws. As a matter of fact, there are no inexorable economic laws with which I am familiar; they are practically all conventions.

What we call an economic law is what happens if you agree to pursue certain ends in industrial, economic, and social organisations governed by certain conventions. That is about all that so-called economic laws amount to.

Now, the first requisite in any understanding of this position on the basis of what I have just been saying is to recognise that what we refer to as conventional laws are matters of policy. You do not make a conventional law without having some sort of an idea in your mind as to what it is you are trying to do—what end you are endeavouring to serve.

If you make a law that all motor cars shall drive on the left-hand side of the road, you have in your mind that in that way you will avoid collisions, and you have a policy in your mind in making such a law that you want to avoid collision of motor cars.

We have at the present time a thing that we call an economic system, and I do not believe that we are at all clear, in many cases, as to what it is we are trying to achieve by means of that economic system and by means of the conventions with which we surround it. For instance, we say at the present time that one of the troubles which assails the present economic system is what we call the problem of unemployment.

II.

When we say that the problem of unemployment is one of the major features of the crisis at the present time we are, at any rate unconsciously, if not consciously, suggesting that one of the objectives of a policy, of an economic system, is to provide employment. Now that is not an axiom: that is not a thing that you can take as being true without examining it. It may possibly be true—I do not myself think there is a grain of truth in it whatever—but it is conceivable that you might want to run an economic system for the purpose of providing employment.

If you wanted to run an economic system for the purpose of providing employment, quite obviously the first thing that you would have to do to rectify the present position—the only sensible thing to do—would be, as far as possible, to put the clock back about two hundred or three hundred years. You would destroy as far as possible all your labour-saving machines: you would cease to use the power which you have developed from water and otherwise, and you would revert to handicraft, and in doing the handicraft you would avoid, as far as possible, the use of any tools which would facilitate that handicraft. You would do everything as laboriously as possible, and you would undoubtedly solve the unemployment problem. Every one would undoubtedly have to work very hard indeed to get a living.

That simple idea, as a matter of fact, was the first idea that struck the Russians when there was the Revolution of 1917. The first thing they did was to remove, or in some cases imprison, their scientists and their organisers. They said they did not want them: they said they wanted the population to work and they got them to work quite easily.

You see it is quite possible to demand from the economic system a lot of different things. For instance, in regard to this question of employment and unemployment; there has been, I think, an almost absurd confusion on the part of such people as, let us say, the well-known and very able delver into these matters, Karl Marx, who complained that the present system provided a parasitic class who battened on the producers of the wealth of the world.

Interjector: Very true.

And at the same time, of course, complained that the economic system was breaking down, and, quite correctly from his point of view, that the capitalistic system was breaking down because it could not provide employment.

Now, either unemployment is a privilege—in which case quite obviously you want to try and get as many unemployed as possible—or else it is something requiring pity, in which case any parasitic class is an object of pity and not of contempt or of criticism. You cannot have it both ways. You must make up your mind whether you want to provide leisure by an economic system accompanied by goods and services producing what we call a high standard of living with an increasing amount of leisure, or, conversely, you must admit that what you want to do is to provide employment, in which case your policy is exactly opposite.

The policy which is attached, and the matters which can be attached to a policy to relieve the unemployment problem permanently, must in the very nature of things be a policy which will decrease the unit production of wealth by the individual, and a policy which is intended to produce and deliver goods and services with the minimum amount of trouble to anyone must, quite mathematically, increase the unit production of wealth, and so create what you can, if you like, call an increasing unemployment problem. Those are the only two alternatives in regard to that, and you must first of all, before being in a position to form any opinion at all upon proposals in regard to the present crisis, make up your mind as to what it is you want.

Now, the second necessity of an understanding of this situation is a sound analysis of the difficulties which stand in the way of getting to where we decide we want to go. That is to say, if we decide—and I am assuming that having put the matter to you in the way I did you will practically all have decided that we do not want to produce, but that we do want to deliver goods and services—that what we want from the economic system is goods and services to provide a high standard of living—

Interjector: I want a job!

And then you will be able if you like to provide jobs for yourselves, you will I think—unless I grossly underrate the intelligence of the gentleman who made that remark—agree that if he was provided with what he would refer to as an income of £500 a year, he would be able to find some use for his leisure. (Applause.)

III.

Now, if you do agree with me, for the sake of hypothesis we will say, that the only object of an economic system is to deliver goods and services to the population concerned, with the minimum amount of trouble and friction to anybody, then the next thing to do is to analyse whether that is possible; to what extent it is possible, and what, if anything, interferes with carrying out your plans.

