THE

NEW AGE

INCORPORATING "CREDIT POWER."

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CONTENTS.

NOTES OF THE WEEK.

Japanese Finance.

We have received a specimen copy of a 60-page monthly magazine entitled *The Oriental Economist.* It has been sent by the publishers in Tokyo. It is printed entirely in the English language. It costs 1s. (or 50 sen). The issue before us is Vol. II., No. 3, dated March, 1935. It comprises about nine pages of advertisements and about fifty pages of reading matter including graphs and statistical tables—the latter occupying most of the space. In the advertisement section all the corner-site positions are occupied by Japanese banks and finance houses, as of course is to be expected. They proudly display their paid-up capitals and the reserves; and it is pleasant to record that collectively the proportion of reserves to capital is well above the 50 per cent. mark. The champion bank is the Dal-Ichi Ginko, Ltd. (formerly the First National Bank), whose "Reserve Fund" stands at the same figure as its paid-up capital, namely 57 million yen, and who, to make assurance more reassuring, have an extra "Special Reserve Fund" amounting to 10 million yen. After that it is a mere triviality to mention that it holds a sort of unofficial reserve fund in the shape of "Undivided Profits" amounting to about 3 million yen. Honourable mention is due also to the Nippon Ginko (The Bank of Japan), whose Report shows that whereas its net profit for the second half of 1934 was 19 million yen, its dividend (at the rate of 10 per cent. per annum) amounted to 2¼ million yen. The only other external allocations of profit were "Payments to the Government" amounting to about 5 million yen; and "Bonuses and Allowances," ¼ million yen. All the rest of the profit, amounting to about 11 million yen, was attached for reserves or carried forward. Evidently London has nothing to teach Tokyo on the subject of sound finance.

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The proprietors of *The Oriental Economist* publish an announcement in which they say:

> "This journal is independent. It pays its own way through legitimate income from circulation and advertising. It is in no sense propaganda. Its views are independent; unbiased by any racial, national, or other slant except one towards Liberalism."

A carping critic might hold that views *biased* by a *slant* were suggestive, both in spelling and idiom, of American origin—but that need not mean that the content of the views is either racial or national, especially in the judgment of those who, like our readers, are familiar with the doctrines of "liberalism" declaimed so eloquently by Dr. Nicholas Murray Butler and General Smuts. And it may be added that these gentlemen have reached the highest pinnacle of independence in the sense that their views float about in a vacuum-chamber of expression from which the atmosphere of factual material and logical reasoning is entirely excluded.

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The proprietors are quite correct in their claim. The larger liberalism to which they swear allegiance is the philosophic halo cast round international financial policy. Bankers know no race, no nation, no person. Their views are independent in the sense that they are impersonal and detached. And *The Oriental Economist,* in its survey of trade and commerce talks exactly the same language as the equivalent economic magazines in the capitals of Europe. They all slant at the same angle.

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Listen to the following comment about Manchoukuo (*sic*: this must be the unbiased Oriental spelling of what we in the biassed Occident spell Manchukuo). First, bear in mind that the Manchukuo's Government consists entirely of Chinese Ministers, each of whom is served by a shy and retiring Japanese private secretary. Each Minister acts by the advice of his secretary. Hence the financial policy of the Government reflects the financial policy of the Japanese Government. The comment is this:

> "With the opening of its Central Bank on July 1, 1932, *Manchoukuo undertook the task* of bringing *order out of its currency chaos* by withdrawing from circulation paper notes of numerous kinds and authorities. Paper notes of about ten varieties . . . are said to have been in circulation. *The Central Bank made up its mind* to retire all these notes by exchanging them for the new currency at various rates. . . . The

day is not far off when Manchoukuo will be *completely freed* of the old currencies, with a unified currency system installed instead." (Our italics.)

A table shows that since 1932 the new currency has reached the figure of about 170 million Manchoukuo yuan, while old currencies retired reach the equivalent of about 130 million in the new currency. The italicised portions of our quotation tell the same old story of false insinuation. It draws a picture of Chinese Ministers framing policy, controlling their Japanese secretaries and departmental staffs, appointing directors of the Central Bank and leasing out to them a certain measure of administrative discretion, and doing all these things in the name and on behalf of the native population of this section of Chinese territory. In other words it reverses the true situation as completely and exactly as does a photographic positive reverse the negative. If we had to put a name to the actual ruler of Manchoukuo we should choose Mr. Hisaakira Hijikata, the Governor of the Bank of Japan in Tokyo. Under him would come the *real* resident directors of the Central Bank of Manchoukuo (probably masquerading as staff-officials under a nominal directorate of Chinese figure-heads). Under them would come the *real* political Cabinet, i.e., the group of Japanese private secretaries. And right at the bottom would come the Chinese Ministers of State. This accurately presents the path and direction of the current of political initiative.

