

THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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NOTES OF THE WEEK.

Abyssinia.

The South Africa Precedent.

The pseudo-democratic systems of Europe are the instruments of oligarchs, who use them to create mass approval for what they purpose to do and have begun to do. Back in the days before the War Mr. Orage, in *THE NEW AGE*, said of the citizens of this country that they were divisible into two groups—active and passive citizens. The active citizens were those who possessed the economic power of initiative as well as the political power of endorsing it, while the passive citizens were those (the vast majority) who were without economic power, and whose political power was therefore merely that of saying yes or no to accomplished facts. Since nobody can undo an accomplished fact merely by disapproving it, the mass of the country's citizens were in practice "yes-men" to the oligarchs. At that time Capitalism was looked upon as the oligarchy. Upon the publication of the Social Credit Analysis after the War it was seen that the economic initiative of capitalism was a fettered derivative of the financial initiative of the Money Monopoly.

Manipulating the Mandate.

At the end of the Boer War the oligarchs, represented by the Government, went to the country asking for a mandate to consolidate the victory. In a wave of patriotism the country gave it. The Government, now free from interference, subsequently "put the Church on the rates" and sanctioned the employment of Chinese labour on the Rand. The anger felt by Nonconformists and Trade Unionists resulted in the heavy defeat of the Government in 1906. But the Church was not put off the rates, nor did white labour supersede yellow at the mines. The Chinese were repatriated, it is true, but only after they had served the purpose of the mine-owners, which was to get black labour on their own terms. They never intended the yellow coolie-system to be permanent. So the final outcome of the imposing electoral "NO" to these policies left them still oper-

ative in essentials. The electorate had in effect merely said: "What a pity," and then consoled itself with the reflection: "Anyhow, we have got the Opposition into power." The outgoing Unionist Government had made a gesture of receiving punishment (!) and that paid for all, and everybody was happy!

The Political Pandemonium of 1906.

Our older readers will recall Mr. Joseph Chamberlain's reception by the City of London, which presented him with an Address of Welcome in a gold casket, as a mark of appreciation of his conquest of the Boer Republics. He was not even halted, like His Majesty was recently, to do homage to the Pearl Sword. And all our readers will see the significance of this in the light of their present knowledge of the sources of high policy. Looking back, there is no doubt that the subsequent heavy defeat of the Unionist Government by the Liberal-Radical Opposition was largely contributed to by that same City of London which had so honoured Mr. Chamberlain. For one thing, it can be laid down as a general rule that Right Wing "Reactionaries" fit better into schemes of military conquest, and Left Wing "Progressives" better into schemes of political consolidation. For another thing, Mr. Chamberlain had, in the meantime, launched his Imperial Preference policy and got a large majority of his Party to back it and to seek a mandate for it at the election which was to prove so disastrous for them. This made the City cool off, and set up a flow of bankster influence and banking funds into the counter-propaganda of the Cobden Club and Free Traders generally, and into the organisation of the Liberal Party. One consequence was seen in the emergence of Unionist Free Traders and Liberal Imperialists—hybrid rallying points for the Opposition forces during the election.

Our Death's-Head Constitution.

A survey of that situation presents a picture of the political system as something like a kaleidoscope, the fragments of glass in which are selected and shaped by the bankers, coloured by the capitalists, and twiddled

about by the electorate. You can change the pattern, but cannot alter its components in number, shape, or colour. Like the famous equilateral tetrahedron, it stands up as a tri-lateral pyramid unchanged in size, however you tumble it about. Or, to change the analogy, any elected Administration, whatever its complexion, is like one of those little cork figures loaded with mercury which, when knocked over, instantly assumes a vertical position again. You can paint it any party colour you like, and call it any pet-name you like, but you can't keep it down unless you hold it down. In such wise does the mercury of Sound Finance fix the centre of gravity and the poise of political policy, no matter what flag floats over an Administration. That is what is meant by the phrase "continuity of policy"—a policy of piracy under a flag which if unfurled would be seen to carry the death's-head of exploded financial theory surmounting the crossed bones of loan-deposit accountancy.

Bankers and Dissolutions.

In the ultimate resort the bankers can bring any Government to an end by depriving it of the means of paying its Civil Servants. Last week the outstanding issues of Treasury Bills were given as over £800,000,000, a figure exceeding the Budget expenditure for a whole year. If these were not renewed as they became due for repayment the Government would soon have no money to spend on anything at all, not even the salaries of its Ministers. But, short of that revolutionary procedure, the bankers can wear down a Government by compelling it to seek mandates from the electors at more frequent intervals than usual. This would entail a drain on political party funds; and the more it continued the more would the preponderating weight of bankers' money make itself felt in political campaigning. Asquith, it will be remembered, had to go to the country twice in quick succession in respect of the House of Lords' obstruction of his financial legislation, the reason being that the King did not feel it was proper for him to sanction the creation of a crowd of new Liberal Peers until the country had given a second mandate on that particular issue. The King's reluctance was reasonable, and no comment on it is necessary. The point is that Asquith found himself unable to give effect to the people's mandate, and had to land the country into the cost of a second election. That would have been a severe strain but for the fact that Lloyd George's Limehouse anti-landlord financial policy adopted by the Government was in tune with the City's ulterior policy. The City could afford to wait, knowing that whatever might be the constitutional checks, they could be overcome in course of time by the continued financing of the popular point of view in the constituencies. This the City was ready to undertake, particularly since Asquith's was a Free Trade Government— for Free Trade, in a fundamental sense, means non-interference with financial policy, and it leaves the course of international commerce to be directed solely by the course of the exchanges which the bankers were, at that time, likening to the "governor" which automatically regulated trading opportunities on the fairest basis and with the least possible friction. If Asquith and Lloyd George had been proposing to encroach on bankers' prerogatives there might have been a different story to tell.

