THE

NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

No. 2246] NEW SERIES Vol. LVII. No. 22. THURSDAY, SEPTEMBER 26, 1935 [Registered at the G.P.O. as a Newspaper.] SEVENPENCE

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NOTES OF THE WEEK.

World Government.

For reasons to appear later, the matter which begins in the next and following paragraphs down to the commencement of the "Appendix" ("Origin of the B.I.S.") is reproduced from THE NEW AGE of February 11, 1926. As many readers know, it was subsequently re-printed as a leaflet. This leaflet has now been re-set in larger type and shorter lines, and the diagram reduced, so that it can be issued in a more convenient size than the first edition.

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A Fulfilled Prophecy.

The following "Notes" were written by the editor of "The New Age," and were published in that journal on February 11, 1926, together with the accompanying diagram. Both are here reproduced without alteration. Attention is directed to his forecast embodied in that section of the diagram which allocated a function and relationship to what he described as a "Proposed Central Bank for Europe." He so described it because at that time the Bank for International Settlements had not been heard of: in fact, four years were still to elapse before that institution was established, namely, late in the year 1930. Accurate prophecy is the test of exact science; and this example emphasises the necessity for those who want to interpret trends and events in international affairs to understand the nature and source of supreme political power and policy described in the notes referred to.

NOTES ON DIAGRAM.

High Financial Policy.

"Produce more, consume less." The theory is that national prosperity depends on personal abstinence. Consequence—a fast expansion of the means of production (capital resources), but no corresponding expansion of the means of life.

Policy of the Individual.

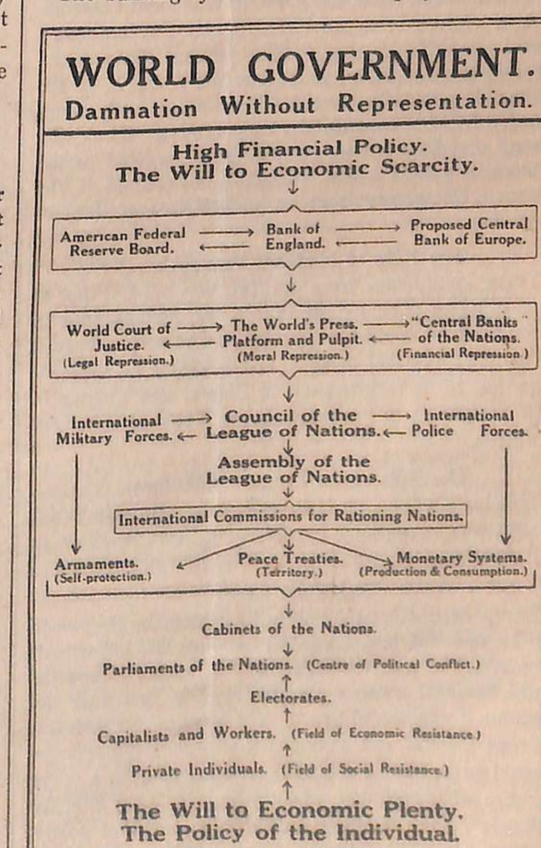
To increase his consumption relatively to his expenditure of energy. More goods for less work. Policy justified by reason of modern machine production.

The Dominant Policy.

Financial policy prevails because it is made effective through the control of financial credit, which is a monopoly of the banking system.

Instrumentation of Policy.

The banking system uses its monopoly to encourage



the multiplication of factories and plant, and to discourage the output of consumable goods. The result is the "exportable surplus" and the struggle to dump it abroad. Hence war. Against this tendency the individual can, in theory, use the power of his vote. But as Finance defines the issues on which he may vote, his political power is diverted to irrelevant issues, and so dissipated.

Internal Government.

In Great Britain, the power over policy proceeds from the Bank of England, in association with the "Big Five" banks, through the Treasury, then through the Chancellor of the Exchequer, who delimits the initiative of his colleagues in the Cabinet. The Cabinet in its turn arranges the main issues to be discussed by Parliamentary Committees, and debated by the full House. If the House should reject any one of these issues, it condemns itself to dissolution. Notice that the principle of **popular election** ends at the House of Commons; that is, at the third remove down from the source of national policy. The personnel of the banks, the Treasury, and the Cabinet, is decided by secret nomination.

World Government.

The accompanying plan shows the extension of the above system to international affairs. The "central bank" of every nation, while dominating that nation's policy, as described above, is itself an agent administering the policy of an international banking trust of which it is a member. Thus the ultimate control of every nation's policy is outside that nation. This control is to be exercised, **in appearance**, by the **Council** of the League of Nations—a sort of **Cabinet** of Europe. The **Assembly** of the League may be called the European **Parliament**. The League's **International Commissions** of various sorts are like so many **Parliamentary Committees**. Notice that, unlike national Parliaments, not even the Assembly, much less the Council, of the League, is popularly elected. Both are secretly nominated. Finance controls the nominations. Thus, the control of policy is not, even in form, granted to the millions of people whose destinies are involved in the system. Democracy is at an end—if it ever had a beginning.

The Rôle of National Parliaments.

These institutions have no function left but that of persuading or coercing the public into acquiescence in a condition of economic scarcity deliberately decreed by external financial policy. The available national income has to be rationed out to Capital and Labour in such manner as to postpone the outbreak of industrial hostilities.

