THE

NEW AGE

INCORPORATING "CREDIT POWER."

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NOTES OF THE WEEK.

Do We Lack Purchasing Power? Professor Cassel's "No."

Now that the credit question has become a live issue in political controversy here and in the Dominions marked attention should be paid to pronouncements made by Professor Gustav Cassel. This gentleman has occupied the Chair of Political Economy at the University of Stockholm since 1904. He has been honoured by many British and Continental Universities for his work in economic theory; and has often been called into consultation by official bodies on questions of major financial importance. Perhaps the most striking honour done to him was when, in 1920, he was appointed by the League of Nations as the official adviser of the Brussels Financial Conference. He was also invited to submit a memorandum on monetary policy by the Financial Committee of the League for consideration at their meeting in September, 1921. The comments and advice which he gave to both those bodies were subsequently published in his book *The World's Monetary Problems*. In 1933 he was the Swedish delegate to the World Monetary and Economic Conference in London.

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Professor Cassel enjoys the same international prestige as an economic philosopher as do General Smuts and Dr. Nicholas Murray Butler as political philosophers. They are the three Big Lights of the world's traffic-control system, each shining in his turn to signal the travellers at the international cross-ways to *Go*, or to *Stop*, or to *Prepare* to do either, or both, or neither! It is to be observed that whereas in everyday management of road traffic the prevailing lights are the definite colours, red and green, with the yellow merely punctuating their alternation, in the management of world movements the prevailing light is the indefinite yellow beam, broken at irregular intervals by slight flickers of red or green. The signal thus becomes a continuous direction meaning "keep moving while you're stopping." In the jargon of finance it might be called the Reflationary Signal.

Professor Cassel, when advising the League of Nations at the time we have mentioned certainly advanced cogent evidence showing the "disagreeable effects," as he termed them, which were to be expected of a policy of deflation. And the world's experiences during the fifteen years which have since elapsed heavily underlines every warning he uttered. So anything that Professor Cassel may have to say to-day about monetary policy will be listened to with so much the more attention and respect by everyone charged with the responsibility, official or otherwise, of directing public opinion. Herein lies a danger; for Professor Cassel though right in his prophecy of disagreeable effects, has shown in his writings that he has no alternative policy for producing agreeable effects. The latest illustration of this defect in his qualifications as a mentor is provided in a recent article which he contributed to the quarterly review iss[illegible]d by the *Skandinaviska Kreditactiebolaget*, a [illegible] Swedish Bank. It was entitled: *Fallacies Regar[illegible]g the Lack of Purchasing Power*. We select this for c[illegible] partly because of its technical content, but chiefly [illegible] of its political significance, indicated by the fac[illegible] it has been reproduced in the *Circular* of the Ban[illegible] New South Wales, dated August 19, 1935.

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It may strike the reader as curious that a[illegible] anti-deflationist Professor, whose warnings in 1920 were disregarded by the international bankers, should now be appointed once more ostensibly to advise them, and the public below them, on what should be done, or avoided, in the present phase of the economic crisis. But a little reflection will show that he is the best choice they could make, and precisely because of his former attitude. They can say to the public: "Here is a man who correctly foretold the evils of drastic deflation. Therefore you will do well to listen carefully when this same man warns you against ill-conceived efforts to arrest or reverse those evils." For this is the theme of Professor Cassel's article. There is no lack of purchasing power, he says, and therefore it is a fallacy to suppose that any policy based on that assumption will get the world out of its difficulties. Clearly this proposition will come with greater weight from an old critic of deflation than it would from an old upholder of it—from one whose views have been accredited by events than from one whose views have been discredited by them.

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We now subjoin a synopsis of the article. Abbreviated as it is it conveys an accurate idea of the trend of the writer's argument. Students of Social Credit will see that many of his statements (which we number for convenience of reference) are merely explanatory, and, if they were to be delivered *viva voce* to any audience of Social Credit supporters, would be punctuated by frequent interjections: "Agreed, Agreed!" and sometimes: "Teach your grandmother!" And at this juncture, without suggesting that Professor Cassel would wittingly lend himself to artifice, it should be pointed out that one of the most subtle ways in which Social-Credit advocates can be discredited is for writers on the other side to preface their arguments with an assemblage of elementary kindergarten facts and premises. For the unwary newcomer, who wants to get a line on Social Credit by reading criticisms of it, will get the idea in his head that these elementary facts have been *overlooked* by Social Credit advocates, and have been put in *for their enlightenment*! The trick consists in reciting what is common ground in a subject under debate as if it belonged only to the case of the party who recited it. For example, suppose that in a controversy between A and B, on a mathematical theorem, A gets up and says: "Let me preface my observations by emphasising the fact that the square root of four is two," the immediate effect is to suggest to listeners that B's case involves the negation of that fact. And so with the controversy about Social Credit: what a mass of facts have been adduced against it which can be as cogently used to support it.