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On the technical side no reader of these Notes will fail to grasp the significance of the currency-substitution effected in that State. The old and so-called "chaos" of currencies referred to is not explained by the writer: he leaves his readers to derive the impression that the "numerous kinds" of old currency had somehow or other automatically created intolerable confusion and difficulty, and that therefore the substitution was a technical clean-up designed to assist the native population to pursue their economic activities more easily and fruitfully. Of course, the general proposition that the fewer the varieties the better can be accepted as sound, but it is quite another matter to insinuate that the co-existence of many currencies must necessarily create chaos. To those of us who know the real cause of the world wide economic deadlock the falsity of the idea is self-evident, but even people with ordinary knowledge of financial practice will see that it takes a great deal too much for granted. No; the key word in the quotation is not "varieties," it is "authorities." The existence of the varieties reflected the existence of authorities, whose prerogatives of issuing those currencies carried with them a commensurate element of sovereign power. Looked at from this point of view the writer's allusion to "currency-chaos" takes on a new meaning. If you have ten or a dozen persons or groups separately exercising sovereign powers you can see that chaos might easily arise out of their cross-purposes. In fact, it is just that cause which lies at the root of the world's exchange problems. But there is no evidence of which we are aware that any cross-purposes existed in the region before the Japanese occupied it and baptised it. We are prepared to believe that there were, but even so we may still question whether they were irreconcilable to such a degree as to precipitate the "chaos" from which Manchoukuo is now said to be "freed." Anyhow, we should have thought that currencies in a state of chaos would have no conversion-value—whereas the writer says that the old currencies were exchanged for new on what seems to have been an equitable basis.

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We can now reconstruct the story. The Japanese were not going to tolerate divisions of sovereignty in the new State. On the other hand, they were not going to leave the old currency-authorities the opportunity to combine their sovereignties and agree on a "unified currency system" of their own (which they might have done). Control of currency gives control of economic policy, and control of economic policy control of political policy. For Japan's purpose there had to be one control, and one policy: and the one policy had to be imposed in the interests of invading Power, which were not the same interests as those of Manchoukuo. Therefore, under the pretext of unifying varieties of currency Japan absorbed all pre-existing rights of issuing currency. And that is how, as we have already suggested, the Governor of the Bank of Japan virtually takes on the office of Dictator of Manchoukuo. Hail Hijikata!

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London cannot throw any stones at Tokyo. The Hijikata influence in Manchoukuo differs in no wise from the Norman influence in India. Knowing this they don't slang each other. They leave all that to the professional talkers in the Legislatures and the League of Nations. A beautiful piece of high comedy was unconsciously played by some of those gentlemen not long ago. It appears that Manchoukuo enacted some fiscal measure which upset a good many business interests in Europe. A protest was drawn up and presented to the Japanese Government. The Japanese Government blandly replied that what Manchoukuo had done was within its right as an independent State, and that Japan had no right to interfere with its discretion. That was much the same as saying that Mr. Hijikata had no right to interfere with the right of his agents to carry out his orders! It did not occur to anyone to point out that the Chinese Ministers in Manchoukuo who enacted the measure were virtually junior clerks in a local branch of the Bank of Japan. And if it had, the reply could have been that Ministers in India were just as much junior clerks in a local branch of the Bank of England.

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We must now say a word or two about Japan's financial position as described in *The Oriental Review*. Reference is made in one article to the Government's "huge loan flotations since 1932." The article is entitled "Saturation Point in Bond Absorption," and discusses the question of how long and to what extent the public can go on investing. The Finance Minister, Korekiyo Takahashi, is cited as saying that saturation point could be reached in either of two ways. One is that the public might lose confidence in the currency and convert their investable capital into external currencies. The other we must quote verbatim:

"When the country's business and industry so prospers that its capital needs prove such a drain that no surplus is left for investment in public obligations." Now, is this a good thing or a bad thing? Mr. Takahashi sees no cause for alarm. So presumably it is a good thing. Yet from another angle it looks like a bad thing. The Finance Minister works it out this way. He says that if industry borrows so much that nothing is left for the Government to borrow, at any rate the Government ought to be able to pick up money through automatically augmented revenues and possibly increased taxation. Having arrived at this brilliant discovery he feels himself able to limit his alarm only to the contingency first mentioned, namely, the public's lack of confidence in the currency.

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Some figures showing the volume of borrowings by the Government and by industry are given in another article entitled: "Sources of Amplified Industrial Capital." It appears that the combined total of corporate bond flotations and share issues last year was 811 million yen as against 185 million in 1932, and 383 million in 1933. According to the Bank of Japan's records the amount of corporate bonds outstanding at the end of 1934 was 2,835 million yen.

The Point of the Pen

By R. Laugier.

No. XXX.—ST. JOHN ERVINE, DRAMATISTS, AND MANAGERS.

Mr. St. John Ervine has done good work by exposing the attack made upon dramatists' rights by managements who demand in their theatrical contracts a share of the authors' potential profits should the film rights of produced plays sell to the cinema industry. We know that a theatrical production in the West End almost inevitably ends in a sale of film rights, now that the "talkies" are with us. The managers contend that their production "creates film values," and that in return for risking their money they should have a share of the dramatists' sale of film rights. Mr. St. John Ervine has answered this nonsense admirably, but it will do no harm to answer again and again: the position of the creative artist is being seriously threatened in an age of chaotic commercialism, with its brutal and stupid contempt for artists.