Now, at this point you have to make—not a mental effort—but an effort of self-demesmerisation. I want you to demesmerise yourselves from the idea that money is the same thing as wealth and goods and services. You say that you cannot get goods and services without having money. That does not mean to say that those two things are the same; they are not. I want you to separate them in your minds and to look with a clear and unbiassed eye at the purely physical side of the production system to-day.

Can you imagine yourself, if you had sufficient money, going to any shop for any article that you can conceive of and not getting it? Is there any requirement of common use in the world to-day of which you could tell me that there is a definite physical shortage? If you can, I shall be interested.

I can tell you, conversely, of a long string of articles which are actually greatly surplus to the actual requirements of the world at the present time. For instance, to take a very simple instance, more coffee was wilfully destroyed in Brazil during the past year than would have provided the whole coffee-drinking population of the world with all the coffee they wanted. The same thing is true of practically every staple article of which you can think. There is too much rubber: there is more rubber than we can at the moment use.

They are making elaborate preparations in the United States to pay quite a large bonus for NOT growing wheat. The same thing is happening in the Southern States of America in regard to cotton. In almost every direction in which you can turn you will find evidence of overflowing—either actual or potential—and easily realisable physical wealth to such an extent that it is quite impossible for anybody who knows anything about the subject at all to avoid the conclusion that physical plenty and complete freedom from economic trouble associated with bed, board, and clothes, is literally waiting at the door of every one of us if we realised it. (Applause.)

That is the physical fact. So that it is not to the physical side of the production process that we have to turn when we want to find out why it is and what are the difficulties which prevent us from realising the objective that I suggested we wanted to realise, and that is sufficient goods and services for everybody with a minimum of trouble to everybody. It is not on the physical side that we shall find the difficulty.

Now, before going on to look at another side of the problem, I want to examine very briefly what we find in the present state of affairs which would not correspond with that objective that I suggested is the correct objective. Where do we differ? Where do we "go off the rails?" as we might say, in endeavouring to reach this objective? What is happening which is not in line with this objective that we have decided we want to reach? Well, first of all I will just deal with a few points which I think you will recognise as existing at the present time. We have surplus—by which I mean unpurchasable, not necessarily unnecessary—but unpurchasable production. We know that is so, and that it is being destroyed in many cases. We have consequent unemployment as the phrase goes because no further production is for the moment necessary; but that consequent unemployment can be translated into the words "surplus productive capacity." If we have a large number of unemployed producers, then, quite obviously, we have a surplus productive capacity which is not being drawn upon, so that, in addition to the actual surplus production, we have evidence all over the world of surplus productive capacity.

Interjector: Not in Russia!

No, not in Russia. That is quite right. Russia is the only poor country in the world. Now, the third, a symptom which we have at the present time, is consequent poverty, consequent on unemployment according to this phrase. Remember that I translated unemployment in this connection as surplus productive capacity, and we have the curious but quite undeniable result of surplus productive capacity, that we have poverty.

It is an extraordinary thing that it is possible to have poverty as the result of surplus productive capacity; but that is exactly what we have got. (Applause.)

IV.

Now I will translate poverty again into something which you will agree is the correct translation. Poverty is lack of sufficient purchasing power accompanied by economic need. I think that if you will think that over you will find it quite impossible to deny that translation. The next thing that we have is redundant machinery and plant; that is to say, we have mills and factories, and farms and fields, all of which are there and could be made to produce a great deal more than they do produce. That so-called redundant machinery and plant can also again be translated into surplus productive capacity. Now, what is the result of surplus productive capacity in plant and in agriculture and so forth? It is another phase of exactly what we found in regard to surplus labour capacity. It results in consequent cut-throat competition to sell at prices which are unremunerative—and when I say unremunerative I mean that they do not provide any purchasing power to the people who are producing. That is what that means; nothing else. When we say that the production of an article is unremunerative we do not mean to say that nobody wants the article; we simply mean that according to the conventions under which we produce that article, the person who produces it does not get any purchasing power as a result. Now the next thing, which is of course the same extension of that, is the disappearance of industrial profits as a result of that cut-throat competition.

Interjector: Terrible! Terrible!

Of course, there is a very strong tendency in these matters to assume that only one section of the population is hit. It is part of my point of view in regard to these matters that first of all that is not true, and that, secondly, the practical means of rectification of these matters will probably require a united front against certain things which are interfering with us, and that nothing from the practical or the theoretical point of view can be so unwise as to assume that this is a class matter. It is not: it is a matter which affects every man, woman and child in this theatre. (Loud applause.)