Diplomatic Humbug.

The foregoing preamble forms a background for what is to follow on the question of Abyssinia. To begin

with, there are some parallels. Mussolini tells his "passive citizens" that the Abyssinians are an uncivilised, cruel race. That is exactly how Chamberlain defended his declaration of war on the Boer Republics. Mussolini tells the statesmen of other Powers that all he wants to do is to civilise Abyssinia by time-honoured economic means—the "building of railways," with roads and irrigation thrown in, and to give the country orderly government, etc., etc. This is where the humbug of high diplomacy (on which we published an article recently) is shown up. None of these statesmen dare tell him in public that to develop a country in this way is to annex it; much less charge him with administering eyewash to his people about his moral objective. Mussolini knows this as well as they do; and so the whole gang of them set themselves to score debating points off each other, within a make-believe frame of reference whose over-riding canon of correctitude is to keep the secret of real-political inspiration and calculation from the ears of the people. If Mussolini liked he could remind the British Government of when the clergy and laity of this country were acclaiming the war on the Boers as a war of the "New Testament against the Old Testament," as a war to "win the Boers to Christianity," as a war to establish the political freedom of the white Uitlanders on the basis of equal franchise. He could cite reams of facts concerning the burning and pillaging of private dwellings; the immuring of Boer women and children in concentration camps where epidemics carried them off; and the purpose of these "methods of barbarism" (as Sir Henry Campbell-Bannerman called them) which was to weaken the resolution of Boer fathers, husbands and brothers still in the field, and get them to surrender. Then, to turn to the humorous side of the picture, there was the ineffable syndicated picture of Lord Roberts—"our Christian General"—with a Boer child on his knee. Whoop!—that made the war a "holy" one on every plane. It so "fetched" the pious that on one occasion when this and other patriotic pictures were being exhibited in a Church or school-room and a gentleman interjected a suggestion: "Could we not also be shown a picture of the Prince of Peace" he was set upon and badly mauled by neighbouring upholders of Christendom. Oh yes, certainly must Mussolini not forget to kiss a Danakil baby in front of photographers as soon as he can procure one.

Diplomatic Bargaining.

In Lady Houston's paper the *Saturday Review* of July 13 there are some outspoken comments on Mr. Anthony Eden's offer to Signor Mussolini. Some are to the point; and some decidedly are not. As an instance of the latter, no-one who does not know the facts can say for certain that Mr. Eden's offer of a strip of British Somaliland was ever thought likely to be accepted in British diplomatic circles. It may easily have been a device to put Mussolini in the dilemma of incurring odium in the moral sphere by rejecting it, or of conceding the benefit of a bargain to Britain in the realistic sphere by accepting it. Why should the *Saturday Review* assume that it would not be of real advantage to Britain if Italy stayed outside Abyssinia?—and if so, important enough to justify the price? Any ordinary student of politics can think of adequate reasons, political, economic and military, why the threatened alteration of the *status quo* might be worth this country's while to prevent. Again, why should the

Saturday Review assume, as it does, that just because Mr. Eden is called the Minister for League of Nations Affairs, he is working primarily in the interests of the League? Does Lady Houston know who are the ultimate paymasters of that institution—what interests inspire the nominations and appointments, and guarantee the salaries and travelling expenses, of its officials and figure-heads? She says of her paper that it is: "The Paper that is not now permitted to Tell You The Truth." This appears as a corrected and shortened headline on the front page, the original version, which stills stands in type (but with deletions of words indicated by overprinted rules) being as follows: "The Only Paper that Dares to Tell You All The Truth." One is apparently invited to infer that the ability to tell everything still survives though the courage to tell it has evaporated. But, after all, what is there unique in the amended claim? Every journal in this country is obviously unable to reveal matters contrary to law. If the *Saturday Review* wants its slogan to arouse interest and inspire confidence it should at least describe what kinds of facts it is "now prevented" from disclosing, and from what sources and by what kind of methods the restraining influence proceeds and is exercised.

The King's Prerogative.

Turning from the above aspect of the Eden-Mussolini interview the *Saturday Review* contains an article, signed Comyns Beaumont, which does raise important issues. It is entitled "Usurping the King's Prerogative," and takes as its text the questions and answers in the House initiated by Sir Arnold Wilson. Here they are:

Sir A. Wilson: May I ask my Right Hon. friend whether before giving his assent to this tentative suggestion, for the exercise of the Royal prerogative, His Majesty's pleasure on the subject was ascertained?

Mr. Malcolm MacDonald: I understand that the information of my Hon. and gallant friend as to the circumstances in which such a suggestion could have been put into practice is now out of date.