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Let us repeat that this is not always a matter of a deliberate attempt to obtain an unfair advantage in debate. And we have a very good reason for saying so. It is that the vast majority of the public (including bank managers, business men, etc., as well as the masses) have hitherto lacked the knowledge of many elemental truths regarding the money-economy under which they live. Recent events (in Australia and Canada particularly) have [illegible]ated in them a demand for knowledge of this sort. We said once that Sir Otto Niemeyer had sent Australia to school; and we could say to-day that Mr. Aberhart has sent the world to evening classes. Naturally the bankers want to conduct the classes; and since the pupils know nothing, they must be taught the alphabet. From this point of view it is possible to argue that the teaching of elementals by established economists is undertaken primarily to forestall attempts by Social Credit advocates to supply the growing demand for knowledge, and only secondarily to convey false impressions as to the competence of Social-Credit teachers. Nevertheless it is effects that count, not motives; and it remains true that these false impressions are being conveyed in many writings emanating from quarters opposed to the Social Credit objective or unconvinced of its feasibility.

Professor Cassel on Purchasing Power.

[*Synopsis of Article.*]

1.—Income is remuneration for co-operation in production. The total of all incomes is the total income of the community.

2.—This total income is "equal to the sum total of remuneration received and is thus equal to the total value of what is produced."

3.—"Hence it follows that the *total income suffices to buy the total production.* The popular notion regarding the insufficiency of the total income is thus a fallacy."

4.—Income is "from the very outset, invested in real assets or claims." The income of a factory worker "has the character of a claim on the company, which has a corresponding asset, say, in the goods which it produces. The worker's income is then invested in these goods. When the worker is paid in notes the worker obtains, instead, a claim on the note-issuing bank, which must have a corresponding asset, say, in bills of exchange representing goods on the way through the process of production. *The income will then be invested in such goods,* and will remain so *as long as the worker keeps the notes.*" Income, again, may be invested from the outset in fixed assets. A builder's worker acquires income from carrying on the building work. When the wage is paid, this is done in the form of bank money, for which the bank has cover, say, in a claim on the building in the shape of a bank loan."

5.—"Thus there is no 'unused' income even for a single moment. No time elapses between the acquisition of the income and its investment. If the receiver of the income subsequently decides on a special investment, this merely involves a change of investment."

6.—"The income may be used in two different ways. *It may be spent, which means that it buys utilities of consumption . . . The income again may be saved, which means that it buys real capital.* As we have seen, it is used in this way from the very outset."

7.—"Thus, in all circumstances, *the entire income must be used to buy the products of the process of production.* There is no lapse of time before this occurs.

8.—We also see that the *income in its entirety suffices to purchase the entire production.*"

9.—"Thus, saving nowise involves any withholding of purchasing power from the market. *Saving constitutes effective purchasing power quite as much as consumption.*"

10.—"Under normal conditions production is adjusted according to the proportion in which the receivers of income use it for consumption or for saving."

11.—"It follows from the above that what is called shortage of purchasing power invariably is a *monetary* phenomenon, connected with a process of deflation. There is nothing in the purely *economic* mechanism of society that can give rise to a lack of purchasing power." (Author's italics.)

12.—"*A shortage in the supply of means of payment can be overcome only by positive action on the part of the banks* with intent to increase the supply. On the other hand, to attempt to remedy 'shortage of purchasing power' with measures of a purely economic character must be regarded as an error."

13.—"During the course of a deflation it is not saving as such that is noxious, but the abnormal acquisition of means of payment, whether with the aid of savings or by realisation of assets."

14.—"To carry on a crusade against saving as such is a mistake and very objectionable from the point of view of national education."

[*All italics ours unless otherwise stated.*]

Two days before we received the copy of the Bank of New South Wales's *Circular* containing this article we had written part of an article of our own. We print this just as it stood and without additions, because even in its incomplete form it serves to make clear the fact that much of what Professor Cassel has said is irrelevant to the practical problem of how we are to get more goods out of an industry which is known to be able to supply more.

Why Do We Want Money?

You will say that money is required by some of us, called employers, to pay others, called employees, to assist in making things for sale. That is the first use of it. But

neither class would work for money unless there was a second use for it. The second use is to buy the things made for sale.

Taking us all together we accept money for our services because this money entitles us to receive the things which our services produce. The money we take home as wages, salaries or dividends, is our financial income. It is valueless to us until we convert it into real income. We draw our financial incomes from all sections of industry—farms, workshops, factories, and the like; but there is only one place where we can convert it into real income, and that place is on the counter of the retail shop. The bits of paper and discs of metal that John brings home to Mary from his place of work are worth to him exactly those things which Mary can lay them out on in the market and bring home in her basket. No more; no less. Is there enough in the basket to keep them in comfort till next pay-day without owing anybody anything? Then John's financial income is a good one whether it happens to be twenty-five shillings or twenty-five pounds. Figures are nothing: facts are everything.

So the first question you must make your minds up about is this: Are all of us able, as a people, to make enough things to fill everyone's basket? And the second question is: Are we doing it? Combining the two: Are we putting into the shops as many things as we are able to, and taking home from the shops as many things as we need to have? The answer is No.

Why? Well the immediate answer comes from the shopkeeper. He says: "I can't sell all the things I could take into stock even now: I should be left with stock on my hands: so it's no use manufacturers making more." What does this testimony mean? It means that all of us, when we add our money together, do not possess sufficient to clear the shops even of the quantities of things now being put into them.

Now if you will think over this you will see that *the economic problem is a shopping problem.* If we can so arrange matters that shoppers can clear the shops, industry will replace the stocks. Directly this replacement is regular and assured, it will expand in the same measure as shoppers demand goods. For the productive capacity of industry is probably already as great as any demands we may make on it; and, in any case, new discoveries are constantly increasing it.