The Rôle of the League of Nations.

This body's function is to ration the available world income among nations by rationing their markets in such manner as to postpone a fresh outbreak of war.

The Final Issue.

Every economic and political problem in the world can be resolved into a conflict between the individual, who says: "I must consume in order to live," and the world financial autocracy which says: "You must not consume if you would live." The conflict, for instance, between Capital and Labour, is at root a struggle between two bodies of would-be **consumers** over a given quantity of purchasing power **which is being kept insufficient by the banking system as a matter of policy.** Neither party to the struggle is responsible for the occasion of the struggle, nor can remove it by strikes and lock-outs.

The Moral.

This international strangle-hold can be broken when the nominated Cabinet is faced by a united people on the one vital issue, namely: "That Financial Credit, being *of* this People, should be controlled *by* this People *for* this People." Capital and Labour must call an industrial truce and collaborate in Parliament to detach the Cabinet from its subservience to the Treasury; then to detach the Treasury from its subservience to the British Banks; and ultimately **to detach these banks themselves from the international trust which they serve.** After all, these repressive institutions are simply small groups of ordinary human beings whose natural desires and aspirations are being thwarted by reason of this existing chain of institutional allegiances. When each nation resumes its power of financial self-determination—when its Parliament, Banks, industries, and citizens are free to concentrate on the programme of internal production and consumption—there will be no need for a League of Nations, unless it be as a clearing house for the renascent cultures of an emancipated world's peoples.

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Appendix.

Origin of the B.I.S.

The formation of this bank was decided in Conference lasting six weeks at Baden-Baden, attended by representative bankers from Britain, France, Belgium, Italy, Japan, U.S.A., and Germany. Arrangements for its formation were made at a second session of the Conference at the Hague, opening on January 3, 1930, and attended by delegates from twenty countries. The Bank opened on May 17 in the same year with a charter from the Swiss Government for nineteen years. The central banks of Europe and U.S.A. are the shareholders. The capital consists of 200,000 shares of 2,500 Swiss francs, 25 per cent. having been paid up. The directors consist of two representatives each from the "Big Seven" enumerated above. Mr. Montagu Norman and Sir C. Addis represent Britain. The President is Mr. G. McGarrah, of the New York Federal Reserve Bank, and the Vice-President Mr. L. Fraser (U.S.A.).

This information is taken from Whitaker's Almanack, 1931 edition, p. 879. The compiler adds the following remarks:

> "The objective of the B.I.S. is the collection of inter-Government debts and distribution to debtors (*sic*). But it is perfectly obvious directors will not meet for those routine matters only. The directors will be able to survey international economic problems and eventually control the financial markets for the safeguarding of all. At present there is no intention to make the B.I.S. an international central bank like the Bank of England is to British joint-stock banks, but none can know where this International Bank, owned by the central banks, will eventually lead."

The Basle Ration.

It will be noticed that this compiler, besides recording the inauguration of the B.I.S., made comments concerning the then future functions of this Bank exactly coinciding with the forecasts in THE NEW AGE. He, too, looked forward to what was comprehensively summed up in this journal as a world-wide "Rationing System" to be designed at Basle and operated therefrom. There was no magic in either forecast. Wherever there is scarcity, or the well-founded fear of it, there must be an imposed rationing system; to the extent to which the

scarcity is increasing so does the necessity for exactitude in prescribing the rations and co-ordinating the conditions on which access is to be gained to them, whether by man in competition with man, country with country, or even continent with continent.

Mussolini's Self-Rationing Enterprise.

According to the mythological story, when Daedalus and his son, Icarus, were marooned in Crete by Minos, who had removed all the ships from the coast, he made for himself and his son pairs of wings and mapped out an air-route of escape. The boy was warned by his dad not to fly too near the sun, but disregarded the warning, with the consequence that the sun melted the wax with which his wings were fastened to his shoulders and he crashed into the ocean at that part which was afterwards known as the Icarian Sea. Dad, on the other hand, flew at a modest altitude, and eventually made a perfect landing in Italy. It is a pity that Mussolini cannot establish communications with that refugee of long ago, for it is a matter beyond question that his insistence on having a free hand to deal with Abyssinia is a repetition of the tragic mistake of Icarus. He is attempting to take in hand the independent rationing of Italy, and is thereby flying in the face of the sun of the world-rationing system which shines in Basle. His growing irresolution during the past week may easily be a symptom that his wings are coming unstuck. The League of Nations is, as we have always maintained, no more a force in itself than a canopy of clouds. The intrepid Dictator may sneer at this mass of insubstantial political vapour, and if he likes to drive up through it he will find it will scatter and leave a hole for him—but he will emerge into the blazing and shadowless stratosphere of financial super-sanctions. Geneva marks for the wise, and masks from the unwise, the confines of the reserved powers and prerogatives of Basle.