Mr. Sandys: Will the Right Hon. gentleman make his statement regarding the consultation with His Majesty more clear?

Mr. Malcolm MacDonald: I am advised by a high authority that the position which was suggested by my Honourable and gallant friend with regard to His Majesty's prerogative does not hold to-day as it did in the fairly recent past.

Captain P. MacDonald rose—

Mr. Speaker: We cannot discuss the question now.

Mr. Beaumont's commentary contains the following points. The adjournment of the House ought to have been moved. Who was the high authority? On what legal grounds does his advice rest? Discussing them he declares that

"Englishmen must not agree to the protection of the Crown being whittled away little by little and usurped by this growth of bureaucratic tyranny—we were warned against this recently by Lord Hewart, the Lord Chief Justice, in his book 'The New Despotism.'"

A little later he says:

"The King is fully entitled at any time to refuse to accept the advice of the Government, in which case they can either abide by His Majesty's decision—or resign and go to the country. . . . The time is approaching . . . for us to take very strong steps to stop this tyrannical attempt to encroach upon the Constitutional laws of the Country and the rights of the Monarchy which to-day are being abused. And there is no doubt which side the Nation would take if Ministers came into the open, for they would be hissed out of office. . . ."

The central point of interest lies in Mr. MacDonald's implicit admission that there had been a contraction in the scope of the King's prerogatives in the fairly recent past. Such a vague phrase smells of evasion in respect

of a variation in constitutional procedure. A date and reference ought to have been given. The last legislation which affected the King was the Currency Act which removed his image from the currency-note; and he was left to be honoured only in the small change of the credit-system. Does the alteration now under discussion date before that, or after it, or when? Possibly further questions would have elicited this information. And here we come to the next important point—the intervention of the Speaker. We were discussing his functions last week in respect of the dwindling prerogatives of private Members, and here we see an illustration of his power to make discussion safe for the Treasury Bench. Business naturally has to be done to a time schedule, and supplementary questions have to be disallowed at some point or other; but on this occasion Mr. MacDonald's second answer warranted, and even demanded, strict elucidation. Any time spent could have been knocked off the formal debating without any damage to public interests. "We cannot discuss the question now," said the Speaker, without waiting to see if the rising Member was going to discuss it, and, of course, without indicating when it *could* be discussed if not then. The chance has probably gone now, for there is such a thing as private official dissuasion of Members who propose to raise questions, and in any case the Government have got notice of the contingency and will take care not to allow any more impromptu or unreflected answers to be wormed out of their young Minister. Notice that if he had stopped at his first answer it would have been possible to whittle down its significance and take it as meaning that the King's pleasure need no longer be consulted in the preliminary and tentative stages of diplomatic bargaining. But his second answer seems to mean definitely that the King need not be consulted at all over transfers of territory.

Italy's Need For "Expansion."

Sir Samuel Hoare, on July 11, spoke on foreign affairs and in his reference to Italy admitted her need for expansion, but could not think that this need justified going to war. Probably it wouldn't if Abyssinia felt a corresponding need for contraction. But as things are the needs of the two are irreconcilable and logically the solution should lie in discovering whether Italy's need was imperative, and could only be satisfied by expansion at Abyssinia's expense. Of course, the so-called need for expansion felt by industrialised Powers is simply the need to escape the insolvency which, under the operation of bank-finance and banking law, always supervenes when the pace of capital development slackens. Abyssinia, by reason of what is called her backward state, and (one suspects) her natural resources, offers a tempting site for such development and its accompanying credit-finance which one presumes some banks or other are prepared to advance on the security of the conquered country. In the meantime the prosecution of the war will itself draw money into circulation and partly fulfil the need for "expansion." In fact, all "expansion" everywhere, though immediately a capitalist need, is ultimately a banking need, because the monopoly of credit cannot persist unless the structure of capitalism is prevented from collapsing, and the latter must inevitably collapse unless it is cemented by progressively increasing supplies of new credits. International finance will humour Mussolini because if not he may be driven by internal discontents to escape insolvency by creating his own credits.

Financing the Next War.

By Arthur Brenton.

[Perhaps it is advisable to warn newcomers to the movement that the proposals formulated in this article are not put forward as a practical scheme, but as clear terms of reference for a theoretical analysis. They make no provision for price-regulation—an omission which, of course, rules out their expediency.—A. B.]

Let there be formed a body called the Federation of British Citizens corresponding to the Federation of British Industries.

Let the F.B.C. be granted a Charter giving it the exclusive right to buy Government securities issued in respect of the war. These securities may be comprehensively designated War Bonds.

The F.B.C., through the exercise of this right, will become the holder of all War Bonds in existence at the end of hostilities.

The F.B.C., by reason of its constitution will hold these Bonds as trustee for the general body of taxpayers. (All taxes are ultimately paid by individual citizens.)

Let the procedure of acquiring the Bonds be the same in principle as was followed in the last war—namely by negotiation with the banks (central and joint-stock combined). Under this procedure the F.B.C. would, in form, buy the Bonds with credit borrowed from the banks. It would become, in form, debtor to the banks and creditor of the Government, to the same amount of credit.