The greater part of plays made into pictures have been filmed simply because they *are* plays, and as plays they lend themselves to reproduction as "talkies" far better than novels, poems, short stories, articles, etc. Plays contain dialogue and the revelation of character through dialogue, and the thing that the hack writer of "shooting scripts" and "continuity" cannot do is precisely this dialogue. In all other respects good sensational serial stories by men like Stevenson, Wilkie Collins, Eugene Sue, Arnold Bennett, etc., would make just as good pictures as the average play; but prose stories, however full of action and suspense, and however good the characterisation, must yet lack dramatic dialogue. The managers do not create this inherent film value which lies in the drama: if it is claimed that, where the author is not his own producer, the management's producer has added film value, then this may be categorically denied. Producers ruin just as many plays as they improve; and, obviously, the finer the play the less room there is for "improvement" by either producer or interpretive artiste. Good dramatists only hope, and pray, for an adequate interpretation of their work. The filming of a play saves the expense of hiring a good author to write "extra dialogue," as is usually done where a novel is filmed: men who can write good dialogue are rare, and expensive, according to their established reputations.

As for the managers "risking their money," Mr. St. John Ervine rightly answers that, together with other tradesmen, they only risk this money with a view to gaining profits. They risked their money before the films were invented, and were content to do so. If a man produces a play *solely* because he thinks the film rights will sell, then such procedure is obviously going to be bad for the theatre, and for authentic dramatists.

A thing which managers overlook or ignore is the fact that dramatists also risk their money (or their time, which is the same thing), and it is common for artists to experiment, and write up highly speculative themes, for years before they make a penny of profit. Without experiment no artist can develop his art, and whilst he experiments he eats up capital—or starves to death!

It will be contended that these "extra rights," provided by the cinema industry, are good for the dramatist in the end because plays are produced, in a lively hope of selling film rights, that otherwise would never be produced. The answer to this is simple: no authentic dramatist wants his play produced *because* it may make a good film. And the theatrical manager who produces plays for their film value would be better out of the theatre. As a fact, film money is making a formidable attack on the art of the theatre, backed by gutter journalism, and the carefully preserved ignorance and bad taste of the mob. The cinema-going habit is fostered in every possible manner that money-power can produce; the cinema industry ranks fourth in importance in America, and it has enormous value as national trade propaganda, however indirect. One symptom of all this is revealed in the fact that the wandering mobs are permitted to enter the "film palace" on Sundays and other religious holidays, but may not go to the theatre. With the theatre already badly handicapped in the matter of economic price, it is only natural that the "film habit" is formed. And the shock appeal of the cinema kills the taste for the theatre, as gin ruins the palate for good wine.

The only way in which the present-day cinema industry can help the dramatist is by giving him the money by which he can buy the leisure to pursue his art. The managers' attack on dramatists' extra rights is also an attack on this precious leisure: it is doubtful whether, in the end, it will help the authentic theatrical manager when he robs dramatists of their earnings. But there are other managers, and these are far more interested in film production than they are in the theatre. Where the dramatist might be ready to surrender potential profits to a genuine collaborator-manager—a man who may risk his all out of belief in unusual drama and the art of the theatre—the dramatist will certainly resent being mulcted of his profit by a business organisation which regards his play as a mere vehicle for celluloid profits. The position is highly dangerous to the artist. If he signs a contract surrendering film rights to a management it means that the dramatist cannot sell these rights in his own property without obtaining the consent *and signature* of the theatrical management he dealt with. Consider that fact. When he signs the contract the dramatist thinks that the interests of the theatrical management are precisely the same as his: but he may learn, in bitterness, that the management's interests are different, and even antipodal.

(To be continued.)

Theatre Notices.

The Playhouse is giving Galsworthy a jubilee airing, beginning with *The Skin Game*, of which a critique will be published next week.

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Some impish liberties are taken with English history in *1066 and All That*, at the Strand, not a few of which will tickle the palates of students of real-politics. An enjoyable and profitable entertainment all through.

Velocity of Circulation.

By A. W. Joseph.

E. W. H., in his note published in THE NEW AGE of May 2, makes a useful correction to my article, "Velocity of Circulation." I had overlooked that if money is invested it disappears without cancelling costs. In most cases, however, the costs, though still there, will change their nature. Suppose a business is started with the aid of a bank loan, and later an issue of shares is made in order to pay off the advance. Before the capital issue is made the public possesses loan money, and goods are burdened with a loan cost. After the issue of shares the money disappears as also the loan cost, but in the place of the latter appears what I have termed a capital free cost. I agree with E. W. H. that it is of little importance whether the cost is a loan cost or a capital free cost; in both cases it must be recovered. There are, however, differences. If a loan cost cannot be recovered the debtor will be forced into bankruptcy. If a capital free cost cannot be recovered capital is lost and must be written off. This is not usually so serious a matter as bankruptcy, although I agree that it is highly undesirable for such a situation to arise. When a loan cost is recovered the money involved is automatically cancelled. When a capital free cost is recovered, capital appears in the form of money and it can be used for revenue purposes, although, of course, such an action would be "eating into capital."