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These reflections of course apply only to the world situation as it is at present. Basle is a League of Central Banks each of which is being allowed to control the use of the credit of the people among whom it operates. So long as these banks remain severally invulnerable in their respective national spheres of operation they will remain collectively impregnable in the international sphere of operation. It is clear that while in every country the people allow their central bank to apply principles of finance which automatically yield short rations in the midst of full rations, no people, even mobilised militarily to the last man, can permanently improve their condition. What use will it be for Italy to conquer Abyssinia and open that country up for trade when the principles upon which this new trade would be financed jeopardise, as they must, the security of her under-rationed neighbours, not to speak of cheating the Italians themselves of the new rations they expect to get? No, the principles must be changed first; and they will have to be changed at the source of their application, or rather the sources, for the mischief they do does not begin out in the world at large, but in every national area under the suzerainty of its national central bank. International war is simply a magnification of the scuffling of any two tramps over any single fag-end in any gutter in any town of any country on the face of the globe. The trail of the entwined serpents of false costing and abortive enterprise runs through the whole range of antagonisms from the kerbstone to the chancellery. So Mussolini would be well advised to ask himself how a statesman who puts himself under the financial orders of his central bank can hope to resist the pressure exercised by the Bank of Central Banks.

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To students of Social Credit the nature and significance of such pressure has been becoming clearer during the last ten days. Whatever territorial and economic gains may eventually accrue to Italy—whether by compromise instead of conquest or by treaty after conquest—her exploitation of them will, for a certainty, be conditioned by the supreme authority of international bankers. Already there are creeping into the various "offers" put forward for Italy's examination allusions to the desirability of overhauling Abyssinia's finance and improving her system of taxation. We all know what that means. It means that the natives of that country are in for chastisement by scorpions for certain, and the only question open is whether these insects will be let loose on them as the price for their escape from war or as the penalty of defeat. The whole of Mussolini's denunciations of Abyssinian acts and customs can be made colourable excuses for reforms which directly serve the ends of high-financial policy.

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The Times for instance (September 21) says:

> "The Emperor [of Abyssinia], a genuine reformer in a long isolated and backward State, is most unlikely, as things stand now, to refuse the co-operation of the League in the development of the resources and the administration of his realm. He may even accept the cession of territories . . . for the cession by the British and French Governments of areas which would give him access to the sea."

The calm confidence with which the writer speaks is a sign that Basle is snaffling the chickens which Rome is counting. In fact it is a perfectly tenable hypothesis that Basle originally prompted Mussolini through devious agencies to undertake his bellicose enterprise in order to produce the situation which the writer alludes to in the phrase: "as things are now"—that is, a situation in which the Abyssinian Emperor is "hardly likely to" (read *cannot*) refuse the "co-operation" (read financial control) of the League of Nations (read Basle). Notice the additional favour, that the Emperor might successfully bargain for "access to the sea." Access to the sea! Does he want to paddle—or sail a boat? Access for whom, or what?—for something coming in or going out?—and in any event, for whose benefit? It is an ironic commentary on the bankers' "interdependence" doctrine that the writer should have made reference to Abyssinia's "isolation." An isolated country whose people manage to make a living under conditions which are tolerable to them (and the late Mr. Nesbitt, the explorer—probably a Basle intelligence-agent—testified that this was the case when he travelled through the country) are a self-sufficing people: they achieve that supposedly impossible task of "living to themselves alone." Notice now, *because* they are able to do it this writer calls them "backward." So apparently the development of "backward" areas involves the destruction of their self-sufficiency—and is considered desirable for that reason. We have always suspected as much ourselves, and this corroboration from such a respectable quarter will lend us new confidence in affirming it.

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For weeks past Mr. Garvin has been denouncing sanctioneers in the *Observer*, warning the public that the adoption of forcible means to restrain Italy must precipitate war, and probably war on a world-wide scale.

He puts up a strong case whether measured ethically or prudentially. Why cause the slaughter of the many to arrest the slaughter of the few? But it is not yet clear what sanctions are contemplated. A distinction must be drawn between sanctions and super-sanctions, between restraints which proceed visibly from identifiable authors or those which proceed invisibly from anonymous authors. Such visible restraints as, for example, the closing of the Suez Canal or an embargo on exports of materials needed by Italy are provocative because they take place in public, and for that reason alone evoke resentment. Further, Mussolini would be able to consolidate his people by alleging interested motivation against those countries offering the provocation. But such restraints as would arise from refusals of loans or the collapse of the Italian exchange have no visible origin in the eyes of the common people, and even if they had, they would be seen to originate in quarters which are not associated with nationality at all. No Government claims to be able to control the policy of its central bank, and if all the central banks conspired to engineer a hold-up by making it practically unprofitable though not illegal for exporters to supply Italy, Mussolini would be unable to discriminate between his enemies, and in any case they would be immune from the consequences of his declaration of war against any particular nation or group of nations. Of course, if these restraints jeopardised his campaign, and thereby threatened him with trouble at home, he might conceivably take on all and sundry in order to create a diversion, and in the hope that the alignment of forces would change through suspicions and jealousies before the war had proceeded any distance.

* * *

But these speculations are unprofitable. The prospects depend upon whether the League of Nations, in whose deliberations the counsels of Great Britain are immediately dominant, will do what Mr. Garvin is demanding, and let Italy have her own way. Mussolini makes no demand which conflicts with the policy of the Money Monopoly. In fact, much of what he wants will pave the way for the Basle magnates to extend their power. And it must be remembered that however much Italy gained she would still remain vulnerable by financial super-sanctions. But this consideration may not outweigh the alteration of the balance of power in Britain's disfavour, which would seem to be threatened by Italy's expansion. Mr. Garvin would apparently dismiss this as of little weight in the face of the dread alternative which he projects. Presumably his attitude reflects that of U.S.A. bankers and statesmen, and in that case it will have some influence in the counsels at Basle, for although Washington is not represented on the League of Nations, Wall Street is represented on the Bank for International Settlements. The question therefore seems to narrow down to this: Can Britain trust Basle not to let her down if she consents to Italy's demands? One doubts it. So the slogan describing British interests might be worded: Trust in Basle and keep your powder dry. And we fancy that the water-proofing has been going on quietly and effectively while diplomatic exchanges have been proceeding.