Since the F.B.C. would be the only buyer, the Bonds could be of indefinitely high denomination—i.e. the whole of each successive issue by the Government could be in the form of a single Bond (e.g., £500—£1,000 millions) thus saving an enormous amount of human energy and releasing bankmen and stockbrokers for useful war-service.

As regards the question of interest there would be no necessity for a differentiation of rates such as took place in the last war when the banks charged private investors less interest than that which the Government contracted to pay. The F.B.C. would not need the inducement of a profit. Thus the periodic dividends payable on the Bonds would equate with the periodic interest receivable by the banks. It could be paid (a) in one block sum, and (b) directly by the Government to the banks. This again would save human energy needed for bookkeeping. The selected rate of interest could be any figure reasonably necessary to cover the cost of the banks' services—and, in view of the economy of energy pointed out, might be a fraction of 1 per cent. (But the size of the figure is immaterial.)

There would be no reason why the banks should retain custody of the Bonds as they did in the last war. The F.B.C. could hold them, and could give the banks a receipt for them as a matter of form. (This point is immaterial.)

Thus, at the end of the war the Government would owe the F.B.C. the amount of the Bonds, and the F.B.C. would owe the same amount to the banks.

But the F.B.C. would represent the general body of taxpayers who would owe the same sum to the Government. So the F.B.C. would be at one and the same time a debtor to the Government and a creditor of the Government in respect of the amount of the Bonds.

The F.B.C. and the Government would effect a final settlement through the surrender of the Bonds by the first party and the destruction of the Bonds by the second.

This would leave the banks and the F.B.C. as the

sole remaining parties to settle with each other. The banks would have a nominal right to demand money from the F.B.C. equal to the value of the Bonds.

Two questions would arise.

1. Why do the banks need to receive the money?
2. Where is the money?

The answer to the first question would be that (a) the money was to be cancelled, or (b) if not cancelled, was to be credited to some clients or other of the banks. Otherwise the money would accrue to the banks themselves as a surplus distributable to their own shareholders—which is absurd. The answer to the second question would be provided by an inspection of the banks' accounts.

Taking the second answer first, what might these accounts be expected to disclose? Let the total value of the Bonds issued be represented by the token figure of £6,000. Since (by hypothesis) the F.B.C. would have borrowed this sum from the banks to buy the Bonds, and there had been no other buyer, the whole of it would have accrued to British industries when expended by the Government and would have expanded their collective Deposits by £6,000. Let these industries be denominated the Federation of British Industries, or F.B.I.

Now the F.B.I. would represent citizens considered as producers, while the F.B.C. would represent citizens considered as consumers. For the sake of simplicity let it be assumed that the F.B.I. recovers in prices all the money it distributes as personal incomes to consumers. Then the F.B.C., at the end of the war, will have no money as a corporate body, nor will its members, to place against the debt of £6,000 due to the banks. Therefore the £6,000 should appear entirely as the F.B.I.'s deposits in the banks. In that case, if the F.B.C. proposed to repay its debt, it would first have to get the £6,000 as a free gift from the F.B.I., or, to shorten the process, the F.B.I. would have to suffer the cancellation of its deposits by the banks. [It should be borne in mind that this £6,000 does not represent the totality of deposits, but the additional deposits arising from additional (war) finance.]

So much for theoretical possibilities. But an inspection of the banks' accounts would fail to show that they held deposits to that amount. Taking the last war as a precedent their additional holdings of deposits would be represented by the token figure of £1,000, i.e. one-sixth only of the £6,000 theoretically due to them. If so, two questions would present themselves: (a) Where has the £5,000 gone? and (b) on whose behalf do the banks want to collect it? Upon investigation it would become clear that whereas the F.B.C. had originated deposits amounting to £6,000 the banks could only account for £1,000. Therefore the responsibility for making good the deficiency would belong, not to the F.B.C., but to the banks.

But in the circumstances postulated no deficiency could appear, because on technical grounds it would be impossible for the banks to show an outstanding loan of £6,000 to the F.B.C. without showing an equivalent amount of deposits on the other side of the account.

What is the reason for the discrepancy between the financial figures of the last war and those which would seem to follow the above suggested financing of another war? It lies in the fact that under the conditions of the last war money was lent in instalments, and the same money that was in the first instalment largely served to provide the second, and so on. Thus the ac-

The Point of the Pen.

By R. Laugier.
No. XL.—REBELS.

In Tahiti there lives—or did, recently—an old native who, when he walks abroad, always wears two hats. He wears them, one on top of the other—and thereby hangs a tale. For most of his life this old man never wore a hat; he had no use for them; he scorned them. Then came French rule, and a paternal government. All natives must wear hats, to protect them from sunstroke: such was the edict. The old man declined to wear a hat, and refused to pay a fine, and he was imprisoned. He came out again. He walked in the sun without a hat. He went to prison. And so it went on, with the old rebel in prisons oft, but sticking to his point, yet annoyed no doubt by his durance vile. Then one day, in the solitude of his cell, he was visited by a great idea. Peace with honour. He could save his face, and yet not give way to the Government. So, when he was released, he walked the streets in two hats, one perched upon the other. He would not wear a hat: he wore two. Victory was his.

I hope you like this little story? I confess that it appeals to me. Its hero is possessed of that sublime idiocy which all rebels require, for must we not be more mad than those who rule, if we are to adjust ourselves and survive their domination?