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In section 4 of the synopsis Professor Cassel divorces "income" from money in such a way that he is able to speak of a worker's being able to invest his "income" and yet to keep the notes which represent it. Well, if as he says, remuneration equals income, and income equals purchasing power; and if, as he suggests, investment can take place without loss of purchasing power (the worker "keeps the notes") then we shall all agree with his statement in section 3 that the notion about the insufficiency of purchasing power is a fallacy. But in section 6 he talks of saved income *buying* real capital, and in exactly the same sense in which spent income buys utilities of consumption. In section 5 he alludes to both processes as "investment." Returning to section 4, where the "worker" invests and yet keeps his notes, it appears that one may perform the act of buying while hoarding the remuneration, or income, relating to the thing bought. Professor Cassel refers to "real capital" as the thing bought; but why not consumable utilities? Supposing we say that the hypothetical worker "invests" in a chump chop. Can he keep his shilling in his pocket? It is no answer to say that he takes the chop home: where the chop goes has nothing to do with the essential point that the worker acquires ownership of the chop—and that is the essential point about investment in real capital. We do not know of any buying or investing which does not involve a surrender of remuneration, or income, or purchasing power.

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Later on in his article Professor Cassel introduces a new term, the "means of payment." And of this power, or substance, he at last concedes (section 12) that there may be a shortage of it. Since there cannot be a shortage of purchasing power (section 3) these means of payment must be something distinct from purchasing power, or if not, they do not embody or function as, more than a proportion of the sum total of purchasing power. But since purchasing power is synonymous with "remuneration for co-operation" (sections 1 and 2) one has to conclude that the co-operators are remunerated in part by a form of purchasing power not comprised in the category "means of payment." If such a conclusion can be intelligibly sustained Professor Cassel has discovered that we have a marginal power of acquiring goods without paying for them. If so, all that remains is for him to show us how to get shopkeepers to recognise and submit to this power.

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Possibly the clue to the problem lies in section 12 where he says that a shortage in the supply of the means of payment can be overcome only by the positive action of the banks with intent to increase the supply, which implies that a shortage can be caused by the negative action of the banks with intent to decrease the supply. But there is a difficulty here. It hinges on the meaning of the term "shortage." A shortage involves two comparative measurements. In this case it involves the proposition that the means of payment measure less than the amount to be paid—in a phrase, that incomes are less than prices; or to put it precisely and practically, *that shoppers' purses can't pay shop prices.* Now the banks don't give away means of payment; they lend them, and the amounts of their new "supplies" are accounted into prices. The only remedy is one which distributes means of payment outside the industrial system altogether so that the purses can pay the prices.

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The only sense that we can make out of Professor Cassel's denial of the shortage of purchasing power is this; that sufficient means of payment are issued to enable the community collectively to acquire the legal ownership of everything they produce. But the trouble is that most of this mass of wealth cannot be converted, divided and distributed in the form of personal beneficial possessions among the individuals participating in this collective ownership. And the cause of the trouble lies in the way in which means of payment are created and destroyed under bank-loan accounting principles. Means of payment should only be surrendered by the community against outright purchase for consumption. But at present means of payment are also surrendered against purchase of wealth intended to be sold again. Both are retired indiscriminately by the banks and not replaced except as new loans creating new costs.

The Poverty Petition.

The League to Abolish Poverty announce in a letter dated October 15 that they have succeeded in getting several Societies to co-operate in securing signatures to a Petition to the King praying him to appoint a panel of Judges who shall inquire into the anomalies of the present economic system and shall report their findings to the Lords and Commons. The Petition recites the aforesaid anomalies clearly and comprehensively, and prescribes the scope and direction of the requested inquiry briefly and definitely.

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The following is our synopsis of the Petition. The anomalies are as follows:

1. People lack food. Food is being destroyed.
2. People lack work. Work is being restricted.
3. Science is making new wealth available, but something is making it inaccessible.
4. Peoples desire to live at peace with each other, but are driven to commit breaches of the peace in their attempts to gain a living.

The directions of the inquiry are as follows:

1. Are not the above anomalies contrary to *Public Policy*?
2. Do they not demonstrate the frustration of the true (i.e., technical) *Purpose* of an economic system?
3. What should be done about it?

Implicitly, as will be seen, the Petition affirms that the attribute of Resourcefulness, together with the possession of Resources, constitute the sole condition of economic well-being. Unless the phenomenon of economic ill-being can be proved to arise from either a lack of resourcefulness or a lack of resources (or both) it must be attributed either to the lack of the will to apply the one to the other, or to the deprivation of the power to do so. The conclusion to which the Petition implicitly invites the Judges to come is that the cause is the *deprivation of power*, and that the agency of it is the monetary system which operates to *arrest the fusion* of these two essential factors—resourcefulness and resources. Positively, the Petition invites the Judges to find that the remedy is to alter the monetary system so that it shall operate to *promote the fusion*. This involves a complete reversal of the basic principle underlying the present code of financial laws and regulations.

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Now, to most people, the idea of reversing this principle will conjure up visions of revolutionary chaos. But it is not at all necessary, and in the case of the monetary system, it will not be necessary, for a reversal of principle to reverse the machinery of its former application. As a matter of proven fact, Social Credit needs no alteration at all in the structure of the productive system nor in the customs and rules of its organisation, nor even in its relation to the banking system. The "revolution" will be [illegible] *outlook*.