NOTICE.

All communications requiring the Editor's attention should be addressed directly to him as follows:

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

Retiring Consumption-Credits.

By John Grimm.

A number of doubters and critics fix upon the estimated size of the proposed National Dividend (or Discount) as presumptive evidence that there will be a superfluity of money.

A figure of the order of £2,000 millions per annum has been cited in one quarter, and the objector, merely on account of its imposing dimensions, has advanced the proposition that special provisions for retiring this credit will have to be embodied in the same scheme which distributes it.

Let it be assumed that this figure represents the equivalent of a 20 per cent. discount—which, of course, presupposes that the statistical data of Production and Consumption in the preliminary test-period indicate that this percentage is correct. That is:-P : C : : 5 : 4. Thus the £2,000 millions will represent one-fifth of the Conventional Price; and the Conventional Price will be £10,000 millions.

Now, unless the principle on which the price-factor is worked out is challenged, the objection to the dimensions of the collective Dividend must involve an objection to the dimensions of the collective Conventional Price. That is to say, if the objector says: "I agree to the principle of 'one fifth off,' but I do not agree to so much as £2,000 millions being 'taken off'" (or being distributed, as the case may be), he is virtually advancing the proposition that the collective Conventional Price to be recovered by industry cannot be brought up to £10,000 millions. Well, if he can prove that proposition, if he can show that no more than, say, £5,000 millions worth of retail goods (at Conventional Price) can be put on the market he is showing that the Discount (or Dividend) will not be £2,000 millions, but £1,000 millions. The Discount (or Dividend) is a *proportionate*, not a *fixed*, subvention. If the collective sum distributed represents the correct *proportion* it must be exactly the right sum, however large or small it may be.

Let us therefore ignore the rows of ciphers appearing in the above figures, for they are irrelevant to the argument, they merely magnify by a thousand million diameters the terms of a ratio. Take the analogy of the ratio of the circumference of a circle to its diameter, namely 22 : 7. There is a story about an American Senator once who moved a resolution: "Be it hereby enacted that as from the date of the passing of this measure, *Pi* = 3"! This was as much as to say that the circumferences of circles thereafter were to be exactly three times their diameters instead of three-and-one-seventh times, or, for example, that 22 inches was too *much* circumference for a circle measuring 7 inches across. Supposing that this had been true, the truth would have been the same whether a circle measured 7 millimeters across or 7,000 miles. In that case a circumference of 22 millimeters would have been as much too *much* as would have been a circumference of 22,000 miles. You do not prove or disprove the accuracy of a ratio by expanding its terms.

Now although the ratio of Production to Consumption or of Conventional Price to Income, is not immutable like the above ratio, the same lesson applies: that is to say, if a given price-factor is agreed to be correct for a given trading-period, it remains correct no matter what the magnitude of the monetary turnover to which it is to be applied. If £2,000 millions is too much to be safely distributed to enable industry to recover £10,000 millions, then £2 is too much to enable industry to recover £10.

So let us consider the matter in terms of these small token figures. Let us begin by assuming that the ratio 5 : 4 is correct, and that £2 is the amount of Dividend indicated by it. This £2, being one-fifth of Conventional Price, that Price will be £10. The difference between the two figures, namely £8, will measure the amount of earned incomes available in the consumption market in addition to the Dividend. Thus:

Conventional Price, £10.	Earned incomes ...	£8
	Dividend	£2

Let industry now collect the £10. The question to be investigated is: What becomes of this money? Now the answer would be quite easy if the whole £10 represented outstanding bank-loans to industry. In that case the banks would retire and destroy it. But since bank-loans create deposits of equivalent amount the community would possess £10 and would not need any Dividend to supplement their incomes.

So we are obliged to assume that only £8 represents outstanding bank-loans. Then the other £2 must be assumed to represent disbursements of privately owned financial capital, or, shortly, Savings. But that does not help matters, because these disbursements should appear as incomes as well as items in Price. Thus:

Conventional Price.		*Consumers' Price.*
Bank loans	£8 =	Earned incomes ... £8
Savings	£2 =	Earned incomes ... £2

and again, the £2 Dividend appears superfluous.

How can we find room for the Dividend without unbalancing the equation? The answer is to be found by investigating the origin and meaning of Savings. Now Savings, in this context, are money (not shares and other documents valued in money). All money comes into circulation in the form of bank-loans, and disappears out of circulation when the loans are repaid. Whatever amount of money is in circulation, no matter who holds it, is owing to the banks, no matter by whom. So one man's savings are offset by another man's debt to the banks. In other words, Savings are outstanding bank-loans at second remove.

So we cannot let the last equation stand. We must amend it as follows:

Conventional Price.		*Consumers' money.*
Bank-loans (direct)	£6 =	Earned incomes £6
Bank-loans (savings)	£2 =	Earned incomes £2

But now we're in another muddle. Our Conventional Price is down to £8, whereas we have to account for £10. If we cannot, we haven't made room for the Dividend. To do that we must show how there can be a £2 cost on the left-hand side which does not give rise to any earned income on the right-hand side.

