

THE NEW AGE

INCORPORATING "CREDIT POWER."
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Imposed uniformity of action is fatal to that spontaneous unity of spirit which gave the Social Credit Movement its dynamic power. The bankers can smash the largest mechanism—never the smallest organism.
A. B.

NOTES OF THE WEEK.

Austin Motor Shares.

In a note on Austin Motor shares in the *Evening Standard* of March 4 the writer, "Searchlight," gives some interesting particulars. These shares (Ordinary) nominally 5s., are now about 45s., and are expected to touch 50s. in the near future. For the year ending July 31 last earnings on Ordinary capital were 425 per cent. A "handsome capital bonus" was given, and on the basis of the thus increased Ordinary capital those earnings are "equivalent to 100 per cent." Apparently three new shares were created and issued for every old one held. Readers will remember our recent reference to Messrs. Jordan and Sons' annual report of company registrations in which we noted their information that the figures took no account of increases of Ordinary capital after registration. Here, then, is a case where which will not be recorded in the next report. The reason why this is noted is because the issue of new capital involves the retirement of potential purchasing power in the consumption markets. What is called a "handsome capital bonus" is a handsome deprivation of dividend. True the Ordinary shareholder could dispose of his bonus shares, but that is not the same thing as his drawing out the earnings of the company in cash. The difference is between a company's restoring to the public a financial surplus which buyers of the company's products have paid in and its issuing an I.O.U. for it in the shape of shares. In a fundamental sense industry cannot make a profit in money; and when any particular enterprise does so others elsewhere encounter a shortage. If it were possible for industry to be self-liquidating as regards finance under the present system, this would at least require that profits should be distributed in full, which means that they should reach the hands of individuals who would spend them in the consumption market. This would be the only way in which the less successful, or the more slowly successful, enter-

prises could hope to get back their costs. In this sense the consumption market could be likened to the Clearing House, with the modification that the fat firms would be debited with their surpluses and the lean firms credited with them. The implementing of this spread-over could be in principle something like the Exchange Equalisation Fund which comes into operation to buy exchange not in demand, and sell exchange in high demand. If super-profits are flowing in to one enterprise, and are not flowing out again as private incomes, then some compensatory money should appear from somewhere to assist other enterprises who are injured by this, and so to maintain an even general liquidation of costs.

Under Social Credit this compensatory principle would be in operation. We lay it down that new production should be financed with new credit; but at the same time we do not need to prohibit people from financing it with old credit, i.e., out of their incomes. Insofar as they do this they lessen their consumption, and insofar as they consume less they expand the national price-discount, with the consequence that non-investors share the reward of the investors' abstinence. As things are to-day, the investors' abstinence, whether compulsory or voluntary, imposes abstinence on consumers generally. At the first stage you have unsaleable consumables in the shops representing what the investor could have bought had he chosen; and at the second you have the shutting down of the manufacture of such consumables—exactly as if there were some notion directing our economy that nobody must have what the investor does not buy, and that by not making what he does not buy you are saving it up for him in case he ever wants it. The joke is that fundamentally the investor differs from the consumer merely in the fact that he buys something to sell again. He would be following the investment-principle just the same if instead of buying shares with his income he bought double rations of food and tried to sell half of them to his fellows. The reason why he could not do this is that when personal income is applied to the purchase of consumable goods the money is cancelled. That is affirmed as a fact and approved as a principle by all monetary theorists. The last point where things can normally and continuously be liquidated in money is the retail shop. Once the consumer has paid in his money and got the goods, no further liquidation is possible, nor

necessary. Consumers collectively could only barter their possessions after spending all their income on them—and the very idea is absurd, for it would imply that they had all bought things they didn't want. The retail counter is the place where cost-building ceases and cost-recovery commences. The function of the consumer is to defray costs. The cost of living isn't a cost in this sense: it is the private cost of defraying an economic cost: it is really a surrender of money for cancellation in return for the acquisition of something to consume or otherwise enjoy.

* * *

This is simple enough to appreciate but it is a harder job to see that an investment also involves the surrender of money for cancellation. The difference here is that the something acquired by the investor is left inside industry, not taken home. But if the investment involves private money-cancellation, and the cancellation causes a gap in demand, the property invested in might just as well be outside industry as inside. The location of the property cannot affect the ratio between what it has cost and what money is available to set against it. Location affects its physical usefulness, but that is another matter.

* * *

Thus the Ordinary shareholders in the Austin Company, when receiving the "handsome capital bonus," were unwittingly the subjects of an operation which amounted to the same thing as paying them the whole of last year's profit in cash, which cash, now being their personal income, was taken from them in exchange for, say, motor-cars to the value. Imagine each investor with a fleet of cars to take home to sell again, and you have a clear picture of what the transaction means fundamentally. The fact that actually they accepted shares in the business makes no difference in principle. Of course there is nothing to prevent the company continuing to market cars on account of their shareholders. In the first place it is only one enterprise out of many, and although the consumption market has been deprived of the money due to shareholders which the company decided not to distribute, the effects of this deprivation need not be felt by it—the resultant bad trade may be felt by others: again, the banks are favouring expansion just now, and for the present the consumption market is generally being fairly well supplied with money: lastly, the markets of the company extend outside this country, so that a shortage of demand in the home consumption-market may be more than compensated outside.