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When Siegfried slew the dragon, he accidentally tasted its blood, and behold, suddenly he could make a meaning out of the song of the bird in the forest. The gold in the cave, which the dragon had been guarding, was now nothing. No; for the bird told him of the flame-encircled Brünnhilde awaiting him high up in the mountain: adventure and romance lay beyond. And so it will be when the National Dividend begins to flow from the carcass of the dead financial dragon. Those who taste it will see with new eyes and hear with new ears those truths and possibilities that lie beyond the mere satisfaction of material desires. It is not so much the abolition of poverty that will transfigure men as the abolition of anxiety. *Take no thought what ye shall eat . . .*, said Christ to His disciples. And in the day when the dividend appears the world will obey that injunction with unconscious spontaneity. "I never worry about money until money starts worrying me," said a wag recently; and he was speaking in jest words of profound import.

Social Credit and the Schools.

By A. R. 109.

II.

5.—Education in the New Age.

I think that enough has been said to show how excellently our educational system has served the interests of the money power. It is a matter of history that our elementary education was developed with the deliberate object of diverting attention from matters which were dangerous to the State. Our secondary and even our university education, placing strong emphasis upon the acquisition of verbal knowledge, has stifled curiosity and criticism, blunting the faculty, as someone remarked in these pages, of "distinguishing between a fact and an inference." The educational ladder has fostered the idea of personal advantage over one's competitors. The schools have been concerned in general with the task of moulding their pupils to their environment. Convenient as this has been to the powers that be, is it the real function of the school? Do the schools exist to interpret to the coming generation the ideals of present-day society? Should they not rather be concerned with the task of fitting the pupil to resist and modify his environments? Is it not the duty of the educator to seek in the schools to reshape society?

Here as it seems to me we are in something of a vicious circle. The social and economic system determines the content of education; education, in turn, determines the social and economic situation. We cannot count for a deliverance from the squalor and inefficiency of our present civilisation, on a reformed educational technique. The schools cannot be the builders of the New Age. Assuming, however, a society based on the distribution of plenty and the endowment of the individual, what are the directions in which our education might be likely to develop?

Current educational theory, which is far in advance of current educational practice, approaches very near the ideals of the new economics. "What is needed . . . is a doctrine which reasserts the importance of the individual and safeguards his indefeasible rights. . . . We shall stand throughout on the position that nothing good enters into the human world except through the free activities of individual men and women . . . This view does not deny or minimise the responsibilities of a man to his fellows; for the individual life can develop only in terms of its own nature, and that is social as truly as it is self-regarding. Nor does it deny the value of tradition and discipline or exclude the influences of religion. But it does deny the reality of any super-personal entity of which the single life taken by itself is but an insignificant element. It reaffirms the infinite value of the individual person; it reasserts his ultimate responsibility for his own destiny; and it accepts all the practical corollaries that assertion implies." This might serve as the introductory paragraph to a statement of the philosophy of the Social Credit movement (if the Social Credit movement had an articulate philosophy). It comes, in fact, from Sir Percy Nunn's "Data and First Principles" of Education. From this enlightened point of view the whole meaning and purpose of education is that it shall be a process by which the individual child shall be given the best possible chance of developing and expressing himself.

6.—The Question of Money.

I do not think that what is wanted primarily is more money. Of course much of our educational technique is at present determined by considerations of cheapness. Classes are over large, buildings are old and insanitary, teachers are overworked and underpaid, equipment is often scanty and inadequate. But the rectifying of these things does not necessarily involve a largely increased educational budget. The schools are at present wasting a great deal of money; that is one of the reasons for desiring a "new deal" in education. The money spent on driving masses of children through our present course

of secondary education, for example, is for the most part a sheer communal waste. Upwards of 400,000 children are being crammed at the public expense with science, mathematics and foreign languages. Some of the information driven into them sticks for a time and is in due course regurgitated in the various school certificate examinations. In this competitive world, the school certificate is a necessary passport to employment in the black-coated industries. The vast majority of the children who take the school certificate examination, once the examination is over, regard the subjects which they took with the strongest possible aversion. How many of them, apart from the small proportion who go on to a university ever show any further interest in science, mathematics, or foreign languages? Think, too, of the waste of energy, and of public and private funds, involved in the bogus researches into literary and historical and linguistic subjects which our universities encourage; subjects such as "The influence of A upon contemporary French literature," or "The influence of contemporary French literature upon A." There is a great waste of teaching power in the elementary schools—due amongst other factors to our antiquated methods and our failure to use the labour-saving devices put at our disposal—especially the film and the wireless. The class syllabus remains the basis of the work of the elementary school; the principle that you must have a teacher and a class of forty or fifty children to whom the teacher teaches something. The teacher shares the anxiety of many other trades and professions—the fear of supersession. The schools are burdened, in the present state of society, with many tasks which in happier circumstances would be discharged by the parents, as they are among the better-off.

7.—The State and the Schools.

What will be the position of the State in relation to the schools? We have seen the reasons which induced the State to take a part in the provision of education—the economic inability of the parent and the policy of domination. If these are removed will there remain any case at all for a public educational service? The individual parent will be able to send his child to the private school of his choice, just as the well-to-do parent does at present. Why should not the private school sell its services to the public at the Just Price, like any industrial enterprise? This is perhaps Utopian, but any substantial improvement in the financial position of the parent would undoubtedly strengthen the position of the private school. The standardisation which accompanies the financial control of the schools by the central and local authorities would largely disappear. The private school would become a much more serious competitor of the public elementary and secondary school than it is at present. There is no doubt of the high significance for the schools of the future of the experimental work in education now being done in some of the private schools which owe their inspiration to pioneers like Homer Lane and A. S. Neill.