Is one hat stuck on another more idiotic than the command, given to an old man, that he should protect from the sun a grizzled head which for sixty years has proved its immunity to sunstroke? No. A plurality of hats is innocently eccentric; it is charming in these days of overstrained uniformity; it is "good for trade"; and, somehow, I feel it would please Mr. Chesterton. But our modern plurality of laws has no charm; it is mad in a very irritating way; it has proved itself so far not particularly good for trade; and it has not pleased Mr. Chesterton.

A good government should be like a sound vermiform appendix; it should function smoothly, and one should not be engrossed by its existence. But it is a long time since suffering humanity produced such governments, and so the body politic suffers from a constantly recurring appendicitis (an unnatural phenomenon!), and governments must out.

We are all rebels, to-day, and governments get the countries they deserve. We suspect the "protection" of the government as a kid might shy from the profection of a tiger. Governments, we know, are merely fattening us up for the slaughter: they will take from us whatever the other thieves have left.

For a long time intellectuals have had a contempt for governments, and this contempt has manifested itself in many ways. In English literary history it must be a long time since so many famous authors refused "honours"; and it is characteristic of an anti-cultural age that men of letters are quite outside governments. When Strindberg was offered the Legion of Honour he excused himself on the plea that he "never wore a frock coat." So the honour was bestowed upon Strindberg's publisher, who, presumably, wore a frock coat.

If, to-day, intellectuals support a government this is only because such intellectuals fear the greater chaos of a dictatorship. But, actually, the independent intellectual could, if he would, do little for any government: he has been disenfranchised by the swamping of the electorate by mobs of the unintelligent—an old

Headline News-Notes.

What Mussolini's Men Will Face. (Emp. News, 14/7.) Article on Abyssinia. Reference to untapped precious metal resources in the mountains of the interior. Topographical and climatic conditions a menace to invaders, however well equipped—heat, disease, rarefied atmosphere at high altitudes, etc., etc.

Everybody's Bets on the Tote—Office Bookmakers as Agents of the Machine. (N.W., 14/7.) This has the effect of scaling down bookmakers' profits, facilitating collection of income-tax, and closing avenues of tax-evasion. It centralises the control of money. Cash bookmakers, whether on or off the course, cannot be checked back as to profits.

Film Camera as Silent Spy. (Emp. News, 14/7.) Chesterfield. Charge of "frequenting" for the purpose of betting. Film produced by police in evidence. Camera had been used from the top-floor window of a house seventy yards away—a telescopic lens having been fitted. Court darkened to show the picture, which purported to show the figures of the defendants. Note.—The suppression of cash betting is a bankers' policy, for it would increase the amount of currency normally held by the banks. (Bookies don't like pass-books.) Hence the time, trouble and expense the police are put to on these petty jobs.

Studied to be Forger—Police Suspicions of Pupil at School of Engraving—Printing Press. (Emp. News, 14/7.) Young man and associates charged with making and issuing forged notes. Was said to have taken a year's course at a class to learn how to do it. Tuition successful. Prisoners remanded to Manchester Assizes.

Wanted—defending counsel who, in the event of conviction, will address Court on question of sentence, and will argue (a) that as regards social consequences the crime, if undetected, would have amounted to unlicensed inflation of the currency; (b) that the injury suffered by innocent recipients of the forged notes arises from the practice of the Bank of England to refuse them authentic notes in exchange. (Waterlow case to be cited—"printed stationery" argument.) Conclusion: law now overdue to compel the Bank to exchange bad notes for good upon proof that holder received them innocently and for valuable consideration. Provision might be inserted in Act that Bank could charge a commission on the exchange—the commission to be high on a bad forgery, low on a good one, and nothing at all on a perfect one. The commission would thus be a fine for carelessness, and a measure of the degree thereof, on the part of the innocent acceptor. Final submission of counsel—a just sentence, not as the Credit Monopoly measures justice. (Prisoners, Henry George Robinson, his wife Gwendoline, and Frederick Mostyn Lloyd, all of Barnside, Great Sutton.)

Dinner to Major Douglas.

This Dinner will be held at the Connaught Rooms, Great Queen Street, W.C.2, on Friday, July 19, at 6.30 for 7.30 p.m. Lord Tankerville will be in the Chair. Tickets, 8s. 6d., from the Social Credit Secretariat, 163a, Strand, W.C.2, or Lady Beaman, 18, Palace Gardens Terrace, London, W.8.

banker's trick. So, to the intelligent man, the social contract idea means very little. He is ruled by fools, liars, and thieves, and can see no way to save himself. The "Burn More Wheat" party are in office, and what can the intelligent do? Revolution is no good against governments whose one talent is destruction. The bomb and machine-gun are mightier than the pen. The satirist must give way to the "half-page ad."

The intellectual's objection to governments—let us make it clear—is that governments do not govern. Similarly one objects to business men when they are unbusinesslike, or perhaps we had better say inefficient. Someone should be doing the job of governing, and no one is doing it. Our modern despotism has considerably more skill than the old Roman tyrants possessed. There is no need, to-day, to banish philosophers; the bread and circus policy has produced a mob incapable of thought and incapable of true reading.