* * *

We are not concerned, however, with these matters, but with the logic of the closed-area which sooner or later works itself out in relation to orthodox financial practice. The central flaw here is that all repayments of loans made to the banks are automatically destroyed irrespective of whether the money represents the proceeds of retail sales to consumers or of shares issued to private investors. Consumers don't buy with the intention of selling again: investors do, and indeed their only reason for buying shares is that they think the property behind them is saleable. So it is, until they buy it: but as soon as they buy the shares (and the property) the money is cancelled, and the general pool of consumer-investor income left short by that amount. All that could happen now to lessen the gap would be the purchase of these (or other) shares by the banks for their own investment purposes, involving a net increase in their total holdings. Or they might lend holders money on the security of

shares. In either case new credit would be created and added into circulation, but the amount of it and the duration of its circulation would be decided by the banks, who could call in the loans or sell the shares, and retire and destroy the credit, and thus re-open the gap.

"A + B" in Political Controversy.

Our publication of Mr. Gaitskell's criticism of the late Mr. Adamson's criticism of Mr. Gaitskell's earliest criticism of the A + B Theorem is likely to have been viewed with mixed feelings in certain quarters. To outsiders, who rarely set themselves to independent systematic thinking on this subject, and who make it their practice to listen in to arguments instead of verifying the truth of premises and validity of conclusions drawn from them, it must inevitably seem that neither side wins outright—that at best there is a balance of probability that the proponents of the Theorem are right. It is a pity; but it cannot be helped.

THE NEW AGE, however, does not circulate among outsiders. And so long as it is recognised as the medium in which the advanced technique of Social Credit is discussed it will remain more or less a private journal of reference for technicians.

Now apart from the fact that Mr. Adamson's reply in THE NEW AGE has been publicly cited by the Social Credit Secretariat as the answer to Mr. Gaitskell's first criticism, and apart from the fact that Mr. Adamson had subsequently addressed a letter in THE NEW AGE to Mr. Gaitskell inviting him to reply, we consider it of importance to everyone who studies our pages to have before him what is presumably the latest reflected representative criticism of the A + B Theorem—or of that aspect of it covered by the terms of Mr. Adamson's diagram. We think it of even greater importance that these matters should be studied by every person willing and competent to go into them because we are certain that the more thought that is focussed on them the more will the essential truth of the Theorem come to be apprehended.

Apprehension of the truth in this context is largely a matter of distinguishing between what is relevant and what is irrelevant to the problem facing the country; and the more you can get competent people to investigate—whether in a hostile spirit or not—the cost-income aspect of the existing price systems, the more you get them to leave out of account irrelevant factors. They are forced to ignore them for the time; and it is during that time that they are most likely to see the truth and realise its profound implications. As bearing on this, one unexpected and somewhat amusing consequence of Mr. Gaitskell's article came before us recently. A gentleman, a loyal supporter of Major Douglas, came to congratulate us on publishing the article. He explained that for a long time he had been in trouble about a certain snag he had found in the A + B Theorem and could neither get over it himself nor be helped over it by other students. But on reading Mr. Gaitskell's article he found the solution of his difficulty! He did not mean this to be a jeer at that gentleman: on the contrary, for the part of the article from which he got his enlightenment was the preliminary part in which Mr. Gaitskell set out the alternative possible meanings or significances of the categorical letter "A." This had enabled our visitor to correct a misconception which had given rise to his difficulty. Thus an honest, competent debater confined to relevant factors can be the means of enlightenment to both sides. And the great merit of the A + B Theorem is that it does lay down clear terms of reference for debate. To take effective part in the debate and are obliged to forget a lot of what they have learned and to think along new lines, with the high probability that they may teach themselves deeper truths in the process.

The Point of the Pen.

By R. Laugier.

No. XXII.—AIR-MINDED.

The engine was all right, and the body of the car looked magnificent, yet somehow the machine appeared a little forlorn as it stopped at the kerb-side.

The chauffeur descended to the pavement and spoke to his employer.

"Air," said the chauffeur, "must be pumped into these tyres. Three of 'em are flat."

"I've told you before," said the Owner, "I won't have it. That's inflation. I've owned cars for years. I know all about tyres and air. You take it from me."

A man in a red shirt drew near.

"Why should we take it from you?" he asked. "Don't tell me. I know! Because you're a private owner, eh? I've said in my plays and prefaces that private ownership means waste. The system's run on waste."

A crowd gathered.

A man in a green shirt said: "I agree with the chauffeur-mechanic. Those tyres need air; not over-inflation—just enough air."

"Are you a car-owner?" asked the Owner. "Are you a tyre-manufacturer or an air-merchant?"

"No," said Greenshirt. "But . . ."

"Just a damned amateur!" said the Owner.

"Worse!" said the Moralist. "Much worse! Look at him! Look at his evil shirt! Young man, do you think God gave his pure, limpid, health-giving air to be poured out wastefully by sinful, mortal hands, into despicable muddy tyres?"

"Yes," said Greenshirt.

"You're immoral!" said the Moralist.