The subject of class relationships in the New Age would require an essay to itself; and this question of the future of the private school is bound up closely with the future of snobbery. Shall we ever reach the classless society? If we do shall we all send our children to the common school? At present there is a sharp dividing line between those parents who pay for their children's education and those who do not. Will this persist?

8.—Compulsory Education and the School-leaving Age.

It is obvious from the history of the Education Acts in this country that the parents of England did not unanimously demand the public elementary school for their children. Compulsory education, like compulsory health insurance and other social services, was provided for the working population, for reasons which we have already examined, as an alternative policy to the policy of enabling them to provide education and medical attention for themselves. In the New Age we shall have as few compulsions as possible. If the parents could pay for the education they desired for their children, would it be necessary for the law to insist on regularity of attendance? Probably the time would come when this compulsion could be relaxed. There is nothing more pathetic than the strenuous and self-sacrificing efforts made at present by parents of all classes to give their children an education a little more expensive than their means justify. Compulsion in these circumstances will no doubt become more and more inoperative.

A word is due here about that subject of hot debate, the school leaving age. It does not seem to me to be at all axiomatic that the school leaving age must be raised by compulsion for everybody. The strongest argument for raising the age at present is that whether the school is the right place or not for the child of fourteen, the industrial world is certainly not the right place for him. But, given a new set of conditions in industry, it may very well be that for a large number of adolescent boys and girls, perhaps for the majority, life itself under these conditions may be the best kind of training. Working at the occupation of your choice may well be the most liberal kind of education. Its obvious purposefulness may give a boy or girl a sense of dignity and worth. Perhaps the compromise of part-time schooling, allowing the adolescent the amplest freedom to cultivate his interests, bookish or other, while still following his occupation, may be found the right solution. At present we have nearly a million part-time students attending our educational institutions, most of them coming of their own free will after a long day's work.

One thing can perhaps be said with some assurance, that the minimum age of compulsory attendance will be raised. It is one of the scandals of our present system that little children of five years of age are compelled by law to attend school, often walking long distances to do so. In some areas so zealous are the school attendance officers in the performance of their duties that not a single little victim escapes. The only reason that is apparent for this state of things is that the head teacher's salary and the grant from the Exchequer to the local authority depend on the number of children in average attendance. It is a fairly common thing to find that children of this tender age lose weight during the first months at school.

9.—The Teaching Profession.

Is it too much to hope that teaching as a whole-time profession will be limited to a few exceptional individuals? There are few people who can stand the society of children for long periods without damage to themselves or their pupils. Children are fatiguing, and in the handling of them nothing is so important as freshness. One would accordingly expect to see a small band of trained, specialised, professional teachers, and round them a larger body of people who would be amateurs in the best sense, attracted to teaching by a natural fondness for children and by the opportunity of giving a few years to the supreme social service. These again would be reinforced by part-time teachers from a large number of crafts and professions. In the teaching of children amateurishness is by no means so deadly an enemy as formalism, routine, and the conventional attitude to the curriculum. There are, of course, certain parts of the curriculum, reading, writing, and arithmetic, which are the tools of education and in which mechanical proficiency and regularity of practice are essential. This is the task of the trained and specialist teacher. For the rest what is required is not to load the child with masses of fact and inert ideas, but to arouse his curiosity and stimulate his interest. Here the best results are likely to follow from the strengthening of the contacts between the school and the world outside. There seems no adequate reason why the new mechanical aids, the film and the wireless should not be used to their full capacity. Their use is at present retarded partly by want of funds and partly by the fact that they are, in principle, labour-saving devices.

10.—Conclusion.

It must be left to the ingenuity of the reader to form his own conclusions about such topics as the future of the boarding school, and the controversy between the vocationalist and the advocate of a "general" education. It has often been argued that the present clientèle of the boarding school ought logically to send their children to day schools and vice versa. With regard to the curriculum, the schools of the future will no doubt give more attention than the schools of to-day to practical activities of all kinds; they will seek to discover and develop the craftsman who hides in each one of us. At present the schools are fitting their curriculum more and more to the needs of practical life, but this development is, on the whole, not regarded with any enthusiasm by the representatives of labour, who see in vocational and practical education the intention of the employer class to exploit them. It will be possible in the New Age for the question of the curriculum to be decided on its educational merits, and in the light of the needs and aptitudes of the individual child. A vocational education may be also a liberal one. We shall no doubt see wide variations in the curricula of the schools, but these variations will have no relation to social distinctions.

Notwithstanding its mechanical accomplishment and its admirable theory, it cannot be contested that—judged by its results—our education has largely failed. Some of the reasons for this failure I have tried to indicate in this paper. They arise from those economic disorders which at every point threaten our social, political and cultural life. If there were no other reason for desiring the advent of the New Age this would be enough—that by no other means will the schools become what they should be, an environment in which we may develop more excellent men and women.

(*Concluded.*)

Investment and Depreciation.

The Labour Party's Pamphlet on "Socialism and Social Credit" contains a good two pennyworth of fallacies, and the Social Crediter will perhaps get best value for money in the sections on pages 18 and 19, dealing with Investment of Savings and Depreciation Charges.