E. W. H. and myself are looking at matters from slightly different angles. To E. W. H. a cost is a payment which is owing to some other person. I have generalised the idea of cost by assuming (I agree I did not make the point very clear) that a cost attaches whenever an article (or service) passes from one person to another through the aid of money, which cost is liquidated by the passage of the money, even though the article concerned is wholly owned by the seller. I have assumed that it is legitimate to charge for own's own services; that there is no essential difference between a charge incurred to somebody else for a piece of work or to oneself for a like piece of work. These costs I have called revenue free costs, and I have claimed that as they may be extinguished without money being destroyed, velocity of circulation is greater than unity as far as they are concerned. E. W. H. takes a more narrow view of costs and consequently finds it necessary to assert that money acts both as a medium of distribution and as a medium of exchange. As a medium of distribution its velocity is unity, and as a medium of exchange its velocity can be anything its possessors like to impart to it. There is no essential difference between our points of view. In E. W. H.'s terminology money may act as a medium of exchange; under the same circumstances in my terminology it is cancelling revenue free costs.

To sum up we may say that four things may happen:—

(1) Revenue free costs may be extinguished without money being destroyed. Velocity of circulation is greater than unity.

(2) Capital free costs may be extinguished, money being destroyed at the same time. Capital is recovered in the form of money. Velocity of circulation is unity.

(3) Loan costs may be extinguished, money being destroyed at the same time. Velocity of circulation is unity.

(4) Money may be used for investment. Loan costs are transformed into capital free costs. Velocity of circulation is zero.

Whether the velocity of circulation is greater or less than unity will depend on which of the two factors (1) or (4) is the more powerful.

Retiring Free Credit.

[If a Government distributes the National Dividend in Warrants which retailers accept in payment for goods, and which banks accept from them in repayment of loans and/or as credit-deposits, would the banks require the Government to convert the Warrants into legal-tender currency? Reasons for a negative answer were given last week. This week the accounting of such a Dividend is dealt with.]

II.

Coming now to the technical aspect of the problem there is no ground for the assumption that new legal-tender currency would be printed and issued every time an instalment of the National Dividend was spent by consumers. In THE NEW AGE of April 11 it was pointed out (in an article entitled "Dividend Overspills") that the annual amount of the "national income" does not represent the amount of money in circulation but is a cumulative record of fifty-two weekly cycles of, so to speak, the same money.

Our correspondent's supposition that he is provided with a book of Dividend Warrants (say, fifty-two to last him a year) does not alter the principle. He can spend only one of them in any week. Suppose they are denominated £1 each. Well, he tears one out of the book and pays his grocer with it. The grocer can now pay it to the National Credit Authority, who will credit him with the amount; or he might pay it to his banker who in turn could transfer it to the National Credit Authority who would credit *him* with the amount. In either case the National Credit Authority would retire the Warrant. In neither case would the N.C.A. be required to provide legal tender to the full amount, and probably would not have to provide more than a tiny fraction of it in that form. The demand for legal tender proceeds ultimately from the public; and it is likely that under Social Credit large numbers of people who at present pay their way entirely with cash will adopt the cheque-system, with the result that there might be even less demand for legal tender than there is now, in spite of the large increase in buying.

So the idea of an astronomical store of currency notes must be dismissed, and the problem (if any) becomes that of adjusting the credit-entries recording the handling of the Dividend Warrants during their circuit. It is true that though they are retired the National Credit Authority is now a debtor to the banks in respect of their face value. Taking £1 as a token value representing one week's instalment of the National Dividend, the N.C.A. owes the banks £1. The banks' claim on the N.C.A. rests on the permissible assumption that they have accepted the Dividend Warrants from retailers in discharge of debt, and have transmitted them to the N.C.A. in exchange for a credit. The question arises: How does the N.C.A. honour its obligations to the banks?

The answer is bound up with the axiomatic truth that all financial credit is the property of the public, no matter who creates it, where it is created, or for what purpose. Under Social Credit the National Credit Authority takes over and exercises this property-right as a Trustee responsible to the public. Hence the banks, when lending credit, do so under licence from the N.C.A., and as its agents. Further, in lending credit they are entrusting to certain sections of the community something which belongs to the whole community. Therefore they may be said to owe to the N.C.A. the credit they lend to borrowers, in the sense that they incur

an obligation to account to the N.C.A. for this credit. So the first answer to the question: How does the N.C.A. honour its obligations to the banks? is to say: In the same way in which the banks honour their obligations to the N.C.A. Fundamentally it is a case of contra-accounts, in which the banks are always more indebted to the N.C.A. than is the N.C.A. to the banks. This alone disposes of the idea that the banks could require the N.C.A. to pay their claims in currency-notes. Being simply agents, they would have no claims at all except on facilities for performing their delegated function of issuing and retiring loan-credit and recording its transfer from one account to another while in use.