"Ah!" said Moralist, quivering. "Is that so? I'm only a humble instrument of Jehovah, the very meanest of his creatures, yet to the simplest is the light revealed, whilst it is withheld from the proud and mighty."

"Quite!" said the Owner.

"Human nature," said the Moralist. "Red in tooth and claw! It is not air we want, but sweetness and light. Man cannot live by air alone. Take no thought how ye shall inflate or how ye shall deflate. Look into your evil heart; reflect upon your miserable condition, and know that, if Jehovah were not all-bountiful far worse would be your state."

"Bunk!" said Redshirt.

"Not altogether," said a man in a black shirt. "We must discipline ourselves. Look at that chauffeur fellow's uniform, by Jove! There's a button off his pants, just where there shouldn't be. He ought to be in a natty uniform. And he will be, if I get hold of him! He'll jump to it, believe me! Stiffen up, there! 'Shun!'"

"The liberty of the individual . . ." said Greenshirt.

"There are no individuals," said the man without a shirt. "I agree—partly—with Redshirt. Private ownership is wrong. This Owner has no right to roll dust in his Royce, grinding the faces of the poor with the State should take over the car. I've never driven in one in my life."

"That's too bad!" said a man in plus fours, who smiled continuously. "Cheer up! Keep smiling. Pack up your troubles. We all have our ups and downs. Air ain't everything. Listen to this:

When life seems sad and dreary
And your world is dim and grey,
Your very soul so weary
As you face another day:
Don't think there's only you, Boy,
For that never was worth while;
Think what your mates go through, Boy,
And smile—just smile!

When you are underneath, Lad,
And it seems as though you're done;
With a lip between your teeth, Lad,
Just you take it all as fun:
And so you'll reach the summit,
Inch by inch, and mile by mile;
And don't you know you've done it,
As you smile—just smile!

"Real art!" said Owner.
"Bunk!" said Redshirt.
"Unnecessary," said Blackshirt.
The man without a shirt was crying.
"Artists are immoral!" said Moralist.
"That's not art," said Redshirt.
"I'm no highbrow," said Plus Fours. "Just a regular fellow in the noun and verb racket. But I've been taken up twice, by the Book of the Hour Club, Redshirt, and I give 'em what they want, and they like it! I hear your last play was a flop. Too bad!"
"Poetry is sensual and immoral," said Moralist.
Plus Fours winked.

"But there's money in it, old potato," he said.
"What with film rights, radio rights, syndication. . . ."
"Really?" said Moralist. "Er . . . do you think a little thing that I contributed to our parish magazine might prove acceptable to . . ."
"I don't," said Plus Fours. "We don't want amateurs and highbrows."

"You're immoral!" said Moralist.
"And worse!" said Greenshirt.
"He's not," said Owner. "Civilisation needs art—beautiful, inspiring, and uplifting."
"About these tyres . . ." said the chauffeur.
"They need air," said Greenshirt.
"They won't get it," said Owner.
"But . . ." began the chauffeur.
"You're fired!" said Owner.

He jumped into the driving seat, stepped on the gas, and the car lurched off. The crowd dispersed, all but the chauffeur, Plus Fours, and Greenshirt, who stood watching the bumping, lurching, skidding car.
"There you are," said Plus Fours. "It works—you see! Keep smiling, lads. So long! It works all right."

The chauffeur and Greenshirt eyed one another. The chauffeur spat deliberately.
"What about a drink?" suggested Greenshirt.

Forthcoming Meetings.

Green Shirt Movement For Social Credit.

Wednesday, March 13, at 8 p.m.—John Hargrave, Founder and Leader of the Green Shirt Movement, at National Headquarters, 44, Little Britain, London, E.C.1. "Social Credit and Religion."

Birmingham Douglas Social Credit Group.

March 13.—Open Night, devoted to general discussion on Social Credit.

Belfast Social Credit Group.

Thursday, March 14. Lecture in Ulster Hall, by Major C. H. Douglas.

Manchester D.S.C. Association.

March 19. S. A. Harper, Greenshirt Leader for N.W. England, on "Putting Over Social Credit. The Need for Action." Milton Hall, Deansgate, at 7.15 p.m.

Aggregate Cost and Aggregated Costs.

The simplest way to picture the economic system is to imagine industrial concerns placed round an island in an unbroken series of ribbon-buildings. Inside the ring are all the natural resources of the area and the means of converting them to consumables; outside the ring are the population and an empty beach. Every industry has a front door and a back door. The front doors look out on the beach and the back doors look in on each other and the aforesaid natural resources. Some of the front doors are kept locked. The rest are kept open. Out of the open doors come goods purchasable by the people on the beach. The locked doors belong to enterprises which do not make things for the people, but only for other enterprises. Inside the ring all the back doors are open, some to take in goods from other back doors, some to give out goods to other back doors, and some both to take in and give out. A bird's-eye view of this arrangement gives a clear picture of the physical functions of industry.

Now for its financial functions. Industry being the paymaster of the population, one may imagine that every enterprise has a front window and a back window. Out of the front it passes money to the people on the beach: out of the back, money to other enterprises. The front-window money is what the people earn as wages, salaries, or dividends. It is "shopping money." The back-window money is "business-money." Unlike the front-doors, some of which are locked, all the windows are open, both front and back, to pay money and to receive money. So much for the financial aspect of industrial organisation.

