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INCORPORATING "CREDIT POWER."

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NOTES OF THE WEEK.

On Headlines.

(1) "*Oil Experts Find Sanctions Are Impossible Without U.S. Help.*"

(2) "*League To Ask If America Will Limit Supplies.*"

* * *

Thus read two front-page headlines in the *Daily Express* of February 6. Headline No. 1 occupies twenty-three square inches of space: headline No. 2 occupies ten square inches. Together they occupy thirty-three square inches—a space which, if filled with reading matter in ordinary text, would hold about 1,000 words instead of the seventeen words which are displayed in it. This kind of thing is typical of all newspapers that are, or strive to be, popular in the sense of getting and maintaining mass circulation. *The Times, Telegraph* and *Morning Post* abuse their space least in this respect, and the reason is that they cater for the more responsible sections of the public, that is, those sections which have a more or less clear idea of what they want to read about, and some degree of competence in putting a construction of their own on what they read. They want facts relevant to the subjects in which they are interested; and, insofar as they want arguments, it is in the spirit more of wanting to inspect and test them than of swallowing them indiscriminately. To such classes of the reading public obtrusive headlines telling them what they ought to consider the most important news, or how they ought to interpret that news, would be an obstacle rather than a help, and therefore a source of irritation to all readers except those who had acquired the faculty of treating headlines merely as indices. In *The Times*, for instance, headlines approximate to an index of contents: and not only that, but certain pages of it are regularly devoted to certain classes of contents. A practical test of the value of this arrangement to a discerning public can be made by anybody who knows what he wants to know about. Take Alberta for example. If any reader of THE NEW AGE should wish to gather up particulars of developments in that province since Mr. Aberhart's ascent to power, he can do it with ease by consulting the "Imperial and Foreign" page in each number of *The Times* over the period selected. But let him start to do this with any of the popular penny newspapers, and he will throw the job up in disgust.

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It is a curious phenomenon that in certain circumstances the headline style of obtrusiveness often defeats its own object. Many a reader will no doubt remember having consulted a directory in a hurry to find the name and address of some business concern or other and having failed to find it in a hurry. Why? Because the entry was in bold type! In his intentness his eye had skipped everything which broke the uniformity of the column of entries set in ordinary type. The bold-faced entry was a hurdle to jump over instead of a door to knock at. Funny, isn't it?—afterwards, when the irritation at the delay has subsided. And all the funnier when it is remembered that the firm in question had paid extra money to attract notice! It had acted on the (unconscious) assumption that people scan pages of directories as they do pages of newspapers. Obviously they don't. One doesn't open a directory saying to himself: "Let me see; what firm shall I write to (or ring up) this morning?"! No; he has a name in his mind —a name among names—"Where is Sylvia, where is she?"—and he gropes along the small-typed track where she ought to be encountered. But Sylvia has grown a large-type woman, and the poor searcher passes under the portal of her limbs without seeing her. And that is why, if you examine a directory in a detached mood, you will see that the entries of many of the most important firms in the country are indistinguishable in size from those of butchers, bakers, and candlestick makers.

* * *

Now to come back to the headlines quoted above. The space they occupy appeared to signify that the news they referred to was the most important of that day. Perhaps it was. But only in the *Daily Express*. The *News Chronicle* of the same date displayed the topic of "Revision of Mandates." To be fair, on this occasion the two topics are allied. But most days you will find that between them the popular press boom all sorts of topics which have no relevance to each other. The general result is that the readers of this class of popular journal are like very young kittens out in the garden on a breezy day—incessantly twisting and pouncing at each movement and sound of swaying twigs and rustling leaves. In the railway compartment Mr. Snodgrass is seen going up and up and on and on with the ineffable Ramsay, while Mr. Turveytop is going down and down and back and back with the pessimistic Winston. Snodgrass may be simpering over our Balanced Budget and Turveytop whimpering over the iniquitous "India Bill." That or something else. It doesn't matter: the wind will change, or drop, to-morrow. Sufficient unto the day is the "sensation" thereof.

Coroners and Their Functions.

Some years ago the Coroner for Reading was provoked to remark in Court during an inquest: "We are not conducting this inquiry for the benefit of insurance companies." Some lawyer had been attempting to examine or cross-examine some witness on matters which the Coroner apparently thought were more relevant to monetary claims arising from death than to the cause of death. We remarked on the case in this journal at the time, congratulating the Coroner on the timeliness of his reproof.

* * *

It is not surprising that recently there has been an inquiry and report on the scope of coroners' prerogatives and character of court procedure. And some of the recommendations are just what readers of THE NEW AGE would have expected. For instance, one recommendation is that the Coroner's Court shall not express any opinion as to the state of mind of a person who is found to have committed suicide. The *Star*, we notice, approves this "reform," on the ground that the attaching of the "stigma" of insanity to the deceased must often cause pain to his or her relatives. This criticism is a bit hollow: it would have some substance if the juries' findings implied that the insanity was an outcrop of a congenital lode—that it "ran in the family." On the contrary, the verdict almost invariably qualifies the insanity by the adjective "temporary," clearly implying that it was caused by some environmental stress, such as (shall we say?) the receipt of a demand-note for taxes—and, therefore, that if the deceased had been able to find the money he would have recovered his sanity. From which, by the way, one might construe the saying "this mad world" as meaning no more or less than "this impoverished world."

* * *

Readers will quickly see that if the new recommendation is adopted, and the Coroner's duty is restricted to ascertaining simply whether the deceased died by his or her own hand or not, this would logically rule out all evidence tending to support the theory that a constant flux of external circumstances can throw the mind off its balance. Inquests would be conducted under what would virtually be a statutory presumption that the suicide "knew what he was doing." The judicial dictum: "What the soldier said isn't evidence" will be extended to include what the Tax Collector wrote and what the Distraint Officers did.