Now the simplest way to approach this problem is to investigate "Savings" a little further. Let us suppose that A borrows £1,000 from his bank and pays it to B for some service or other. Now A is legally bound to repay the banker on demand. But B is not legally bound to buy anything from A at any time. Assume that B can afford to live on other income, and saves the £1,000. In that case the banker would collar A's property. But in practice bankers usually get their loans back; and in this case B might lend A the £1,000 which A would hand on to the banker. The property would now virtually belong to B and it would be A's business to sell the property on B's behalf for £1,000 plus as much more as he could get. But there would be no £1,000 in the hands of potential buyers: the banker would have retired and destroyed it.

Here you have an example of a disbursement of money ranking as a legitimate item in recoverable cost according to established accounting principles, but which has not gone into the pool of incomes from which all costs must ultimately be recovered—that is, the consumption market. The saver, B, in the act of re-paying the banker through A, has really bought a title to sell property while simultaneously surrendering to the banker all the money which could have bought the property. The total of Conventional Price-values has been increased by £1,000, but incomes available to pay them have not.

So we can now correct our equation thus:

Conventional Price.		*Consumers' money.*
Bank-loans (direct)	£6 =	Earned incomes £6
Bank-loans (savings)	£2 =	Earned incomes £2
Bank-credit-cancellations	£2 =	.... Nil

Now Bank-credit-cancellations are legitimate and necessary, but only at the rate at which they measure the value of property that has passed out of industry into the permanent ownership of consumers. In the illustration given none of the property had passed to consumers when the £1,000 was destroyed.

Suppose that A's banker, instead of calling in the loan, had waited until A could have turned the property into consumable form, then B could have bought it for consumption; and the destruction of the £1,000 would then have been legitimate. Note that B need not represent a single person, it might stand for any number of persons originally hired by A. Also A might stand for any number of borrowing producers. In fact, A and B together could represent a whole community at work, hirers and hired. In such a case the hired would have irrevocably surrendered their £1,000 to discharge the debt of the hirers; and no money would exist reflecting this cost.

It will be seen that the following general propositions are true:

(a) That bank-loans initially create incomes and costs to their whole amount.

(b) That the repayments of bank-loans destroy incomes to their whole amount, but do not necessarily discharge costs to their whole amount, nor, in some instances as illustrated, to any amount at all.

The physical reality behind these propositions can be stated as follows:

(a) That bank loans cause products to be made having a value equal to the loans.

(b) That the conditions under which bank loans are repaid leave a portion of the product undistributed to consumers. Incomes are surrendered and destroyed to the amount of the value of all the products, but in return only a portion of the products (and their proportionate value) come into the possession of the consumers.

The principle of the remedy for this may be formulated thus:

That no portion of a bank-loan should be retired which relates to products not yet in the hands of consumers.

Or, to put it another way:

That the net rate of bank-loan retirements should register the net rate of the distribution, *not* the production, of the products to which they refer.

For if the rate of production exceeds the rate of distribution there is a progressive accumulation of real wealth inside industry, and this store of wealth ought to be accompanied by a commensurate progressive accumulation of unspent incomes—a requirement which cannot be fulfilled while the banks are retiring and destroying incomes at the same rate as they create them through their loans.

But it is not necessary in practice to interfere with the bankers' rule of exacting pre-distribution retirements of credit. Nor would it be desirable. For the cost-value of goods entering the consumption market can be only a fraction of the cost-value of all production. Consumers do not need to possess more money at any given time than measures the cost of goods available at that time: they do not need to hold the money representing all the fixed capital and the intermediate goods "behind the market." But they do need that the bankers' pre-distribution retirements should be restored to them as and when these goods become ready for distribution.

Now, in our equation, the £2 Dividend represents such a restitution of pre-distribution retirements. It presupposes that in the Conventional Price of £10 there is an item of £2 which represents money surrendered to the banks by certain people in respect of capital or intermediate goods which were not, at that time, ready for the market. If these people do not get their £2 back, then they have virtually paid the banks something for nothing, and might just as well have torn up paper money to that amount. Nobody will deny that if people destroyed money they would cause a shortage of it. But many critics find it difficult to see that the same result must happen when the bankers destroy money that has not passed through the consumption market and bought goods of a value equivalent to its amount.

We can now separate the items of our equation into two groups. Thus:—

Conventional Price.		*Consumers' Money.*	
Bank loans (direct) ...	£6	Earned incomes	£6
Bank loans (savings)	£2	Earned incomes	£2
Total	£8	Total ...	£8

and

Pre-distribution retirements of money	£2	Distribution replacements of money	£2

In the first equation there arises no problem of retiring any part of the £8: all of it is earmarked for repayments to banks. If such a problem arises it concerns the question of what happens when the £2 is collected in prices. Now this £2 serves two purposes at the same time: it restores to investors money that they have refrained from spending on consumption in order to lend for production, and it puts back into circulation money that has been taken out of circulation. If, then, it is considered necessary to retire the £2 when consumers have spent it, it must be taken away from the investors as soon as they receive it. This would have the effect of prohibiting further investment altogether, for nobody will knowingly make free gifts to industry out of his income. Technically, this is not a fatal objection, because in the absence of private investment the banks could lend the money; and if they lent it on the same conditions as do private investors—i.e., for indefinitely long periods, periods which extend, in theory, until the property invested in has disappeared (ideally, used up and sold to consumers)—there would be a potential equivalence between Conventional Price and earned incomes (i.e., the whole token price of £10 in the equation could be accounted for on the income side) and the necessity for a supplementary Dividend would be eliminated, for no pre-distribution retirements of money need take place. But this would involve an enormous amount of administrative interference with customs and habits.