The people on the beach can use their shopping-money in two ways. They can take it to the open-door enterprises and take out goods (which represents consumption) or they can take it to the locked-door enterprises and pass it in as savings (which represent investments). Generally they do both.

Now each enterprise keeps separate accounts, and in them it enters costs. The total of those costs will be the money paid out through its front window added to that paid out through its back window. In the A + B Theorem this front-window money is designated "A" and the back-window money "B." And the statement that A is less than A + B means that the people on the beach draw less money than the enterprises pay out money. The difference between the two is the back-window payments of business-money inside the ring.

Taking some token figures, suppose that the enterprises as a whole pay out in a certain period, say one week, £3,000, of which £1,000 is drawn by the people on the beach, and £2,000 inter-crosses from point to point inside the ring. Suppose also that on this scale of expenditure 1,000 articles are delivered to the people, and (the equivalent of) 2,000 such articles (but in an unfinished state) are brought a one-week stage towards completion inside. Suppose lastly, that the people are satisfied with 1,000 articles, i.e., can collectively live comfortably by consuming that quantity in a week.

Then you have a situation in which one third of the total production and one third of the total cost is delivered outside the ring as finished goods and spending money, and the two thirds of the production and two thirds of the total cost is transferred inside the ring as material and business-money. This being, by assumption, satisfactory to the people, it does not matter to them that the cost of all the production is three times the cost of

their share in that week. Though industry's "A" cost is £1,000 and its "B" cost is £2,000, giving a ratio of 3 : 1 as between A + B and A, it does not appear to matter, because the ratio between *all the goods* and the *part ready for consumption* is also 3 : 1. The people get one third of the money and one third of the goods. They haven't got the money to buy the other two thirds, but they don't need it, because the goods are not ready for sale yet.

So much for the operations in this particular week looked at *separately and without reference to any other*. But the issue raised by the A + B Theorem amounts to this: Is there anything in these operations which prevents their exact repetition in the next and following weeks? Can the 3 : 1 ratio of production to consumption, and of cost to incomes, continue week after week indefinitely? Obviously it can in pure theory, but can it under the accepted laws and regulations governing industrial finance?

In pure theory the £2,000 inside the ring need not be money at all. It could be any sort of industrial ticket, or chit, or other token representing business claims on the business goods: they could be kept separate from the money paid out to the people, and since the enterprises would have acquired them without spending money (by printing them) they would not need to recover *money* on account of them. That is to say their only *recoverable* cost from the public for the week would be the £1,000 paid to the public. But to run business this way would be too cumbersome. In practice it is best to use one kind of token for every purpose—to use money. At the same time the above distinction must be borne in mind because it shows that the rate at which costs can be measured and recorded by enterprises separately may exceed the rate at which incomes are distributed by them collectively.

Here the fact of the bank's functions and practices comes into the picture. All money proceeds from the banking system as loans, and returns as repayments. In this illustration the banking system may be supposed to be one bank set in the centre of the ring. Fronting it and surrounding it will be the back windows of the enterprises. On the assumption laid down £3,000 will be taken in as loans by the ring of enterprises and £2,000 will be paid back week by week. Of this sum £2,000 will be transferred in subdivided amounts from enterprise to enterprise, and £1,000 paid outside. The £2,000 will not get out of the ring, and can be repaid without recourse to the people. The other £1,000 can be recovered in prices from the people.

So much for the money. How about costs? Here someone may observe of this £2,000 inside the ring that the subdivided payments made by some enterprises are received by other enterprises, and that whereas the payers add the sums paid to their previous costs, payees deduct identical sums from their previous costs. In that way, he might suggest, there would be no collective addition to cost arising from the handling of the £2,000 but only arising from the paying outside of the £1,000, which, however, would offset that cost.

How, then, does a collective cost arise in regard to the inside operations? It arises by reason of the fact that collective costing is prohibited along these lines, and that what we call the "collective cost" of industry is the addition of individual costs. The bank isolates and deals with each borrower separately; and the condition on which it will lend money to a borrower a second time is that he shall have recovered from others

the money he borrowed the first time. In the illustration he has to do this every week. Now, as already pointed out, many enterprises have no dealings with the public and cannot collect money from them in prices. They must, therefore, either sell all their products to other enterprises in the week or raise private loans on them from other enterprises or from the public. Within the terms of the illustration it must be wholly from the public, because the enterprises could only invest profits, and in the classification all profits are included in the £1,000 as representing personal income.

H. J.

"A + B" and Self-Liquidation.

Some recent attacks upon Social Credit may be regarded as an indication that the growth of the movement is unpalatable both to Die-hard Socialists and to the Credit Monopoly, and it is interesting to speculate upon the effect that such attacks are likely to have upon that increasing section of the public which is becoming credit-conscious.

From one point of view they have arrived too late. Social Credit has outgrown the stage at which it was primarily an intellectual conception and a technical study. If not yet a religion, it is fast becoming one, and it is difficult to imagine any technical criticism which could have much effect upon the converts which it is making to-day.