Now, the next and final, and possibly the most immediately terrible result of this situation, is competition for foreign markets, because of a lack of sufficient home markets, and that competition for foreign markets is the primary cause of war. (Applause.)

I want you to think over those things that I have just been saying and realise that they have one common factor. Although every one of them has from time to time been regarded as the disease itself, just as I was suggesting unemployment was regarded as a disease in itself, from my point of view and the point of view that I am putting to you to-night, none of them is more than a symptom. They are all symptoms of one common disease, and that common disease is lack of something we call purchasing power. That single thing can be traced in every single one of those symptoms that I have been speaking to you about.

V.

Now then, let us assume—and I believe it is quite impossible to deny—that it is not physical poverty which is afflicting us: it is lack of purchasing power which is preventing us from getting the physical riches which are waiting to our hands. What is this thing that I am talking about as purchasing power? Well, of course, in one sense any of you could answer that. What you want for purchasing power is money in your pocket, and that, of course, does not get us very far—an answer like that.

What is the nature of purchasing power, and what is the nature of this thing—money? There is a very good definition of money which I will give you first of all. Quite an orthodox definition which will not be denied by anybody who knows anything about the subject, and that is that " money is anything, no matter of what it is made, nor why people want it, which no one will refuse in exchange for his goods if he is a willing seller."

You will see that that definition immediately rules out anything specific of which money has to be made. Money is not, for instance, gold or silver, or any of those things. Those things may be money, but money is in no sense confined to any particular metal.

Now, thinking that over, it ought at once to occur to anybody that if, under certain circumstances, anything will do for money that there ought to be no shortage of money.

If money had to be made of gold, and if there was only so much gold in the world as presumably there is—I believe there is only a block of gold about forty feet square which is all the existing gold in the world to-day and that has been mined during the past two thousand years—and we cannot do without purchasing power, we should be in a difficult position, obviously. But when we say that money is anything, no matter of what it is made nor why people want it, which no one will refuse for his goods, then we are getting into quite a different region.

Money is something that acts as what we call " effective demand." Something which people will exchange, will take in exchange, for the goods that they want to dispose of. Now let me draw your attention to what you might call the simplest form of effective demand with which you are probably acquainted, and that is a railway ticket. A railway ticket is effective demand for a journey: for the journey which is described on the ticket. That is exactly what a railway ticket is.

How does a railway ticket differ from a one-pound note? A railway ticket is effective demand for one particular thing, and that is a railway journey. A £1 note is a ticket which is effective demand for anything which has the figure of £1 marked on it in the form of price. They are both tickets. There is no difference in nature whatever between a ticket which is good for transportation and a ticket which is good for anything else, except that one of them has a universal purchasing power and the other only has a limited purchasing power.

When you buy a ticket, when you go to the booking office of a railway, you exchange one type of ticket for a more limited type of ticket, and that is all you do in effect. Now, supposing that you imagined that the whole of this productive system which we have been examining and finding to be so rich, supposing that you imagined it to be all of one kind, and that kind nothing but transportation: that all the wealth of the world, instead of being so diverse in the form of motor-cars, food, houses, and so forth, supposing it were to coalesce into one thing like transportation. Supposing you found that there was any amount of transportation; that there were plenty of railways and plenty of locomotives; plenty of rolling stock and plenty of people to operate the railways; plenty of fuel and so forth; but for some reason a different organisation from the railway had obtained control of the issue of all the tickets which were required to travel on the railway, and if you were quite sure that there was a great deal of distress in the world and if everything appeared to be going wrong, and you were quite clear that it was for lack of transportation facilities and yet you knew that there were plenty of transportation facilities, you would naturally say, without very much lack of time:

" What has happened to the ticket system? How is it that we cannot get the tickets on the railway? " Now exactly that thing has happened to the present economic system. The whole of the productive system has become completely separated from the ticket system that we call the financial or money system.

VI.