The question now becomes this: For what purpose would the banks require to receive payment of the £1 (representing the collective dividend) from the National Credit Authority? It could only be in order to enable them to fulfil some obligation to their customers. What obligation would the £1 measure? The answer is derived from the Social-Credit cost-analysis and depends on the proof that in respect of a given week's output of consumable goods the public's available earnings are less by £1 than the cost which producers need to recover, and are entitled to recover. That admitted, the banks' claim on the N.C.A. for the £1 can be valid if they want it to hand on to the producers. What producers? Well, producers in the sense of investors, that is, people who have been applying part of their earned incomes to financing production, thus committing a breach of the Social-Credit principle that new production must be financed by new credit. The token figure of £1 may be regarded as measuring the amount of such reinvestment of income that falls due for recovery in respect of the output offered in the consumption market in a given week, but which the public cannot pay. The reason why they cannot pay is because the banks have intercepted and retired the £1. This brings us to the reason why the National Dividend is issued: it is calculated to measure and to compensate a premature retirement of money. After it has done its work of enabling the public to buy goods which otherwise would have been unsaleable, the £1 can be regarded, as it were, as a fund available for liquidating securities held by private investors, which securities represent premature retirements of their income. From this point of view, if the banks proposed to pay these investors their £1 back, they could validly claim the £1 from the National Credit Authority. Cutting the banks out as intermediaries the £1 can be regarded as representing an obligation undertaken by the N.C.A. to place investors, on their demand, in the same position as if they had not invested any of their incomes at all. Imagining the investors to take the £1 they might spend it in the consumption market or they might reinvest it. If they spent it—which implies that they intended to give up the investment-practice altogether—this would reduce the gap between collective costs and incomes in ensuring periods, and reduce the size of the National Dividend. If they reinvested it—which implies that they intended to keep their consumption expenditure constant and increase their investments—this would leave the gap open (and perhaps widen it) in which case there would have to be further (and larger) National Dividends.

But there is no need to suppose that the investor demands the £1 at all. Indeed, why should he? To re-invest it? That would be silly: for he would be drawing out credit to put it back; so he might as well leave it where it is. To spend it on consumption? Why—when his consumption-power has already been increased by his share of the Dividend? Suppose, then, that he leaves the £1 where it is and is content to hold his share (or other security) and enjoy such industrial dividends as may accrue to him. In that case the banks are not called upon to credit him with the £1, and therefore have no need to ask for a covering credit from the National Credit Authority. We can ignore the banks, and say that the £1 is a suspended or potential credit in the hands of the N.C.A., theoretically payable to the investor if ever he wishes to retire his capital out of industry. Let us consider it in its visible form of a Dividend Warrant retired from the consumption market and, so to speak, put into cold storage.

Now, assuming that in the next and subsequent weeks production-finance continues on the same investment basis and on the same scale as before, there will be additional Dividend Warrants issued, used, and ultimately stored by the N.C.A. at the rate of £1 every week. And this could go on indefinitely until the vaults of the N.C.A. were bursting with retired Warrants. But this need not happen. In principle the same Warrant of £1 could be re-issued every week, and the only accumulation that would take place would be in the form of figures in a National Ledger recording the number of times the £1 had functioned in the consumption market. What would be the significance of the total figure? It would be a measure of the credit which had been prematurely retired and destroyed by the banks—not *all* the credit so destroyed, but that proportion of the whole which had been included in the costs of the goods placed in the consumption market week by week during the given period. And if, as an exercise of the imagination, it be supposed that in a further period the whole of industry's real assets were converted into consumable goods, placed in the market, and sold (e.g., a winding up of economic enterprise) the final cumulative total of National Dividend issued and retired by the N.C.A. would roughly measure the total investment-capital belonging to investors, and, by the same token, the cumulative total of credits destroyed by the banks during the whole period of industrial development. If you like to consider this total as represented by Dividend Warrants in storage, you can suppose the National Credit Authority to use them for the purpose of buying up the investors' securities. Of course, the securities would be valueless, and the Warrants useless, for nothing would now exist to be sold. But if you like to imagine it possible to start industry going again immediately, the investors could use the Warrants to finance the resumed operations. Extreme and fanciful as this speculative analysis may seem, it does serve to confirm and elucidate the fundamental truth that the function of the Dividend is to replace (through the consumption market) private financial capital which has been destroyed through investment, and to do so at exactly the same rate at which the costs which carry it become due for collection in the retail shops.

To put this truth in another way—there would be no need for the Social-Credit remedy at all if the complete production cycle could be finished within the term of the loan-credit required for its finance. If nobody had to surrender money issuing from the production-process until the whole of the production were put into the market, there would be exact equivalence between collective cost and collective income. And in the purchase of the total product the whole of the money would be retired. But this cannot happen in modern industry. Production-cycles are many times longer than the longest credit cycles. So much of the credit issued is retired before it has passed through the consumption market. The investor is the chief agent of this short-circuit operation. He needs subsequently to retire from the public the equivalent credit which the banks have already retired from him. The National Dividend provides the public with the necessary amount. To use our token figure, the National Credit Authority gives the public £1 to enable them to put back in the investor's pocket £1 which the banks have taken out of circulation. As has been said in previous articles, anyone who contends that the £1 ought to be retired by some special device after distribution by the N.C.A. is implicitly denying that the £1 has already been retired, and is virtually contending that if there were no private investment at all there would be a superfluity of incomes against costs.

Japan's Foreign Trade.