And when the technical criticism is directed principally at the A + B theorem, opponents are very likely to get the whole problem out of perspective. They see, quite correctly, that the Social Credit analysis posits the existence of a discrepancy between incomes and costs which is inherent in the conventional system of loan and cost accountancy. But they proceed to argue that, as the discrepancy is disclosed and proved by the A + B theorem, if they can dispose of the theorem the inherent discrepancy vanishes and the proposals for rectifying it fall to the ground.

Therein they err. The A + B theorem is a particular analysis by which Major Douglas showed a discrepancy between two flows out of the industrial system—the flow of incomes to consumers and the flow of costs to markets. But the discrepancy can be demonstrated by other methods, and if some mathematician could succeed in demolishing the A + B theorem he would still be left with the discrepancy.

Apart from such factors as deflationary bank-policy and the placing of profits to Reserves, which the critic might claim to be not inherent in the existing system, the New Economic analysis shows that the investment of savings in new capital production inevitably produces a shortage of incomes relatively to costs, to the extent of the sum invested. As protagonists of the existing system hold it essential to "sound finance" that new undertakings should be financed from savings, a huge discrepancy is disclosed due solely to this normal procedure.

Again, the existence of the discrepancy can be shown by the fantastic rise in the rate of accumulation of debt—an inductive proof which Major Douglas elaborated in his recent speech at Oslo. He quoted calculations from Columbia University showing that world debt, in spite of a huge amount of writing-down by bankruptcies and capital reorganisations, etc., is now increasing as the fourth power of the time, taking the year 1880 as the datum line and the century as the time-unit. And this rate of increase is greater during boom periods than dur-

ing slumps—a fact which confirms the Social Credit analysis. How, then, can it be maintained that there is no inherent discrepancy between incomes and costs if the economic system can only be kept moving at its present crawl by pumping producer-credit into it, in the form of debt, on this crescendo scale?

Ten years or more ago it might perhaps have been claimed that the onus of proof of an *inherent* discrepancy rested upon the New Economist. To-day, the growth of economic science and data has reversed the situation, and it may fairly be claimed that the onus of disproof rests upon his critic. It is up to him to explain why the present system is "decreasingly self-liquidating" on so colossal a scale if there is no inherent discrepancy, and why it is that—to quote Mr. Will Dyson—if the Douglas analysis is wrong, all the phenomena of the existing system behave as if they were in the pay of it.

So the Social Creditor to-day can afford to sit back on these two proofs alone—investment of savings and rapid growth of debt—and smile while his opponents endeavour to show that B is really A if you can only jump back quick enough to see it.

Probably the percentage of Social Credit enthusiasts with a thorough grasp of the A + B theorem is very small. It is, as its author admits, an "elusive conception," and it is quite as difficult to explain to the average reader as it is to explain in words to a budding gymnast how to perform an "upstart" on the horizontal-bar. But just as, after repeated failures, the young gymnast suddenly realises that the upstart is primarily a matter of "timing the swing," so the student of A + B may at length realise that it is largely a matter of "timing the lag."

However, there are other ways of mounting a high-bar than by an upstart, and there are other ways of establishing the inherent discrepancy between incomes and costs than by A + B. The essential thing for the Social Creditor is not A + B, but the discrepancy.

Nor is the A + B theorem essential to the formulation of the Social Credit remedies, although a number of people imagine that the price-factor is derived from it. It is not. The price-factor follows logically from the proposition that the real cost of production is consumption, and this proposition is derived from first principles, not from A + B.

And as regards the National Dividend, no knowledge of A + B is necessary for an understanding of all that is entailed by "the unearned increment of association" and "the cultural heritage."

So we may hope that our opponents will continue the good work of demolishing the A + B theorem. It is good exercise; and will probably end in no little mutual contradiction; and, anyway, they are barking up the wrong tree.

A. W. COLEMAN.

Social Credit Press Directory.

Great Britain.

- Attack*, 44, Little Britain, London, E.C.1. (1d. Organ of the Green Shirt Movement. Published monthly.)
The Challenger (incorporating *The Green Shirt Review*). 22, Cavendish Street, Keighley. (1d. quarterly.)
The New Age, 70, High Holborn, London, W.C.1. (7d. weekly.)
The New English Weekly, 38, Cursitor Street, London, E.C.4. (6d.)
Prosperity, St. Peter's Vicarage, Paynes Lane, Coventry. (2d. monthly.)
Purpose, 46, Bernard Street, London, W.C.1 (1s. quarterly). Policy wider than advocacy of Social Credit, and upholds Dr. Adler's principles of "Individual Psychology."
Social Credit, 9, Regent Square, London, W.C.1. (2d. weekly.)

Promoting and Winding Up.

By John Grimm.

II.

Thus the "promotion" savings form the "winding-up" fund; and the "conduct" incomes buy all the finished goods completed while the "conducting" lasts.

In practice, however, savings are not hoarded as money: they are used to buy shares. This need not disturb the above equation provided that these shares were converted into money at full value in the winding-up period. And such conversion could take place provided that the five producers had kept the proceeds of their sales of shares in the form of money. But in that case they would have no object in buying the shares back in order to furnish the public with the money to buy the unfinished stocks disposable on liquidation. There could be an object from the public's point of view if they did not all own an equal number of shares: for then the money paid out would enable them severally to buy the proportionate amounts of stock justly claimable. But taking a comprehensive view the essential fact would remain that the producers could wind up solvent. Indeed, all along they would have been in this condition because they would hold financial capital equal to the cost of their retained stocks. From this point of view it will be seen that the investments were fundamentally forward purchases by the public on spot cash terms.