But apart from this there is a fundamental difficulty to be considered in regard to the £2. Look at its history.

1. It was taken out of circulation in the pre-distribution period.
2. It is put back in circulation (by the Dividend) at the distribution moment.
3. It is to be taken out of circulation in the post-distribution period.

So we have a double confiscation of the £2 against a single restitution of £2. Net result: a single confiscation of the £2. On the face of it the community, after setting out to crawl from the worse 'ole to the better 'ole have got fogged or shell-shocked round into the same 'ole again.

To advocate the confiscation of the Dividend is really to propound the theory that under the present system of loan-finance consumers are already receiving more income than the consumption market requires, and that the bankers' permanent confiscation of part of the income brings it down to equivalence with Conventional Price. It is like saying that if nobody invested out of income the totality of income would be greater than the totality of cost. That could only happen if bank loans created more than their equivalent in deposits!

It is true that if nobody had invested, and everyone had spent his whole income in the consumption market, there would have been (at any rate initially) an excess of income over costs in that market which would have been gathered up in the form of excess profits. But this would not involve confiscation if these profits were not invested. The excess lost by consumers would now be "super-incomes" of producers, and would still rank as income available to meet future costs. Further, it would be exactly equivalent to these costs—neither too much nor too little to meet them. In such theoretical circumstances a Government might well be driven to tax these profits; but mark, not to confiscate the proceeds, but to re-distribute them among the fleeced consumers. Much less then, under the investment-system, should the Government need to confiscate money restored to investors who had already had this money confiscated.

Nevertheless, the apparent arithmetical necessity for making good the £2 deficit created in the past does not convince doubters and critics that this money should be left in the hands of the recipients (the investors) after the goods have been bought by consumers. They profess to foresee a progressive accumulation of money in the hands of investors following upon repeated distributions of the Dividend. It will clarify the problem if we label such money the "Income-Restitution Fund," thereby reminding ourselves that it answers to and offsets a previous "Income-Confiscation-Deficit" in what may be called the "Consumption-Market Budget."

And now we have to introduce the factor of *time* into the analysis; because when industry is operating normally (self-repeating processes going on continuously) there will be no such thing as the accumulation of a Deficit throughout an interval and suddenly made good in one lump sum at the end of that interval; on the contrary the processes of confiscation and restitution will be proceeding simultaneously. So long as the practice of investment continues under Social Credit the investor, day by day, will be, so to speak, the Clearing House between the banking-system and the consumption market. Every day he will be suffering confiscation of invested income by the banks, and enjoying restitution of that income from the consumption market. It is not necessary to suppose that the rate of confiscation must always be exactly the rate of restitution at any given moment of time; the mere fact that it is administratively impossible to

rectify the price-factor governing the rate of Dividend moment by moment rules out that idea. But the successive periodic rectification (say quarter by quarter) must ensure a rough approximation of the one to the other in course of time—an approximation which will approach nearer to mathematical accuracy as the necessary data are compiled and measured by the statisticians.

From this we are able to say that the token £2 will be passing out of the investors' possession moment by moment at practically the same rate as the Dividend comes into his possession. (Bear in mind that this £2 relates only to the margin of goods not purchasable by earned incomes.) In principle the investors will have become (perhaps unwittingly) day-to-day issuers and recallers of the income used in production-finance, instead of being, as now, long distance lenders on the sickening security of "hope deferred"!

So we are brought up against this question: Is it possible that the rate of restitution represented by the Dividend will exceed the rate of confiscation effected through concurrent investment? The answer depends upon whether the principle of the Social-Credit price-calculus is mathematically sound. We have assumed that the amount of our token Dividend of £2 was derived from the Production : Consumption ratio of 5 : 4, or, to use the figures in our equation, of £10 to £8. Now, we are entitled to say, in view of the foregoing analysis, that the reason why the Production figure was £2 more than the Consumption figure in the pre-Social-Credit trial period was because the investors' £2 missed the consumption market, and though confiscated, still stood as a charge in the Production term of the ratio. Without troubling to calculate with exactitude what would have been the ratio if the £2 had been spent in the Consumption market, we may confidently affirm that it would have been a different ratio indicating a smaller Dividend. The pre-distribution confiscation has been shown (we hope) to be a function of the distribution-Dividend both in principle and measure. As the confiscation, so the Dividend: No confiscation, no Dividend.

Remember, too, that the act of confiscation presupposes the existence of the money to be confiscated. The existence of all money has been shown to proceed from bank loans. So money confiscated is a part of money lent by the banks, and the effect of continuous confiscation is the same as if the banks were to deduct from their loans the amount which, in practice, they subsequently confiscate, and were to say, for example, Here is £8, but you must pay us back £10 in consideration of our letting it remain out for as long as you need to convert your resources into consumable form and sell them. If this were put to any intelligent business man as a concrete proposition he would have no difficulty in foreseeing the trade deadlock which it would involve. How on earth could industry recover £10 out of £8? Yet that is precisely the problem which is being created through concealed investment-confiscation.