Japan's foreign trade last year was valued as follows: Exports, 2,172 million yen; Imports, 2,282 million yen. This represents 17 per cent. increase over the exports of the previous year, and 19 per cent. over the imports. In last year's exports the predominating contributory was wholly manufactured articles, 314 million yen, representing an increase of 30.4 per cent. above the previous year. These chiefly comprised silk textiles, rayon fabrics, woollen and worsted goods, cotton piece goods, knit goods, and other textiles. Next came pottery, glassware, cement, paper, hat bodies. Further items are vehicles, hardware and machinery—all of which are finding their way into Manchoukuo and other trade areas in the Orient. On the import side raw materials predominate, showing a gain of 19 per cent. on the previous year. These chiefly comprise cotton and wool, then come crude rubber, oil refuse and phosphate rock.

Last year British India's purchases from Japan were up on the previous year by 53 million yen (26 per cent. rise), Great Britain's were up by 21 million (24 per cent.), and equally sharp increases took place in Germany and Holland. Europe as a whole increased purchases by 46 million yen (25 per cent).

Governor Hijikata addressed the annual meeting of shareholders in the Bank of Japan on February 18. He pointed out that this expansion of foreign trade had taken place despite "the increasing barriers set up in many countries." The foreign exchanges, he said, had generally displayed stability. Money remained easy "with disbursements of Government funds in substantial amounts."

"The money market saw, as in the previous year, issues in large amounts of Government loans, the bulk of which were taken up by this Bank, the consequent disbursement of the proceeds causing the deposits at the banks to increase. On the other hand, loans declined as the improvement in trade made possible liquidation of debt to some extent, while no small portion of bank loans was converted to debenture bonds at lower rates of interest . . .

"The total amount of local government obligations, and bank and company debentures placed during the past year reached 2,565 million yen, which is an increase over the previous year of 105 million yen."

Rates of interest for these issues gradually tended downwards," so that towards the end of the year "high-grade debentures were offered at 4.3 per cent., resulting in a considerable saving of interest charges to the borrowers."

"In this state of affairs the banks found themselves with abundant supplies of funds for which they sought outlets chiefly in investments, particularly in Government bonds, and the Bank sold during the past year 908 million yen of Government bonds out of its holdings."

The Bank's loans and discounts which stood at a monthly average of 700 million yen until July, rose to 800 million later, "due largely to increase in advances on foreign bills and in advances to the Government in connection with the Bank's gold purchases." The gold so purchased is mined in Japan. Since 1932 the Government had been buying it and "using it for meeting payments abroad"; but in April, 1934, the Bank was legislatively empowered to buy it; and the gold now goes into the Bank's specie reserve.

It will be seen from this brief synopsis that Governor Hijikata sets a good example to Mr. Montagu Norman and other Central Bankers in the matter of frankness. What he says, when coupled up with other items of news in *The Oriental Economist* shows that the main flow of new credit is from the Bank, to the Government, then to industry, then to the banks in general, then in part back to the Bank (in the purchase of Government bonds held by the Bank). It is not surprising to be informed, by this journal, that direct borrowing by industries from the banks has shown a decline recently. J. G.

A Central Banker on Banking.

[Extracts from Speech of Governor of Bank of Egypt. March 13, 1935.]

"... a bank is like a seismograph. Through its depositors, its borrowers, and particularly its investments, it feels and registers every change in economic conditions far and near. . . . Thirty years ago few people would have imagined that the failure of a bank in Vienna would be the first movement of the avalanche we call the world crisis, the effects of which were in due course transmitted to the Egyptian fellah, the rice cultivator in Siam, and the labourer on the coffee plantations of Brazil.

"It follows, therefore, that the management and shareholders can no longer afford to remain indifferent to world events. . . .

"Are we, it has been asked, witnessing the disintegration of the capitalistic system, at any rate in the individualistic form in which we know it? Are we assisting at the strangling of all human liberty, mankind's most glorious achievement, slowly choked by the ruthless advance of dictatorial control over individual initiative and freedom of action? . . . in all periods of great change it has appeared to contemporary observers, bewildered by the rapidity with which events are marching and ideas developing, that the world is moving continuously in a downward direction. . . . In 1886 there was a Royal Commission to inquire into trade depression. Witness after witness pointed lugubriously to the approaching industrial collapse or rapid decay of Great Britain. Yet within a decade, and without the miracle-working intervention of a new deal, the country attained to a position of prosperity and economic power unequalled in her previous history. . . .

"This world depression, much of which is mental, will disappear the more rapidly if we can bring ourselves to cease discussing the precise reasons for the tangle, leaving to the writers of economic history the task of linking effect with cause and of apportioning the blame.

"Most producers in Egypt have annually to borrow the working capital needed for seed, manure, and labour.

"Evidently, stability when it comes must take the form of a return to gold. It is idle to argue whether gold is the ideal standard. We must take human nature as it is; the fact that nine out of ten people believe that gold is the best is sufficient to make it so."

Will Beans Be Spilled?

Readers should watch Mr. Winston Churchill's serial history of the King's reign which began in the *Evening Standard* of May 2 and is continuing daily. That gentleman has lost nothing of his characteristic exuberance; and it is a fair bet that before he's done we shall hear things wot we didn't ought.

Happy Returns.

A CONVERSATION ON UNEMPLOYMENT.

BOX.—I am pleased to see in my newspaper that the unemployment figure for this week is less than last week's by one person.