The Social Credit contention is that the investment of savings in *new* capital production causes a discrepancy between incomes and costs to the extent of the sum invested. It must be noted particularly that this claim is not made in respect of capital equipment which simply replaces worn out equipment of the same original value, but only for *new* equipment constructed for the first time. Savings are not normally used to finance replacements.

Now, [illegible] it is a truism that all the costs of any product have figured as consumer income in some form or other at some time or other (with a reservation in respect of undistributed profits), economists often say that when a certain sum is expended on the purchase of an article, that sum finds its way into the pockets of the various persons who have contributed, directly and indirectly, to its production.

Strictly speaking, this is not true. Frequently the major portion of the sum paid to a producer in the purchase of an article goes straight to the producer's bank, and is cancelled against a loan; probably only a small percentage figures as consumer income. But if production is continuous, and new articles are being made as fast as they are sold, then newly borrowed money finds its way into the pockets of those engaged in the long production-chains which culminate in the finished article, in respect of replacements at all stages.

So if, in what follows, it is admitted for argument's sake that when a given sum is spent on a new machine that sum is distributed to consumers as income, it is on the strict understanding that production is maintained with absolute continuity over the period in question.

With this proviso, and omitting all questions of profit, let us suppose that a firm spend £10,000 on new additional plant which is estimated to last for ten years, and issues new share capital to this amount.

The firm orders the plant from a contractor who obtains a loan of £10,000, and constructs the plant. Meanwhile, the firm collects £10,000 from its shareholders' savings, and, on receipt of the plant, pays the contractor, who repays his banker. The money is then cancelled, and consumers are all square as regards income; they have received £10,000 as income during the construction of the plant, and they (in their capacity as investors) have parted with £10,000 in return for share-certificates.

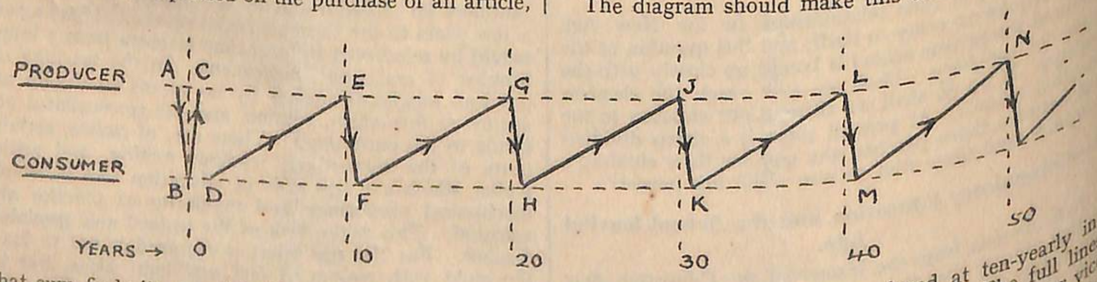
Now, as the plant will be worn out in ten years' time, it will be necessary to raise a fund of £10,000 during this period in order to pay for the second plant to replace it. So the firm's cost-accountants will allocate a depreciation charge of £1,000 per annum, or approximately £20 per week, in addition to all the other costs of production, and charge this into the prices of the product over the next ten years.

How is the consumer to meet this additional charge? In the normal course of production, Industry pays out to consumers wages, salaries, rents, royalties, etc., *before* (often long before) the final products reach consumers' markets. It may be fairly argued that Industry, having *first* distributed the costs of production as incomes to consumers, is entitled to take back money to this amount in the prices of the product. It is a perfectly fair and rational procedure, and so long as such alternation of payments is maintained no deficiency should arise.

This is what happens in our example—at first. Industry first distributes £10,000 to consumers, as incomes, for the construction of the plant; then Industry takes back £10,000 from consumers (investors) in payments for the plant. Now, it is Industry's turn to distribute once more.

But no! The time-sequence is suddenly reversed. Industry takes back (or attempts to take back) £10,000 from consumers *before* distributing £10,000 during the construction of the second plant. This reversal of the time-sequence causes money to pass from consumer to producer twice in succession without an intervening passage from producer to consumer; or—as Messrs. Foster and Catchings express it—money is used twice in succession for production without being used for consumption in between.

The diagram should make this clear.



Here, dotted ordinates are placed at ten-yearly intervals along the horizontal time-base. The full lines represent payments from producer to consumer, or vice versa, according to the direction of the arrows on them. The vertical distance between the two horizontal dotted lines represents £10,000.

The line AB represents the distribution of £10,000 to consumers during the construction of the plant. BC represents the payment of this sum by investors to producers. DE represents the payment of depreciation charges by consumers to producers during the first ten years, amounting in all to £10,000. EF represents the distribution of this sum to consumers during the construction of the first replace plant. FG represents the payment of depreciation charges during the second ten-year period. GH represents the distribution of income during the construction of the second replace plant. And so on.

Our concern with this diagram is confined to the fact that *there is no line joining C to D*. During the first ten-year period, the normal rhythm of payments is broken, and consumers pay £10,000 to producers twice in succession, viz., BC and DE. After this, distribution of income (for construction) and abstraction of income (via depreciation charges) alternate on a fifty-fifty basis. The deficiency with which we are concerned is not a repeating one; it occurs once, and only once, viz., during the first life period of every plant, the construction of which is financed from savings. But no matter how far the diagram is extended, the gap at CD remains.