So now we can go back to where we started and multiply our £2 by the thousand millions. Is it too much to distribute a Dividend at the rate of £2,000 millions a year? The answer depends on the anterior question: Will the dimensions of production-finance be great enough to render possible the confiscation of money at the rate of £2,000 millions a year? That is not a question which the Social Credit exponent is called upon to answer. It is a matter for the production-planning engineer to settle with the chartered accountant. What the Social Credit exponent does say is that the rate of confiscation is reflected by the Price-factor, which in turn governs the amount of the Dividend from time to time. He affirms that the amount it prescribes is the correct amount in theory, and the necessary amount in practice.

Points From Letters.

WHITHER ALBERTA ?

It is extremely difficult for Social Creditors to answer their critics when Douglas himself turns down Aberhart one minute and supports him the next, and when you yourself one week say that the prospects of success in Alberta are extremely remote, and the following week take back your words. Again, why will Aberhart keep talking about an unearned increment levy being the fund for financing his proposed dividends? If he really means that the dividends are to be raised by taxing producers, and you must admit that is the impression he gives, his plan is definitely not Social Credit.—A. S., September 19, 1935.

[If our correspondent will read what we said he will see that our forecasts were admittedly speculative, being contingent on an unpredictable course of events. The *Manchester Guardian* interview took place before it was known that Aberhart had invited Douglas to advise him, and before there was any evidence that Douglas would think it worth while to tender him advice. When that evidence became known it heightened the chance that Aberhart might correct his plan, which, as he explained it, was not technically sound. We regret that our explanation of this in our second series of notes—laborious explanation, let us emphasise—appears to have been wasted. However, it's dogged as does it; and that must be our apology for repeating ourselves. In order to make the present position clear, let us say this: We do not know whether Aberhart will modify his plan—we do not know whether Douglas will be able to devise a practicable scheme for Alberta alone, or, if he is able to, whether he will think it the right political strategy for Alberta to adopt it alone. What is technically feasible in that province might not be considered politically expedient. The question of expediency is involved with one among a number of future events, namely the outcome of the Dominion elections. We do not know whether or how far election-enthusiasm (in the Province or in the Dominion) will evolve in post-election pressure for results. Finally, as to the general frame of reference in which these uncertainties exist, we do not know whether there is a fundamental and immutable principle underlying the hidden centralised policy of the Social Credit Movement, namely this: *that the existing structure of society with its orders of privilege and prerogative shall be maintained inviolate until the power of finance shall have been overcome.*—ED.]

ALBERTA DIVIDEND.

I was discussing with a gentleman farmer the 25 dollars a month for Alberta, and he went into an elaborate statistical plan, and said he thought the 25 dollars could just be done according to his plan. His son started pulling the plan to pieces, and the father said, I do not want to hear that, you produce *your* plan, and I will pull that to pieces in no time. My friend called me out into the garden and said, "Now that is the kind of b——y fool our public schools turn out, they can pull a plan to pieces, but are incapable of making a proposal."—V.I. 90, September 19.

MILK IN THE CLYDE.

A neighbour of ours received a cheque in June for his May milk, with £71 deducted for milk thrown into the Clyde or otherwise disposed of. I said to my friend I could understand some slight deduction, but "how do you account for it?" He replied—"they don't know, you know forty times more than they do and then you don't know enough to start a farm. If I had the governing of this country, I would certainly not despise your theorists; I should have a cabinet of eight, three theorists, and five men who could neither read nor write, and I would guarantee any one of those five would know more than the whole of your three. I know what I am saying because I can fetch those five men in a few hours if I take the big car."—V.I. 90, September 19.

Banks' Threat to Lloyd George.

In reply to correspondents the famous warning about the banks' power to destroy the fabric of Government finance was published in the *Financial Times* dated September 26, 1921.

The Social Credit Party of Great Britain.

Statement by John Hargrave, Leader of the Green Shirt Movement for Social Credit.

[NOTE.—We have received the following official statement from the Green Shirt Movement for Social Credit. We understand that this statement has been issued simultaneously for publication to the editors of THE NEW AGE, *The New English Weekly, Social Credit,* and *Prosperity.* We print it without comment other than this: that it is obviously a pronouncement that should be carefully studied by every Douglas Social Credit advocate.—ED.]

It has recently been stated that any attempt to form a Social Credit Party in Great Britain would be "playing right into the hands of finance," and would therefore be a stab in the back for the Social Credit Movement.

That a "Social Credit" Party could be formed which would be the negation of all that Douglas stands for is obvious to every competent observer, and such a manoeuvre has in fact been contemplated. Events in Alberta have intensified this danger.

Mr. Aberhart, it seems, much to the chagrin of the financial plotters, is willing to accept expert advice from Major Douglas, and the chance of discrediting Social Credit, as such, by letting a false scheme fail appears to have gone by the board.

Forced into the open in Alberta, "the enemy" was certain to learn his lesson, and it is known that plans for the formation of a side-tracking "Social Credit" Party in Great Britain have lately been reconsidered.