COX.—Ah, that must be my brother, George. He joined the Army last week. Got fed up with doing nothing.

FOX.—Yes, but how about my brother, Bill? He was buried last week. Why's his name not struck off the roll? Dead men draw no doles: and the saving should have been noticed.

BOX.—What are you talking about? The figure is down on balance, meaning that one more man has gone into employment than what have come out. Your two brothers are just lost in the crowd.

GLOX.—I reckon Fox's brother, Bill, shouldn't be knocked off the unemployed. People in their graves are the most unemployed of——

FOX.—Don't try to be funny. It's bad taste——

COX.—Yes. You ought to know that you are given the figures so as you shall know that doles are being saved. Poor Bill won't do no more shopping.

FOX.—Maybe. But what about your brother, George? He's still going shopping.

COX.—Yes, but he doesn't draw the dole.

FOX.—But he gets his pay and keep for doing nothing. There ain't no war on.

GLOX.—That's a good point. The whole Army is on the dole.

FOX.—And the Navy and Air Force.

KNOX.—And the Hot Air Force.

FOX.—What's that?

KNOX.—Parliament.

COX.—Come off it. You're mixing up different——

KNOX.—Not at all. We're keeping the lot of them, and the only difference is who hands 'em out their dole, the insurance crowd or the Government.

SOX.—Look here, if you're going on that line why not lump everybody together? When you buy a pint of beer you pay the brewer his profit and the potman his wages——

FOX.—That's right, and a bit towards George's keep, and a bit towards the dole.

BOX.—I really don't understand you fellows; you seem to turn everything into a question of money.

KNOX.—It doesn't need any turning, my son; it is a question of money all the time.

BOX.—No, it is a question of service to each other. When I read that idle people have found jobs I——

KNOX.—You are really reading that those people have got a rise from a lower income to a higher income. Who pays? Where's the money come from? Out of our pockets.

BOX.—But don't you see that extra workers make extra goods?

KNOX.—Well, suppose they do. All the same, we pay for the making of them, and the extra men get our money and buy the extra goods for themselves. We get what's left for the money we've got left.

SOX.—Yes, and suppose the extra men don't make goods for themselves; suppose they build battleships, aircraft, and suchlike things. Very well, they come buying goods that we should have got if they hadn't found jobs.

KNOX.—That's it: they drive prices up against us. We get less for our money.

BOX.—Ah, but surely you wouldn't be so selfish as to deny these poor fellows——

KNOX.—No; but this argument started with the unemployment returns, and you said you were pleased about them. Why? Not because you thought of our helping them, but of their helping themselves.

SOX.—Yes. You got an idea that we were all more prosperous because there was more work.

COX.—Well, isn't it bound to be so in the long run?

KNOX.—It might be if we had any say about the kind of jobs these people should be put at. Take your brother, George. If I could hire him myself I might put him to do something of use to both of us. But if I pay the Capitalist or the Government to make him do things *they* choose, it's long odds that his keep will come out of my keep

SOX.—Yes; and I'll go on from there. Suppose the Capitalist sets George making a machine which will put you and Knox and me out of work? We shan't have any keep to share with him.

KNOX.—And there's something else. When George had finished the machine and finished us he'd be finished himself. These machines last a jolly long time.

SOX.—So it would pay us better to pay George for doing nothing.

COX.—Well, what you say seems right enough—but a man needs work to maintain his self-respect. George was ashamed of getting something for noth——

KNOX.—Quite so. But if George was here talking now don't you think he'd see that if he kept idle on our money he might be rendering us service? Anyhow, I'll say this for George: he's done the best thing he could in the circumstances; he's chosen a job where he won't produce anything: so even if he does feed off our plates, at least he won't bust up the place where our dinners come from.

SOX.—No; George is really only training for a job; and if Providence provides him with the chance to *do* the job—sends us another glorious World War—well, he'll make enough work and wages to absorb all the unemployed, and some more.

BOX.—Dear, dear. What a terrible tangle we're all in, to be sure.

KNOX.—You've said it all, brother. So let's pack it up and go and have one. We'll just have time to drink a toast to George——

SOX.—And the potential beneficence, as they might say in Parliament, of George's new profession.

Forthcoming Meetings.

Green Shirt Movement for Social Credit.

Wednesday, May 8.—Lecture by John Hargrave, National Leader and Founder of the Green Shirts, at National Headquarters, 44, Little Britain, E.C.1., at 8 p.m. "Social Credit and the Magic of Numbers."

Wednesday, May 22, 8 p.m.—Lecture by Lady Clare Annesley entitled "Social Credit: The Woman's Aspect."

London Social Credit Club,

Blewcoat Room, Caxton-street, S.W.

May 10th, 7.45 p.m.—"The Challenge of Social Credit to Modern Woman," by Lady Clare Annesley.

May 17th, 7.45 p.m.—"What Shall I Do?" by Mr. Ewart Purves.

May 24th, 7.45 p.m.—"The Situation in Australia and New Zealand," by Rev. Kenneth Saunders.

May 31st, 7.45 p.m.—"A Simple Outline of Douglas Social Credit," by Mr. R. S. J. Rands.