Viewing the situation from another angle, we may say that the abstraction of consumer income represented by DE amounts to compulsory hoarding; the effect is the same as if consumers had gradually hoarded £10,000 during these ten years, and every economist admits that hoarding causes a shortage of purchasing power.

The authors of the Labour Party's pamphlet contend that there is no deficiency. They say that ". . . at the same time as money is set aside for depreciation, new machines to replace the old ones are being constructed and in respect of these purchasing power is being distributed to consumers. So long as the money so distributed in industry as a whole is equal to the depreciation costs in industry as a whole, there will be no deficiency."

That is to say, referring to the diagram, that so long as the vertical components of AB, EF, GH, JK, etc., equal the vertical components of DE, FG, HJ, KL, etc., throughout industry, there will be no deficiency. Quite so, but this statement completely ignores the investment payment represented by BC, and the fact that the necessary repayment to ensure equation, viz., CD, is omitted.

A. W. COLEMAN.

Movement Notes.

South Leeds Election.

Mr. Townend, the Social Credit candidate, sends the following letter:—

Sir,—I thank you for the publicity you gave to my appeal last week in THE NEW AGE. Some of your readers would probably like to know how things are progressing in South Leeds, so I hope you will be able to find space for this letter.

On October 12 John Hargrave, the National Leader of the Social Credit Party of Great Britain, and the General Council, and officers and men from various parts of the country came to Leeds, and the election campaign of the first Social Credit candidate in this country was opened with a flourish worthy of the Cause.

On Saturday evening fifty Green Shirts, led by a corps of drums and flags, marched through the centre of Leeds. All along the route hundreds of people could be seen pouring out of the large stores to join the thousands in the streets watching the "People's Army" march past. Six open-air meetings were held during the week-end, in addition to two indoor meetings. On Sunday afternoon eighty-five Green Shirts marched with full pageantry of drums and flags on church parade to Salem Congregational Church, where the National Leader addressed the Brotherhood of 1,400 men on "Is Poverty in Plenty the Will of God?" At 8 p.m. a "House Full" notice was placed outside the Rialto Cinema, as John Hargrave, the speaker, S. A. Harper, the chairman, and W. Townend, the Social Credit candidate, mounted the platform. Stewards report that hundreds were turned away.

The National Leader spoke on "Your Part in the Fight against Poverty and War!" and worked up the enthusiasm of the vast audience by an inspiring address, leading up to a definite challenge as he introduced the Social Credit candidate for South Leeds, who appealed for a fighting fund. The audience responded with cheques, notes, and coins, and a fighting fund which was at zero in the morning rose to £160 before the close of the meeting.

A really excellent start—but the fight is only just beginning. We must win South Leeds for Social Credit. We need more money and offers of service now. Contributions should be addressed to our treasurer, Mr. A. Dean, 125, Ring-road, Farnley, Leeds.

W. TOWNEND.

Besides money the most important services are (a) canvassing and (b) lending conveyances. Canvassing is important as a method, not of converting neutrals by argument (there's never time for that during an election campaign), but of eliciting declarations of sympathy or promises of support. The canvasser's job is rather to *locate* than to create support, so that on the day the supporting electors may be fetched to the poll if necessary. Electioneering is a matter of advertising. Canvassers and conveyances are complementary forms of the most effective advertising. The canvasser looks after *promises*, and the conveyance after *performances*. Remember that electors expect to be fussed over at these times, and they appreciate being called on before the day and being called for on the day. Note that it is illegal to pay canvassers and to hire conveyances. Hence contributions to the fighting fund are not a substitute for the services here described. To sum up, there are three major conditions of success:—

Cash. . . . Canvassers. . . . Conveyances.

* * *

The League to Abolish Poverty.

The Secretary announces that the following societies are now co-operating in collecting signatures for the Petition to the King:—

- League to Abolish Poverty.
- Prosperity Campaign.
- Younger Generations.
- Prosperity League.
- Centre Group.
- National Money Service.
- League for Social Dividends.

Representatives of these Societies have formed a Petition Council "for the purpose of co-ordinating effort." They will nevertheless "retain their individuality." The Petition form provides three columns headed respectively: *Names. . . . Addresses. . . . Signatories' Contributions.* Presumably the Petition Council will control the funds. It is to be hoped that accounts of the money collected and disbursed will be made public from time to time, together with a report of the number of signatures obtained to date on each occasion. What becomes of new money collected from a new public is the concern of the new public; but the believer in Social Credit whose object is to get it adopted with the least delay will be at a loss where to put his money to the best purpose in view of the competing claims of the League, the Secretariat and the Social Credit Party. No doubt the societies constituting the Petition Council are excellent institutions in their own orbits, but the authentic Social Credit supporter would not agree that the Petition Campaign should serve as a feeder of the funds of these societies.

There is another point. The amassing of names and addresses creates a security for loans. And there is a danger that promoters of ambitious schemes will be tempted to develop them with borrowed money. Nothing would please the bankers more than to see the Social Credit Movement get into debt. And for that reason there is every probability that Mr. Gibson Jarvie of the United Dominions Trust would be perfectly willing to assist the Movement into such a position. Mr. Montagu Norman would naturally back him. There are oblique as well as direct ways in which it could be worked. We are all Poverty Abolitionists now, including the Governor of the Bank of England; but no true Social Credit supporter would care to see the Movement unified and mortgaged to a Norman-Jarvie syndicate. There is already a faint scent of queer games afoot.