Yet these poor masses struggle towards the light like creeping plants in a choked jungle. They live as they can. A little while ago I stood, with a lady, in the Avenue des Ternes. A decent "unemployed" asked us for money, and said he had slept out for several nights. My companion suggested that the authorities allowed no one to sleep in the streets: the unemployed could sleep at a police-station. "Yes," agreed the begging man. "If there's room. One goes to a *poste*; there is no room: a second, no room. So one doesn't sleep out; one doesn't sleep at all. One walks from station to station." He said all this quietly, and even with some humour. We gave him money, but what's the good of we "middle-class" giving money? We are next. That is the point, my masters: *we are next.*

Elements of Economics.

By John Grimm.

II.—COSTS ON THE OVERDRAFT-BOARD.

[The object of this article is to outline a method of explaining the distinction between *Economic Cost* and *Commercial Costs*, and of showing that the total of the former is less than the total of the latter in modern industry. Owing to compression some passages may need improving or expanding; and constructive comments from friendly critics will be welcomed.—J. G.]

If a credit area be pictured as like a chess-board the transactions of producers can be pictured as movements of money and material from one square to another. At any given time there will be so much money and so much material in every square. After an interval money from every square will have been moved into other squares, and material likewise. There will have been flows and counter-flows of each.

These could be represented and worked out as an object lesson by the use of two kinds of counters, say, white for money and black for material and its "cost." A heap of each could be placed in every square to start the game. Then the game would consist in moving black counters from one square to another, and a corresponding number of white ones into one square from another, to compensate for the transferred black ones: and so on.

Now, however long you played the game, and wherever you chose to move the counters about, the total number on the board would remain the same, and so would the proportion of whites to blacks. If you started with, say, fifty of each kind you would end with fifty of each kind. They would all be on the board, but in different places.

If you attach a value to the counters, say, inscribing on each the figure of £1, the black counters will now each represent £1 worth of material and the white counters £1 of money. The black counters will measure costs; and neither these costs nor the money will vary from the original figure so long as the counters are moved about on the board, and not off the board.

Inside each square, however, there will be variations. Inside some there will be more white counters than before, and an equivalent number less of black counters—and vice versa: certain square-costs (so to describe them) will have been replaced by square-funds, and certain other square-costs increased as the consequence of the transfer of square-funds. But when you total up the lot together the variations cancel out, and the board-costs and board-funds are unchanged, whether the two are equal to each other or unequal at the start.

Now the purpose of this illustration is to show that industry as a whole cannot turn costs into money, nor money into costs, through the buying and selling transactions of its constituent business enterprises. Industry turns money into costs only by paying money externally, i.e., to private individuals as personal income: and it turns costs into money only by collecting money externally from those individuals. To use the board analogy, board-costs are incurred and recovered only by moving white counters off the board and back again. Certain square-costs may be incurred and recovered, but only by causing a reverse result in other squares. The board-costs and funds remain unaffected.

Now since industry turns money into costs with the object of turning costs into money, its success depends on what happens outside. In terms of the illustration, it depends upon movements of counters *on* to the board and *off* the board, and *not* on the musical-chairs chase-round among the squares inside the board.

There are two "outsides." One is represented, as just mentioned, by the general body of private consumers. The other is represented by the bankers. You may picture the two seated on opposite sides of the board. Now the bankers may be imagined to have a sack of white counters which they make themselves, and which nobody else may make. The industrialists may be imagined to be located on the board along with their materials; for they are the intermediaries between the bankers and consumers. They may be imagined to have a sack of black counters which they are allowed to make for themselves. The first rule of the game is that the banker begins by fishing out some white counters and placing them in different squares in different amounts. The industrialists are divided into groups, each looking after one square, and being responsible to the bankers for the white counters placed therein. The second rule is that as soon as a white counter is moved out of a square, the square-holder is entitled to put down in its place one of the black counters from the bag. If or when he subsequently gets a white counter back he may take a black counter off the board and put it back in the sack. But if the white counter comes from another square, that square-holder takes a black counter out of the sack and puts it down. This, of course, has the same result as if the first square-holder had passed his black counter to the second—which is the situation described earlier. At the point where every white counter has been moved there will be a corresponding black counter on the board; and the number of each will remain the same until something happens from outside.

Now there is a point to make clear. If the start of the game is supposed to represent the *beginnings* of production—that is, a time when no squareholder has yet made anything, then none would be able to buy from another, and there would be no inter-square movements of white counters. They would all have to go off the board—that is to say, in the language of economics, all expenditure would be on wages, salaries, and other rewards of human service. In that case, there would then be put on the board as many black counters as there were white ones off the board. If the holders of the latter (now "consumers") put them back on the board, all the black counters would go back into the sack according to rule. And if all the materials represented by the black counters had been delivered to the consumers, the square-holders would still remain unable to use their white counters for inter-square dealings. They would have nothing to deal in.