As industry works under existing conditions all financial capital proceeds from the banks in the form of loans. The duration of these loans is decided by the banks, not the producers. And that duration is only a small fraction of the time which is needed to convert materials through all stages. For the purpose of this analysis it may be assumed that loans are issued and recalled in every period. Now while it is true that loans and repayments involve the creation and destruction of credit, this fact does not affect the argument so far. It establishes the fundamental truths that all financial credit is ultimately the property of the public, and that there is no technical limit to the amount which can be put into circulation. But this is irrelevant to the present question of what happens to costs and incomes under bank-management of industrial finance. It may be assumed that all money figuring in the diagram belongs to the banks.

Now the first thing to notice is that the hypothetical banks (according to the diagram) lend progressively increasing amounts during the promotion periods "a" to "e." In period "b" they withdraw the loan of the period "a" (200), but lend more (600): and this continues until period "e," when goods appear on the market. At that point the promotion stages are complete and the increase stops.

In the "conduct" periods there is a credit "turn-over" of 3,000, out of which the banks recover 2,000 in respect of internal transfers of unfinished goods, and 1,000 in respect of sales of finished goods. That is to say, the 2,000 circulates inside industry, and the 1,000 outside, and back through industry. Industry is now in "full swing" and apparently delivering goods at 100 per cent. physical capacity.

But reflection will reveal discrepancies between this theoretical situation and actual experience. One or two are these:

1. Banks do not lend without "security."

2. They do not necessarily regard unsold stocks as "security."

3. They do not lend to the full cost of the security, however "good."

4. The sums they lend are partly governed by the calculation of what the "security" would fetch in the event of forced sales—i.e., the emergency-realisation of assets.

5. The realisable value is limited by the quantity of money available to buy the bankrupt stock at short notice.

In the diagram the only "securities" on which the banks are assumed to lend are the stocks of unfinished goods in any period. Under the banking procedure just outlined the borrowing powers of any producer at any period must be less than the actual recorded costs of his stock. In strict theory these powers will collectively tend towards zero, because in a general winding-up, which has been imagined to take place in period "f," there are no people but the public to whom the goods might be sold, and the public have no money. That is to say, the value of the bankrupt stock of 2,000 would be *nothing*.

Now this ultimate theoretical risk to the producers generally sets the pattern of the procedure which the banks in modern industry impose on every producer individually. Each is obliged, so to speak, to insure his own particular enterprise against failure to recover outstanding costs in the event of his own bankruptcy. Take any enterprise and ask in what financial position it must be to enjoy the highest borrowing-powers, and the answer is this: the holding of something other than the stocks of its own goods—something realisable at short notice, and (ideally) to such a sum as will itself offset the costs of its stocks, whether sold or not. What is that something? In principle it is a policy covering the risk of the unsaleability of the stocks. In practice it takes the form of "gilt-edged" types of securities.

What do these securities represent? Well, taking a line from War Loan, they represent ultimately the banks' power of imposing taxes and enforcing recovery from the public through the Government. Otherwise they generally represent the assets of enterprises which the banks favour for reasons of their own, e.g., electricity combines and other monopolistic organisations which, by virtue of their power and status, have first pick at the pockets of consumers.

Relating this to the diagram it will be seen that if every producer in turn during the promotion periods so used the money he raised by selling shares he would in effect be reinvesting the public's money in the economic system as a whole, and would be expecting in an emergency to convert this reinvestment back into money. In short, each would be hoping to compensate his own contingent deficiency out of the assumed surplus of the rest.

Notice.

All communications concerning THE NEW AGE should be addressed directly to the Editor:

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

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

Door-to-Door Selling.

Few people realise the cold-blooded exploitation of the unemployed by commercial undertakings that has grown up since 1920, in the development of direct door-to-door selling, but everybody knows that there has been a large increase in that method of reaching the customer. The legend "No Canvassers. No Hawkers" on the front door gate is without avail, for the salesman-cavasser is taught never to take "No" for an answer, and his ability to do this is a measure of his success at his job.

Firms doing this sort of business nearly all use the same methods. They attract the "Down, but not out," by a carefully worded advertisement, offering high earnings to suitable men, to an interview. At this interview comes the first elimination. Experts at the game comb over the applicants, and turn away the obvious unsuitables, such as "thugs," "bruisers," navvies, the very ragged, and very dirty—amounting to about one in ten. The remainder, poor devils, stay, and, as the saying now goes, are sold the idea by an expert demonstrator of the machine or whatever it is that has to be foisted on to the public. They are then invited to sign an application form for a place on the staff. About 60 per cent. do this, and they are told to attend "school" for a free course of training. Here they are put through their paces with the machine, are told what, and what not, to do with it, how to bluff their way past observant Marys and Janes, and how to deal with the general run of prospective Mrs. Joneses. Schooling—lasting maybe a day or so—over, with a book of "Aids to selling," issued free, in their possession, these salesmen are ready for the road. Only about 50 per cent. reach it, and only about 50 per cent. of those who do stay out the first day. The attrition is so great that the average life of a salesman of this kind is about two or three days.