I am going to go very rapidly over just exactly how that separation has taken place, because it is a good way of fixing it in your minds, and it is very important. Originally, just as you would expect in regard to a railway which issues its own tickets, the wealth producers of the world—a great many thousands of years back—also issued their own tickets. Wealth in those days was chiefly cattle, and the owners of cattle punched leather discs representing a head of cattle, and they could exchange those leather discs for corn, and when the corn-man wanted to collect the cattle, he came up with the leather disc, collected the cattle, and handed over the disc. My point is that the wealth, the real wealth, and the money—the token or ticket for the wealth—originated at the same point. Now the next stage in the proceeding was in the Middle Ages when, as no doubt many of you know, the goldsmiths were the custodians of wealth in a portable form. They had the best strong-rooms. They took care of valuables as well as actual money though, and they gave receipts for the valuables that they took care of. Now, those goldsmiths' receipts were signed by the goldsmith and they came into use in exactly the same way that your one or five-pound notes are in use. The goldsmith's receipts, signed by the goldsmith, are the lineal ancestors of our modern bankers', and the signature which you will find on the bottom right-hand corner of a banknote in almost any country is simply a continuation of the custom of the goldsmith to sign that receipt on the bottom right-hand corner. Those receipts were receipts for wealth, and they were not issued by the people who owned the wealth: they were issued by the custodians of the wealth, which was quite a different matter.

You got at that point a separation of the issue of these things that we call money from the wealth-producing centre; you got a separate centre which did not produce wealth at all—it simply took care of it under those conditions.

Now that condition was continuous up to a very short time ago, practically up to the beginning of the European War, and the convention was that either a banknote or a cheque on a deposit—which was simply an order to a goldsmith to pay so much to somebody else, which is exactly what was done in the old days—when both of those things, the banknote or the cheque, were supposedly cashable at any time in tangible wealth at the bank.

The idea was that the bank was a custodian of a certain amount of tangible wealth, which could be drawn out by means either of a banknote, which was payable on demand or by a cheque, and the actual tangible wealth could be taken away. That was the convention.

There is an idea put forward by people, who ought to know better, at the present time, that banking is that sort of thing now. It is nothing like that, as I propose to show you. Well, now, there used to be, of course, a lot of bank failures, even in Great Britain, and those banks failed because people suddenly decided, all at once, to draw out the things for which they had orders on the bank in the form of banknotes or cheques, and when they all tried to draw out at once they found it was not there. That is what happened. (Laughter.)

It never was there; it never has been there for at least a hundred years. Banking has never consisted, in the last hundred years, of merely handing out at one end of the counter what was put in at the other. No bank

ever paid a dividend in the last hundred years on the process of merely lending that what it took in. There is no possible doubt at all about this thing. I sometimes wonder why it is that certain protagonists—certain defenders of the present banking system—go on arguing about this matter. There is no possible doubt about it.

There are any number of authorities who are all agreed about it, and one of them is the " Encyclopædia Britannica." If you will turn up the article on "Banking" in the " Encyclopædia Britannica " you will find this written: " Banks pay by creating the means of payment." Not by lending the means of payment, but by creating the demands of payment. (Applause.)

The matter has been explained by a dozen quite unimpeachable authorities, including Mr. Hawtrey, the First Secretary of the Treasury, in London, who explains exactly how it is done in his book. I have explained it myself, but I do not set myself up as an authority, and anybody who likes to go into the matter can convince himself that now the banking system is a mechanism for actually creating purchasing power, and it is a separate organisation from the purchasing system which is controlled by the ticket system, and it is there that you have to look for the lack of purchasing power and for the means to put right this lack of purchasing power.

VII.

Now, what is it that we have to do to put right the lack of purchasing power, assuming for the moment that we have the power to do it? (Laughter.) That is a separate story. (Applause.) But, assuming for the moment that we have the power, what is it that we want to do? There are two sides to this question of a ticket representing something that we can call, if we like, a value. There is the ticket itself—the money which forms the thing we call " effective demand "—and there is something we call a price opposite to it.

If we have a £1 note as a certain value dependent on the price against which it is offered, we can generalise that by saying this: that the purchasing power of money is universally proportional to the price level, by which we mean, of course, that if the average of all things that you want to buy goes down, then the purchasing power of money goes up. That is what we mean by saying that the purchasing power of money is universally proportional to the price level.

Now, if you have a lack of purchasing power there are two things that you can do in regard to it. The first and most obvious thing, but, as so very often happens, not the right thing to do, in regard to it, is to issue more tickets to make up the lack between the purchasing power available and the prices of the goods for same. But if you do that you come up against a difficulty which is well known, and that is that you get a rise in the prices of articles against which the money is offered, because there is nothing to prevent the prices being raised when the sellers find there is more money about.

But you can produce exactly the same result by, let us say, halving the price of everything. That is to say, instead of doubling the amount of money on one side, if you halve the price of everything for sale on the other side you will produce exactly the same result as if you had doubled the money without raising the prices. That is exactly the same thing. (Applause.)