But in actual industry there are plenty of such dealings, and they are rendered possible because not all the materials pass to the consumers in exchange for their white counters. To see what happens imagine the board to be divided into 64 squares—8 rows numbered 1 to 8 horizontally and lettered A to H vertically. For simplicity suppose the bankers put down 2 white counters in every square. And, for a start suppose the 128 white counters pass out to consumers. Now different things take different times to make ready for consumers to buy; also certain things are made which consumers are not expected to buy. So let squareholders be graded A1 making things which won't reach consumers for a long time, and H8 at the other corner making things ready at once—the others falling within these extremes of the range. Now H8 will have first call on the consumers' counters: his goods are what they want and are quickly ready.

Now watch. The bankers hold each square-holder separately responsible to return the 2 white counters put in his square. And they apply to each for repayment when they like, taking no notice of how long a time will elapse before the materials can reach consumers. When A1 has to repay his counters he can only get them by asking consumers to lend them to him, or by asking H8 to do so or to buy some of his material. Likewise all the square-holders of the A series and onwards will have to seek the same remedy at the hands of consumers or of square-holders of the H series and backwards.

In this way the 64 squareholders can collectively return the 128 white counters to the bankers, who now put them back in the sack. But there will be black counters still on the board in spite of the fact that all the white counters have come back across the board. Some squareholders will have recovered more than they spent, and will have bought from and lent to other squareholders. To take an example in detail, H8 might have used two white counters out of his profit to buy A1's material. Upon doing so he would draw two black counters and put them in his own square.

Thus while the board-costs had been wholly recovered, square-costs would still remain to be charged subsequently to consumers.

Suppose now this marks the end of the first game, and that a second one begins. Instead of there being a clear board as at first, there will be black counters on it, "carried forward," so to speak, from the first game. Let these be designated B1 indicating that they belong to the first series and representing costs arising

from transactions conducted with the first series of white counters, which can be designated W1. The banker now puts down his W2 series of counters, say two in every square. On this occasion the squareholders need not move all these counters off the board because now there are already materials in the possession of some of them which can be transferred to others. For example, H8, who had (as was supposed) acquired A1's materials for two counters in the first game, could collect one white counter each from squareholders A2 and A3, and could move his two black counters into the squares A2 and A3. And so with every squareholder who began the second game with series B1 counters in his possession. Suppose that altogether these collected 64 counters W2 from others in this way, then they could move them off the board to the bankers' sack without having parted with any of those which they had just received from the bankers. But the 64 black counters corresponding to these would still remain somewhere on the board—the only difference being that they would be in other squares. In the meantime the rest of the counters, namely 64 of the W2 series would have been moved off the board into consumers hands, and 64 counters of the B2 series put down on the board. Suppose (to avoid complications) the consumers use all the W2 counters for consumption. Then at the end of the game the bankers would have got their 128 counters back in the sack, but only 64 black counters would be taken off the board to go in the sack. These might consist of the B1 series or the B2 series, or some of each, but the total could be no more than 64. That is to say black counters to the number of the B1 series brought into the second game would remain to be carried forward into the third game.

Why has this happened? Because every squareholder who gets hold of white counters in excess of what the bankers put in his square, and during the time the bankers refrain from taking them back, has indirectly used them to pay off the debts of the less fortunate squareholders, and puts down black counters, measuring the cost of whatever materials he has acquired from them. To illustrate: supposing in the first game that when the 64 squareholders have paid 128 counters to consumers, 32 of them, who will have paid out 64, get back the 128 by selling to consumers, they will be able to pay the excess of 64 back to the bankers on behalf of the other group; and in fact this must happen within the rules of the game if the bankers are to get the 128 counters back on time. For doing this they regard themselves as entitled to recover their expenditure in the next game out of the second series of white counters. They may or they may not, but if they recover it from other squareholders the 64 black counters remain on the board; that is to say the squareholders regarded as a whole cannot recover these costs to extinguish them.

It will be seen that the accountancy of each squareholder is different from what would be the accountancy of, so to speak, a Boardholder. To the squareholder every white counter creates a cost by moving out of his square. To the boardholder only those counters which move off the board create costs. Further, to the boardholder, every white counter coming back from the consumers on to the board cancels the same cost as it created when moving off it. Whatever the board-cost created by the use of the bankers' counters it would be wholly extinguished upon the return of those counters. There would be no "costs," in the conventional sense,

carried forward from one game to the next. The recovery of a cost by a *squareholder* does not *extinguish* an equivalent cost on the board. Nor, when a *squareholder* incurs a cost, need he create an *equivalent* cost on the board. The *board-costs* that are created and extinguished are those equivalent to payments made and received back from consumers.

Accordingly the rules of the game would be corrected if, at the end of each, as many white counters were distributed to consumers (or set aside for them to draw on when wanted) as there were black counters on the board, but without any extra black counters being placed on the board.

(To be continued.)

The Social Credit Library.

"MONEY IN INDUSTRY."

The C. W. Daniel Co. (46, Bernard-street, W.C.1) have just published a book under this title by Mr. M. W. Gordon Cumming, B.Sc. It costs 3s. 6d. The author gave an address under the auspices of the London Social Credit Club recently, in which he outlined the arguments which are elaborated in his new book. The following synopsis of his address will, therefore, serve as a preliminary review.

1. It is important to distinguish between money classed as "income" and money classed as "capital." The spending of capital money can never finally remove a cost from the books of industry. It can move costs down nearer to the consumption market, but the fact of the recovery of the capital being expected automatically leaves a cost in existence.