One company, known to the writer, selling vacuum cleaners, had a staff of twenty-five on the road. The oldest salesman had been there eight months. The labour turnover to maintain this twenty-five was 4,000 a year, or eighty per week, through the schools.

The type of man wanted is derived from all the professions and trades. In such a gang the writer found a recently retired colonel, an eminent colonial surgeon in domestic trouble, a sea captain, an Indian tea planter, a rubber planter from Malaya, a banker, an actor of the "old school," a schoolmaster (Harrow and Baliol), and half-a-dozen engineers tricked out with degrees and experience, and so on.

The attraction offered to get these men is, as has been said, high earnings. They are told of salesmen earning from £15 to £30 per week, and that it is possible for any man—provided he has the "guts"—to do the same. The facts are, of course, quite otherwise. Indeed, the whole business is, as a rule, one continuous lie from beginning to end, and nothing even near the truth ever appears. The average earnings are certainly not higher than 12s. a week; and good, hardworking salesmen of above normal ability don't average more than £2 a week, out of which they have to pay travelling expenses amounting to about 15s. a week.

A large proportion of the men who take the road never receive a cent. On the contrary, they actually spend their own money, their own energy and time in advertising the company's goods without reward of any kind.

The "High-Earnings" bait is served up in the form of a high commission. Twenty-five per cent. commission, which is the case with one Vacuum Cleaner Company, or £5 in £20, sounds good, but it doesn't work that way. There are conditions which are not stressed at the time of enrolment. The salesman gets his £5 down for a cash sale all right, but very few sales are cash sales. Few Mrs. Joneses have £20 to spare in a lump sum. No! At least 85 per cent. of sales are made on the "Easy payment" system. Mrs. Jones agrees to pay 10s. or £1 a month. The salesman probably gets nothing until Mrs. Jones has paid £2, when he will possibly get £1 commission. For every 10s. contribution Mrs. Jones pays thereafter the salesman may get a further 10s. commission until he has received his due total. But that possible total isn't £5 for an instalment sale, but £4. Also it isn't £4 if Mrs. Jones has another machine for second-hand goods reduces the salesman's due commission by about 5s. A fair average allowance in such cases is £4, representing a loss to the salesman of £1. Thus the commission due becomes £3 instead of £5; that is 15 per cent. As we have seen, the average life of a salesman is only a few days, and even if he makes a quick sale, he only as a rule stays long enough to draw about one-third of his 15

per cent. Actually starvation is no uncommon thing among these poor fellows.

The hours worked depend upon the man, but often the day starts with a sales meeting at about 8 o'clock, and then may go on until 9 or 10 at night.

In some of these companies the morning sales meeting commences with a song—a parody on a students sing-song; and throughout their activities the best things in our social life are seized upon and parodied in exploitation. Esprit de corps is abused to a large extent. The unsophisticated are "bounced" into giving up good prospects of a sale to a man who has been selected to try to break a sales record. The record broken, the high earnings thus nominally made by the selected man form the bait for a fresh batch of would-be salesmen. They are "nominal" earnings, of course, because the man who gives up the sale makes arrangements to receive the commission from the man to whom he gives the sale, and he will get it if he stays with the company long enough.

Human nature has been very carefully weighed, and nothing has been missed. Most men who have been thrown out of work try to get jobs; they feel it is a stigma to be doing nothing. They turn, naturally, to their friends, therefore, on becoming salesmen with a sort of pride in having got work, and in many cases make an immediate sale in that direction. It is amazing how regularly this happens; and having made the sale, the salesman draws, say, £1 down by way of commission, and then fades away. In that way the commission paid is about 4 per cent. only! The Company keeps the rest.

To encourage enthusiasm cups are put up for competition, "Colours" (i.e., The Old School Tie, you know) are given for certain sales. For sustained good work—say seven sales a month—special buttons are given, and prizes ranging from a few shillings to a pound or two are distributed. To vary the programme prizes of tobacco, clothes, and food are sometimes given.

One of the effects of this kind of commercial activity is quickly to destroy one's faith in human nature, and to turn decent men holding high ideals into cynics. It is a terrible life. Just consider the daily round. The hour by hour knocking at doors and ringing bells; the attempted bluffing of maids in order to reach the mistresses; the being turned out of houses because you got in under false pretences; the patronage of the ill-bred; the pity of the sentimental; and hardest of all, the reception as an equal by the truly gentle. To be conscious of any of these distinctions, how-ever, is the mark of a bad salesman. You'll never sell anything worth talking about unless you force your sales, and to do that you must look upon all and sundry as your prey. You must impose yourself. You must browbeat the bully, scorn the patronising, and take advantage eagerly of those who pity, or who are gentle. You must develop the mentality of the vulture. The hardness of the work helps that to come.

It is possible to make fifteen calls an hour in an ordinary London road. Of course, most calls are futile, but a good canvasser will turn 15 per cent. of them into contacts with Mrs. Joneses, and 3 per cent. of them will result in demonstrations. A good salesman will sell 20 per cent. of his demonstrations. So to sell two machines a week a good salesman must make an average of 300 calls and give ten demonstrations.