Now there is a very obvious disadvantage in merely halving prices arbitrarily: one with which in New Zealand, I have no doubt, you are very familiar. (Laughter.) And that is that the unfortunate man who produces the goods either has to dispose of them at a loss or keep them under present conditions. That is by no means necessary.

Supposing that you decide that you want to double the purchasing power: you can as I say quite obviously double the amount of tickets; but supposing you say, " Well, I will not give those tickets to the public because that will raise prices, I will apply the same amount of purchasing power to the reduction of prices. That is to say, that I will give the purchasing power to the man who produces in the first place to enable him to sell at half price so that the public will then have twice the purchasing power, and the price will be halved. That will reduce the gap between purchasing power and prices, and will not produce a loss to the producer."

Now, it is constantly being stated that that is inflation—of course, these words are bandied about because there are certain very powerful influences who do not want a change in the financial system—do not want it rectified. No monopoly has ever existed in the world such as the monopoly of credit: the monopoly of those tickets which are producing your effective demand.

No monopoly has ever existed of such far-reaching powers as this monopoly, and it would be absurd for us to say that those who are in possession of that monopoly will not fight to retain it, and therefore you may expect that all possible misrepresentation and confusion, which can be thrown into this matter, will be thrown into it, and is thrown into it, and one of the very favoured devices is to suggest that anything which is a change towards producing more purchasing power is something that is called " inflation."

VIII.

Well now, let me define the thing. There is such a thing as inflation: there was inflation in Germany after the war, and in Russia and elsewhere. Inflation is an increase in the number of tickets accompanied, mark you, by a corresponding increase in prices. So that both price and effective demand are equally raised, and the purchasing power in that case is decreased. That is true inflation, and simply amounts to a tax upon those people who already have purchasing power because their purchasing power, owing to the rise of prices which is produced by true inflation, will buy less.

They are simply taxed to the extent of the inflation, and that is exactly the thing which the orthodox economists and the bankers are asking to take place at the present time when they say that what is required is a rise is prices. (Loud applause.) So that we are at one with those people who say that inflation is to be avoided.

How it is possible for all those people who have attacked the views which I am putting forward to night as inflation, to have the hardihood to suggest that what is really wanted in the world is inflation, I really do not understand; but that is what they are saying.

Now a rise in purchasing power accompanied by a fall in prices is not inflation—it is an increased purchasing power, which is quite a different thing, and if you do apply credit as we call it—the source from which purchasing power is drawn—to a reduction of prices you cannot produce inflation.

We have had during the past ten or twelve years an absolute demonstration of the fact that it is possible to pay for an article from two sources, thus lowering the price, and not producing inflation. Nobody would suggest that the last few years was a period of inflation, either in Great Britain or even in New Zealand. During that time any number of articles have been sold below cost, and it has been done by the public paying the price of those articles at which they were sold, and the producer, out of his own private reserves, paying the difference and making a loss, and that is a demonstration of paying for an article from two sources and not raising prices.

Now if you can pay for an article from two sources, one of which is the private reserves of the individual, you can certainly pay for an article from two sources when the public credit is there to second it, without raising prices. (Applause.)

IX.

But, as a matter of fact, while that constitutes a bridge between the lack of purchasing power and the goods which are demonstrably there to be purchased, it does not meet what is one of the increasingly important aspects of the present situation, and that is this: There exists at the present time an entirely new productive system which has been growing up inevitably in the past seventy-five years.

We are accustomed to look on the productive and economic system as if it was the same thing that Adam Smith talked about one hundred years ago when individuals or small productive concerns—very small productive concerns, chiefly individuals—produced practically all the wealth of the world and exchanged it with each other, and it was probably fairly true to say that at that time that "money was a medium of exchange."

Now from the economic point of view in the modern world, an increasing number of people have got nothing to exchange.

That increasing number of people are the people that we call the "unemployed." Their labour is not wanted by the present economic system. It has changed from being an individualistic producing system to being what you might call a "pooled co-operative producing system."

The fact that we have not got what we call a "co-operative state" in the technical sense does not in the least mean that we have not got a co-operative State. We have got it now—we are all co-operating in making that thing which we call the standard of living. One man makes one thing; another man makes another thing, and those things are no use to these men unless they are pooled and drawn upon by something that we call "effective demand." So that the modern economic system has completely changed from the system of exchange between individuals to a single wealth producing system on which we all require to draw from the centre to the circumference, as you might say.