Notice.

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

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

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LETTERS TO THE EDITOR.

ELECTORAL CAMPAIGNING.

Sir,—There are, I should imagine, a good many who share Mr. Tait's scepticism with regard to the methods proposed for the furtherance of the electoral campaign. In accordance with Social Credit theory once the general body had decided upon a policy it was the task of the experts to carry it out. Having resolved to bring pressure on the powers that be through the agency of the parliamentary machine it should have been left to individuals and groups to employ the technique that seemed to them most suitable in their particular locality. This again would have been in accordance with our theory and tradition. Instead of this an effort is being made to convert the finest body of propagandist guerillas that ever existed into a regular army, and all the signs are that they are not taking any too kindly to the squad drill.

There is no reason that I can see why, if Mr. Tait and his friends want to run candidates, they should not be encouraged to do so. Their action will not compromise the movement and will certainly give it a much needed advertisement. If it is as easy to get *bona fide* pledges as the Secretariat says it is, there should be no risk of a discreditable fiasco.

I do not feel, however, that Mr. Tait's plan which is feasible in Gateshead would be the proper one to adopt in the suburb in which I live, a constituency with a Tory tradition and a thirty thousand majority. Nor is the Secretariat's pledge scheme of much use, for in effect it means persuading the electors to vote Labour, assuming, as is by no means certain, that the Labour people put up a candidate. What experience has been gained shows that the poorer streets furnish the best pledge harvest, but as they are generally political opponents of the sitting member this does not get us far. The difficulty of persuading the suburban dames and their squires to vote Labour goes without saying. Consequently, if we are to attempt to apply political pressure the most feasible means seems to be to enter on a campaign to persuade the electors to abstain from the poll on the ground that existing politics are a sham fight: quite a sound Social Credit doctrine, our aim will be to reduce the poll below the 50 per cent. mark and cut off the moral support on which the system depends. If the Labour dog won't fight we might have to consider at a later stage putting in a tyke of our own.

I hope that you will use your influence with the Secretariat, assuming you have any, to get them to allow a greater degree of autonomy to local groups. If the locals think they can improve on the official scheme they should not be excommunicated for their temerity.

A. P. S.

[Our correspondent's letter recalls the fact that the earliest form of what are now known as Social Credit electoral campaigns was a parade of members who walked along the main streets of London carrying placards prompting electors not to vote. Older readers will remember that at that time THE NEW AGE made it a practice to interpret by-election returns by classifying absentees from the poll as representing the "Social-Credit vote." The idea, now revived by our correspondent, was to discredit the mandate secured by any Government on a narrow majority of voters over non-voters; and with that in view the narrower the majority (if any) was, the better—the best of all being an actual minority of voters. The soundness of the idea was not a matter of open controversy at that time, though we do not suppose that everybody in the Movement would have supported it if canvassed.

To-day, however, it has become a matter of controversy. There is an anti-vote school of thought, and there are pro-vote schools of thought: and the latter are divided in opinion upon how the elector should use his voting power. To these may be added another school of thought which may be described as supporting the policy of ignoring the electors *as such* altogether, and leaving them to do what they like. Again, this school of thought covers two classes of opinion, one of which would attempt no popular political mobilisation at all, and the other of which believes in the popular mobilisation of *citizens* on a demonstrative agitational basis outside the voting system.

Leaving aside all the arguments which can be brought forward by various proponents of policy, it may at least be said in support of the anti-vote school of thought that in some countries, e.g., Australia, voting is compulsory; and this fact raises the presumption that the interests (ultimately financial) who imposed that compulsion do attach importance to the moral value of large polls. Again the extension of the boycott of the ballot-box in this country during the last few years has been spontaneous; and it is legitimate to ask whether it may not be more feasible and effective for Social-Credit advocates to push behind this spontaneity than to obstruct it—to educate the absentees into a philosophy which logically justifies their instinctive abstention. However, there is no object in elaborating this, because there is not the slightest prospect of agreement among members of the Movement about any plan of action at all.—ED.]

The Credit Reformer's Library.

Stanley Nott, Ltd., have issued five more pamphlets (Nos. 5 to 9) in their "New Economics" series. They comprise writings by the late A. R. Orage, the Dean of Canterbury, Ezra Pound, and Alfred Venison (poems), and a symposium of extracts from fifteen Social-Credit writers, edited by William Ward. These pamphlets average thirty-two pages, and are priced at 6d. No. 5 contains Orage's broadcast address of November 5, 1934, and his lecture to the Leisure Society in 1932. In No. 8 Ezra Pound writes on Social Credit in his usual picturesque style—his truculence and irreverence towards the established authorities contrasting well with the persuasive styles of the other authors. The pamphlets are obtainable from the publishers, 69, Grafton Street, Fitzroy Square, W.

Enjoying Agony!

"So I started to save until I had collected £18. I enjoyed the agony of going without things in order to get that motor-bike. . . ." Thus Commander Stephen King-Hall, in a free booklet issued by the National Savings Committee and entitled *Twenty-five Years of National Savings*. The bankers' jubilee call to Youth! Get it. It must be read to be believed. The most brilliant tripe of all the commemorative literature on the Royal Anniversary.

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