Recent pronouncements against the formation of a genuine Social Credit Party, and the inauguration of a new Campaign to Abolish Poverty WITHOUT "*the advocacy of any technical proposals whatever,*" have encouraged "the enemy" to believe that the way has been opened, and that a bogus party can now be formed with impunity.

A mining and sapping operation of this nature is certain to cause the utmost confusion either at the time of an election or during a crisis that might lead to a coup d'état.

Great play has lately been made by financial spokesmen with the statement that the Douglas doctrines allow of "so many interpretations that there are as many Douglas theories as there are Douglas supporters." Bearing this in mind, it cannot be too strongly emphasised that in the absence of a genuine Social Credit Party pledged to the Douglas Proposals, a number of independent candidates, "pledged to abolish poverty" without advocating any technical method, could appear and act as a guerilla force in opposition to authentic Douglas supporters. Already two or three such "independents" are preparing to take the field. How easy it would be to make such independent candidatures appear genuine need hardly be pointed out. Only the acid test of party membership could circumvent this manoeuvre.

The General Council of the Green Shirt Movement for Social Credit, foreseeing these several dangers some time ago, realised that steps would have to be taken to protect the interests of the Movement as a whole. On September 16, 1935, the Green Shirt membership decided by an overwhelming majority to adopt the title: "The Social Credit Party of Great Britain."

It is therefore now impossible for any bogus "Social Credit" Party to arise in this country.

To avoid all misunderstanding the Green Shirts wish it to be recorded that this action has been taken in defence of a position and not in defiance of individuals or groups working for the same cause in other places and other ways.

During their ten years' organised agitation Green Shirts have never swerved from their loyalty to the true Douglas economic doctrines. Over the whole of that period their watchword has been—"*Douglas, and nothing but Douglas!*"—and they can be relied upon now to adhere as rigidly as ever to the articles of their faith, and to fight for them in the forefront of the political battle that lies ahead.

The Party will have no programme other than the establishment of the National Credit Office, the issuance of the National Dividend, and the application of the Price Adjustment. Membership of the Party will depend upon signature to an undertaking to accept and further these three demands and the Douglas method of implementing them.

Candidates or sitting M.P.s who become converted to the demand for the National Dividend and who, on that account, have to abandon their own party allegiance, will automatically find a genuine Social Credit Party organisation in support. At the same time, Social Credit advocates who feel that they can be of service to the cause in Parliament will not be handicapped by the label "Independent," now open to suspicion.

No change in Green Shirt agitational propaganda methods is contemplated. Green Shirts remain the trained and disciplined "shock troops" of the Party, and the Green Shirt technique of bringing pressure to bear upon members of the Government, M.P.s, and members of the "hidden government" will be developed and intensified.

The ranks of the non-uniformed Party membership are open to all willing to sign the Party undertaking, and we call upon every man and woman of good will and common sense who would "be sorry to see the Social Credit movement, as such, lose its supremacy" to join the Social Credit Party and fight a straight fight for *Douglas* Social Credit in Great Britain.

Alberta Notes.

DOMINION LOAN.

Mr. Aberhart's application to the Dominion Government for a loan of £3,678,000 has been granted to the amount of £450,000—sufficient to tide him over until the end of October. The purposes for which the loan is required are as follows:—

	£
Anticipated deficit for the fiscal year	370,000
Province's share of unemployment relief	427,800
Retirement of bonds maturing in January and April	1,040,000
Meeting of withdrawal demands against Provincial certificates	300,000
Repayment of Bank overdraft	1,140,000
Provision for Albertan municipalities (bankrupt)	400,000
	£3,677,800

VOTING SYSTEMS IN ALBERTA.

The Proportional Representation system was used in the two towns, Calgary and Edmonton. The Alternative Vote system was used in all the other constituencies. In the latter constituencies Mr. Aberhart secured 123,787 votes out of a total of 217,881, and 50 seats to 1 seat. In Calgary he got 24,079 out of 41,193 and 4 seats out of 6. In Edmonton he got 13,661 out of 37,268, and 2 seats out of 6. Here the Liberal Party scored best with 14,033 votes and 3 seats. Mr. John M. Humphreys points out in the *Manchester Guardian* that under P.R. the Liberals, who scored one-third of the votes in the above 51 constituencies, would have got about 17 seats instead of 1 seat. However, bearing in mind cases where Governments have pleaded the smallness of their majorities as an excuse for inaction, there is something to be said for exaggerated majority-representation.

Forthcoming Meetings.

Green Shirt Movement for Social Credit.

Wednesday, October 2, at 8 p.m.—John Hargrave, Founder and Leader. Lecture at National Headquarters, 44, Little Britain, London, E.C.1. "The Party of the People's Credit."

Wednesday, October 9, at 8 p.m.—Speakers' Class, National Headquarters, 44, Little Britain, London, E.C.1.

London Social Credit Club.

Blewcoat Room, Caxton-street, S.W.

September 27th, 7.45 p.m.—A night with the "New English Weekly." Mr. Mairet, Editor of the "New English Weekly," Mr. Will Dyson, and Mr. A. Newsome.

Published by the Proprietor (ARTHUR BRENTON), 70, High Holborn, London, W.C., England (Telephone: Chancery 8470), and printed for him by THE ARGUS PRESS, LIMITED, Temple-avenue and Tudor-street, London, E.C.4, England (Telephone: Central 3701).