The spending of income money, however, can finally extinguish costs; as those who spend income do not expect to recover the money again. It is only by this spending of incomes that the costs of industry can be finally extinguished.

2. Are the incomes paid by any industry likely to be sufficient to buy the goods produced by that industry?

What incomes? The incomes paid now—say this week—in respect of every process contributing to the production of the goods.

What goods? The finished goods appearing now—this week.

N.B.—The public buy only finished goods (that is the definition of "finished goods"). The cost of all intermediate processes is carried forward and recovered in the prices charged for the finished goods.

We therefore want to compare the flow of incomes available for buying finished goods to the flow of prices charged for the goods. That is, we must consider each over the same period, a day, or week, or month (the "time of perishability" of the goods being the correct time to take).

3. The Argument.

Consider any article which is manufactured, e.g., a motor-car tyre.

Visualise the great number of processes which have contributed towards building up its price—the production of raw materials, steamship and railway transport, factories and their equipment, shops in which the tyres are sold, etc., etc. Some fractions of the price may date back to the planting of trees in the rubber plantation, to the laying down the railway, or building the yard which built the steamship, and so on.

It is ridiculous to suggest that all the incomes paid for manufacturing the tyres will have been retained to buy them *this week*; so if they are to be sold, we must look to incomes being paid *this week* (for work on tyres to be completed in the future).

The argument then follows:—

All costs, however numerous and complicated, can be divided into two main classes.

Class I.—Those costs which will have equivalent income payments this week.

Class II.—Those costs which will have no such equivalent payments.

It is contended that to maintain a constant output from industry it is unnecessary to have all processes of manufacture in continuous operation, e.g., the erection of factories, building harbours, railway embankments, etc., are comparatively rare events, and it is very unlikely that new ones will be being erected this week. It is argued, therefore, that Class II. costs will always exist, and that in an industry of constant extent there is always, therefore, a deficiency of purchasing power to some greater or less extent.

4. How has the present price system in industry managed to exist for so long in face of this deficiency? Simply be-

cause industry is not of constant extent (as assumed in the argument) but has, in fact, been continually expanding.

Instead of making one article to replace each of those existing, industry may be making several, and it is quite possible that the wages paid for making several articles will be sufficient to pay the whole price of one.

5. Why then do we criticize the system? Because mechanical production has made the necessary rate of expansion very much higher. Every time a man is replaced by a machine a wage cost is replaced by an overhead cost, which is generally a Class II. cost, and as the proportion of Class II. costs increases so must the rate of expansion of industry.

This rate is now so high as to outstrip by far the possibility of new inventions, the increase in populations and other factors making for the expansion of industry. Moreover, the fact of the whole planet being now more or less developed leaves little scope for physical expansion; and as it is only by expansion that the system can be preserved, competition for expansion must almost inevitably lead to war between industrial nations.

The remedy is to devise a new system of distributing incomes and of accounting prices which will enable the people to buy the products they have made without compulsory expansion. It is at first difficult to realise that prices and incomes are only part of a man-made system, and are not concerned with the laws of nature. With a little thought one can see that the price and money system could be altered as easily as could the laws of cricket or croquet provided enough people are convinced it is desirable.

Such a reformed system is the Social Credit system devised by Major C. H. Douglas.

Social Credit Reception.

An informal reception has been arranged to take place at the Holborn Restaurant, Kingsway, W.C.1, on Saturday morning, July 20, from 10.30 to 1 o'clock (and from 2.30 to 4 if desired) to provide an opportunity for supporters of Social Credit to meet the leaders of various London organisations and active workers therein. Visitors to London are especially invited. Representatives of the London Social Credit Club will be present; and Mr. John Hargrave, leader of the Green Shirt Movement for Social Credit will also attend. So will the editors of "The New Age" and "The New English Weekly," with their associates.

Lady Clare Annesley has kindly consented to be hostess. Messrs. Stanley Nott and other publishers will provide a display of Social Credit literature.

There is no programme, but short addresses may be given by representatives of Social Credit organisations if the company are desirous of hearing them. Otherwise the proceedings will be on a conversational basis.

The Holborn Restaurant is a few yards distant from Holborn Tube Station (Central London and Piccadilly lines intersecting here), and can be reached by buses travelling between the City and Oxford Street or from North to South through Kingsway. All these pass the doors. Visitors are asked to consult the notice board inside the entrance doors for the reception-room.

Forthcoming Meetings.

London Social Credit Club.
Blewcoat Room, Caxton-street, S.W.
July 19th, 7.45 p.m.—Speakers' Practice Night.
July 26th, 7.45 p.m.—"A background to Social Credit," by Mr. Ralph Williams, editor of *The Golden's Green Gazette*.

The New Age Club.
[Open to visitors on Wednesdays from 6 to 9 p.m. at the Lincoln's Inn Restaurant (downstairs), 305, High Holborn, W.C. (south side), opposite the First Avenue Hotel and near to Chancery-lane and Holborn tube stations.]

ACADEMY CINEMA, Oxford Street.
GER. 2981.

New Russian Drama based on Dostoevsky stories
"ST. PETERSBURG" (A)
and SIMONE SIMON in "LAC AUX DAMES" (A)

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