Points From Letters.

FOOD PRODUCTION IN BRITAIN.

At the Social Credit Reception in the Holborn Restaurant recently, I was asked for authentic information as to production of our own food supply. I lost no time—on inquiry I found the leading expert on the economics of agriculture was undoubtedly Mr. Carslaw. I wrote at once, and have recently received the enclosed reply.

School of Agriculture,
Cambridge.
September 9, 1935.

Dear Sir,—In reply to your letter of July 27, acknowledged in my absence from Cambridge, I would refer you to the pamphlets issued by the Rural Reconstruction Association, Le Play House, 35, Gordon-square, W.C.1. Clearly the problem of increasing domestic food production is not a simple one, and cuts right across such associated matters as our international trade and general standard of living. There is no doubt that food production in this country could be vastly increased, but " man does not live by bread alone," and the cost of self-sufficiency would certainly entail a great reduction in the other material comforts which collectively measure standards of living.

Yours faithfully,
(Signed) R. McG. CARSLAW.

Roughly there is about one acre of cultivatable land per head of population, value, say £10 per acre, which has not been drained or excavated since 1875. The cost of excavating and draining, put at £50 p.a. + 30 loads farmyard manure per acre + artificials = produce 4½ qrs. wheat per acre enough and a complete food for six men. Of course, all land would not be put down to wheat, 2½ tons of clover = 4 tons of wheat as a farm food, barley and oats with their straw for feeding stock, and so on, ad infinitum. Draining. This must begin by digging out the minor rivers, their tributaries, then the dykes, and, lastly, the ditches, before working the land.—V.I. 90, September 19.

WAR LOAN FINANCE.

I have been discussing with a friend the attitude of the banks during the War to influential individuals and selected institutions, regarding War Stock holdings. It was quite common talk here during that time that those individuals were invited by the banks to take up, say, 5 per cent. Stock, giving their names largely as guarantors and paying the banks 4 per cent. on the said stock.

My friend says that was not the case, as the Bank Rate stood at 6 per cent. and 7 per cent. during that time. The older members of the group say I am quite in order. They also told me that THE NEW AGE had dealt with this aspect of affairs several years ago, and were quite sure you would be quite willing to furnish any information you have regarding the point under discussion P. N.

Glasgow, October 7.

REPLY.

The War Loan financing device was first dealt with in *Public Welfare* and in the issue for October, 1922. This issue has long since been out of print.

It was first exposed by Mr. Frederick Temple, who was running The National Co-operative Bank—a bank which he hoped the Trade Union Movement would take over and run. The exposure was made in a pamphlet entitled *War Finance and the Worker* and published probably in 1916, but (from internal evidence) certainly before the war was over. For instance one passage reads thus:

" If the war goes on ' another year ' the War Debt will probably be ' £4,000,000,000.' "

Seeing the War Debt reached £7,000,000,000 you will see that the war had still to run a considerable time when he wrote this pamphlet.

The material assertion made by him was that the banks " issued circulars," setting out the scheme, and that they offered to charge " 3 per cent. for accommodation on War Loan Stock paying 4 per cent."

Your friend's reference to the Bank Rate of 6-7 per cent. does not disprove the above assertion. In practice that rate would apply only to production-loans. Manufacturers could easily pay it because profits of several times that amount could be made on almost any product that could be marketed. On the other hand, probably very little money was left on deposit to earn interest—for the same reason. It was more profitable to re-invest profits than to keep them on deposit. Again, since it was the banks' *policy* to facilitate Government borrowing at say 4 per cent., how could they compete with the Government by offering a higher rate of interest without stultifying the whole scheme? Even in war time investors are not so patriotic as to forgo a 1½ to 2 per cent. interest-margin!

Another statement made by Mr. Temple was that in May, 1916, the Bank of England was advancing £95 against War Loan Stock whose price on the market was £87 10s. He even knew a case, he said, where someone bought £90,000 worth (nominal) of stock at a discount and got a loan from the bank at full par equivalent. " These advances," he said, " are in the nature of a loan repayable in 1918." (The term of the loan is significant; it suggests that the heads of the banking system had some general idea about how long the war was going to last!)

NOTICE.

Social Credit at the Albert Hall.

The London Social Credit Club is organising a Douglas Social Credit meeting at the Albert Hall on Friday, November 29, 1935. The Marquis of Tavistock and Mr. Norman Smith will be the principal speakers. Offers of assistance will be gratefully received and should be sent to Dr. Joyce Mitchell, 2, Bromley Common, Kent, Hon. Sec., London Social Credit Club.

Forthcoming Meetings.

The Social Credit Party of Great Britain

(The Green Shirts).

Wednesday, October 23, 8 p.m.—Speakers' Class. National Headquarters, 44, Little Britain, E.C.1.

Wednesday, November 6. 8 p.m. Lecture: John Hargrave: " Why we must win South Leeds for Social Credit at the next Election." National Headquarters: 44, Little Britain, E.C.1.

Richmond (Surrey) Electoral Campaign.

Lord Tankerville will speak on the Electoral Campaign for National Dividends at St. John's Hall, Richmond, on Friday, October 25, at 8.15 p.m. Admission free.

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.]

Public Meetings.

These meetings are organised by the London Social Credit Club.

At the Blewcoat Room, Caxton-street, Westminster. Friday, Oct. 25, at 7.45 p.m.—Questions and Answers Night.

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