The creation of wealth at the present time is inevitably a co-operative matter. One man, by means of a most ingenious machine, makes a nut and a bolt. That nut and bolt is no good to him by itself—he does not live on nuts and bolts. Some other man has to make some other little bit of machinery, and together with a hundred or two of them, makes up what we call a motor car. While a motor car is useful, you cannot live on motor cars. Somebody else has to make a lot of things through more ingenious machinery. We have steam-baked bread, machine-baked bread, plumbing and so on, all of which form the single pool of wealth from which we all draw.

Now this single pool of wealth is produced primarily by power and by ingenious kinds of machines. It is not produced primarily by labour at all, and it requires less and less labour to produce it, and from the point of view from which I am looking at the thing, the perfect industrial system will be one which requires no labour at all. (Loud applause.)

We have not got to that point yet; we are getting there pretty fast is something does not stop us. We have to recognise that there is an increasing number of people—a number which is bound to increase continuously up to the point where it forms the major portion of the population—which will not be required, for any considerable length of time of their lives, in the economic and productive system at all. That is one of the facts that you have to face along the lines on which we are going—and the proper lines, too.

Now, then, we have to arrange that those people can get goods without being employed. Our objective is not to employ those people but to disemploy them and yet give them the goods. Now you can do that quite easily by something that we know as the dividend system.

If you have a dividend at the present time—if you are the owner of some of those very few shares existing in the world paying a dividend—you are in fact getting a piece of paper which entitles you to a fraction of the production—not of the particular thing in which you have shares—but of the total production of the world. We have this pool of wealth, and if we extend this dividend system so that all of us who are not employed can have our dividend warrants, and those who are employed can be paid in addition to being employed, then we would have a state of affairs which exactly parallels the physical facts of the case, and nothing else. (Prolonged applause.)

X.

I can well realise that there is need of great mental adjustment to agree to proceed along those lines. We have developed on the physical and productive sides to a stage which we can quite properly call middle twentieth century. We have not developed in our economic thinking processes, which are middle fourteenth century—(applause)—and we have got to make up a great deal of lost time in a very short space; but the only way to do that is to clear your minds of any doubt whatever as to what it is you are trying to do.

If you will persist in assuming that the economic system is going to be some sort of governmental system—that all sorts of moral questions as to whether a certain man is worthy to have what you call a dividend, or whether it would be demoralising to him to have a dividend or something of that sort—you are simply introducing into what is an arithmetical proposition all sorts of propositions which have nothing to do with arithmetic at all.

Make up your minds what it is you want your productive and your financial system to do. Do you want them to be a governmental system? Do you want to make certain conditions which will govern a man getting these things, because if you do you want to dampen down your producing system; you want to cut down your producing system, and stop your producers from producing wealth, and your chemists from finding fresh methods of producing wealth. Stop these people and say, "We do not want any more wealth; there are quite a number of people in the world who are not worthy of having wealth, and we do not want them to have it."

I think it is very wrong from my point of view, but if you are going to do that sort of thing, be conscious of what you are doing, and do not mix it up with arithmetic—that is the important point.

XI.

Now, before closing, let me put to you: what are the difficulties? The difficulties are not at all on the productive side—the problem is not on the productive side at all, nor is it on the administrative side. It has nothing whatever to do, for instance, with the respective merits of administering, let us say, a large productive factory as a nationalised factory or as a private factory—those are questions of administration.

What we do know at the present time, beyond any possibility of doubt, is that whether the administrative system is perfect or not it is producing, not merely all that we can use by our financial system at the present time, but large surpluses, and in my opinion it is nothing less than suicidal to start reorganising an admittedly effective producing system before you have touched upon where the real trouble lies, and that is in the effective demand system, the purchasing power, so that you have to realise that it is neither in the actual processes of production nor in the methods called administration of production that this trouble lies. (Applause.) It lies simply and solely in this ticket system which is summed up in the words, "the monopoly of credit," and the monopoly of credit is to all effects and purposes the same thing as the banking system.

Now I do not want to suggest and I never have suggested at any time, that bankers are anything less than ordinary persons of society, so far as 95 per cent. of them are concerned. I make a reservation of 5 per cent. (Laughter.)

And I wish to say that none of those 5 per cent. are in New Zealand, so that no one can say that I am criticising New Zealand. But you have to recognise this fact: that this monopoly of credit is, as I say, the most terrific weapon for controlling the bodies and even the souls of the population of this earth, because it is controlled very often by publicity, and as there are various ways of disseminating publicity, it has terrible