A demonstration in the case of a vacuum cleaner will take a couple of hours, so the week's work will be as follows:—

10 Demonstrations	20 hours.
300 Calls	20 "
Travelling, etc.	10 "
	50 "

But certain hours of the day are dead hours. It is no good calling on Mrs. Jones before 9.30 in the morning, or between 12.30 and 4 p.m., but from 4 to 6 p.m. is good going. This gives 5 hours a day for 5 days a week (Saturdays and Sundays are naturally bad days, i.e., only 25 hours a week. The remaining 25 hours have to be forced out of the bad part of the day, or of the night, or of Saturdays and Sundays. So the salesman is always up against it. He is always short of time, always short of money; he is driven and harassed from one day's hell to another. He has little chance to find other work, and if he does he loses all his unpaid commissions.

The whole business is a scandalous swindle against that part of the community least able to bear it. It is unworthy of any civilised state, but it does illustrate the dire pass to which industry has come; and in that there is a grain of hope.

NAMELESS.

LETTERS TO THE EDITOR.

MR. GAITSKELL AND "A + B."

Sir,—Mr. Gaitskell says in his article, "Now it is my contention that the banks do not insist continually on the repayment of loans from industry as a whole. If they were to do so they would be deliberately cutting down steadily the total of their advances."

Somewhere, I believe in H. M. M.'s outline of Social Credit, there appears the statement that the normal life of a bank loan is three months. When this statement is presented to persons who, let us say, are trading on a guaranteed bank loan, and have been doing so for many years, it is met with blank incredulity. In fact, all persons who are continually in debt to their bankers, who carry on for years without getting out of debt, who understand quite easily that trade in general is carried on with money borrowed from the banks, have the utmost difficulty in grasping, what I believe to be the fact, that the average life of a bank-loan is quite short.

I have frequently endeavoured to overcome this difficulty by explaining that what really happens is that the debt is constantly repaid and as constantly renewed, provided the rate of repayment does not normally exceed three months. That is to say, supposing I borrow £900 on January 1 and make monthly repayments of £300 the bank will renew the loan as fast as I make the repayments, with the result that at any moment during the three months I shall be in debt £900. If I am unable to maintain the rate of repayment at £300 a month, the bank will make difficulty about renewal, and it will appear to me on April 1 that the bank is insisting on repayment, while I shall not perceive that nothing but compliance with a *continual* demand for repayment during the entire period would have protected me from having to repay on April 1.

It seems to me that this is the answer to the passage quoted from Mr. Gaitskell's article. Whether that is so or not, I have never seen this particular point dealt with quite in this way, and personally I do not see how else Mr. Gaitskell's contention can be answered.

L. B. F.

Sir,—Your "A + B" supplement of February 28 defies discussion for the reason that Major Douglas's symbols are used without the significance that he attached to them. Further, "rate of flow," an essential concept in his analysis, is now something quite meaningless, as in the phrase on p. 2, "the total money turnover or rate of flow."

When Major Douglas employed the term "rate of flow," he mathematically expressed it by means of a differential coefficient in an effort to show how money and credit would have to be made to flow if industry were to be reorganised so as to run continuously according to requirement, functionally dependent on the flow of purchasing-power. In the *existing* economic system, the concept "rate of flow" has no application. An enterprise, regarded by him, on the one hand, as a device for the distribution of incomes to individuals, and, on the other hand, as a manufactory of financial values, ordinarily has an *outflow* of payments for

- (1) Materials,
- (2) Ancillaries,
- (3) Wages, salaries, enterpriser's wage (profit), or dividends,
- (4) Interest on capital and loans,
- (5) Rent;

and an *inflow* of payments in form of prices realised. Between these two flows, however, there is no functional relation; no calculable quantity per unit of time, no "rate" of flow.

As to the symbols A and B, their significance in Major Douglas's writings is, as in mathematical treatment always, wholly without ambiguity. As a mathematical symbol, "A" stands for a definite "rate" of flow, "B" for another. But when he uses A and B as mere group designations, they are not mathematical symbols, but common letters. As letters, A and B occur, for instance in THE NEW AGE of February 19, 1920, p. 248, where it is said that payments may be divided into two groups:—

Group A—All payments made to individuals (wages, salaries, and dividends).

Group B—All payments made to other organisations (raw materials, bank charges, and other external costs). On page 3 of the supplement is to be found the phrase "the straightforward A + B theorem." Without the formulation of this theorem your readers must be at a loss to see what it is all about, since they know only Major Douglas's formulation.

T. T. Sz.

"A FEW WORDS."

Sir,—Obviously my little article dealt exclusively with notes upon a few words and their changed usage. I, personally, said nothing about Richard III., Henry VI., or my friend Phil Lindsay. From Sir Thomas More I made a quotation—solely to show a change of verbal usage. A quotation is not an expression of personal opinion unless stated to be such by the quoter.

I hope R. Wood appreciates this "justice" and "clear thinking."

R. LAUGIER.

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Chairman : The Marquis of Tavistock.
Time : 8.15 p.m.

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