The *Star's* solicitude for the feelings of the family exhibits another weakness, which resides in the fact that to millions of people a worse "stigma" attaches to one who takes his own life while of *sound* mind. For such a person will have passed out of this life by an act of "wilful self-murder." No; speaking for ourselves, we would prefer that any unfortunate relative of ours who thus sought death was numbered among those who "know not what they do." Again, if the feelings of family survivors are to dominate the scope of coroners' inquests, there is a lot to be said for suppressing evidence of certain causes of even "natural death." Take tuberculosis, cancer, etc. (not to speak of venereal diseases and their sequelae)—diseases which are popularly supposed to be transmissible: is it not reasonable to assume that in such cases, where the "stigma" on the deceased was thought to be visited (mistakenly or not) on the deceased's ancestry or dependents ("unto the third and fourth generation" maybe) the suppression of the cause of death would spare the family's feelings? The clinical history of a young person's parent may often be supposed to constitute a bar to his or her marriage; but you never heard of anyone saying: "I am nervous about this betrothal—you see, 'temporary insanity' runs in his (or her) family"!

* * *

So much for destructive criticism. Now for a constructive proposal. Let us accept the "reform" and agree that the coroner's jury shall answer a plain "yes" or "no" to the specific question: "Did the deceased die by his own hand?" But at the same time let it be insisted on that this be linked with a reform in the conditions attaching to life insurance, having the effect that the fact of death unconditionally validates claims on the insurance companies. For when once it were clearly understood that the companies must weigh out the cash irrespective of whether the deceased did or did not depart out of this world out of his senses, the occasion for all this bother about the matter would disappear. And then we should all be left to fall back on the commonsense presumption that a person who takes his own life is not in his right mind.

* * *

This proposal gains added point by reference to the *Observer's* remarks about the summoning of coroners' juries. It attacks the system of collecting together "the nearest cronies of the summoning officer" and applauds the "insistence" of the Committee of Inquiry that the jury should be drawn from a "proper panel." All we can say is that we like the Dicks, Toms and Harrys who are condemned for consorting in a social way with the coroner's officer ever so much more than we like a "proper" (read "packed") panel of actuaries, assessors and accountants. And we should imagine that most families with feelings to be hurt (not to speak of expectations to be cheated) would, on reflection, share our preference.

"Free Will" Under the Bankers.

We have, at times, been taken to task for emphasising the determinist interpretation of human conduct, our critics assigning us the role of propagandists of materialism for its own sake. This has been an exaggerated diagnosis of our policy. We are not "faddists" on the matter; we should remain emotionally undisturbed if someone were to demonstrate beyond contradiction that every person's will was free from environmental influence. But, if so, we should be intellectually constrained to point out that the new truth

logically acquitted the Money Monopolists from responsibility for even the remotest consequences (or strictly, *apparent* consequences) of their policy and practices. We should have to explain, in such a case as that of a suicide under financial pressure, that the deceased had freely chosen to take his life, and that the fact of his doing so while under such pressure was a matter of pure coincidence. Thus, no longer would the curve of bankruptcies have any relevance to the curve of suicides in the graph submitted to the Macmillan Committee; and Mr. Montagu Norman could go down to his house justified, thanking God that he and his associates were not as other men who misused their Free Wills to destroy themselves.

* * *

To us, the case for Social Credit, and the hope of seeing it adopted, rests on the fact that human behaviour is largely conditioned by external circumstance, and, we venture to urge, almost wholly so in the economic frame of reference. That is why we oppose so strenuously the affirmation that a "change of heart" must precede any rectification of the present system of finance-economics—as if the flaws in the system were *caused* by the "unregenerate nature" of humanity, instead of *being the cause* of it. Moreover, what is this so-called unregeneracy? It can be summed up in one word: Acquisitiveness. But what excites acquisitiveness? It is the scarcity of the thing to be acquired. The scarcity can be real or it can be imaginary: it can be a fact of the present or a menace of the future. In all cases it is the cause of the attempts to gain possession of things faster than they are needed. That is to say it over-stimulates the propensity of Acquisitiveness. Financial moralists point to this overstimulation and call it unregeneracy. Let it be so. But obviously the cure for it is a matter of abolishing the scarcity or at least of convincing people that it can and will be abolished, and quickly. To admonish them, as Sir Josiah Stamp does, that there is no immediate prospect of this is to add an irritant to the stimulant exciting Acquisitiveness, and therefore, on bankers' logic, of perpetuating that very unregeneracy which is said to stand between them and the plenty they look for from the economic system.

The Banks and the Constitution.

If Sir Josiah were right, there would be nothing left to do with this unregeneracy but to punish it. That is as stupid as hitting a thirsty child for seeking water, and telling him that only a change of heart will bring the water (if there is any water!). Yes; and what sort of a change would that be? It would amount to plunging the child's reflective faculties into a war with its overstimulated propensity of acquisitiveness—in other words, would throw his mind out of its natural balance. Thus a condition of unsatisfied thirst is a condition of "temporary insanity" in its incipient stage. In this context it may be observed generally that all psychological obstacles to economic progress are resistances against the orthodox rules for achieving it; not against the right way of doing so. Show us the man whom the bankers find the most incorrigible and intractable rogue to whom they have applied their principles of assessing character, and we will show you the most promising recruit for the forces of the Social Credit Order. It used to be said of Lord Kitchener that, when inspecting troops, what made his eyes glisten wasn't the masses on parade but the select classes confined to barracks. "Ah," he would say (so the story goes—probably a lie) "these are the beggars to fight." And there is no doubt that many a V.C. medallist in the annals of the services could have worn "C.B." medals in profusion had the authorities not deemed it expedient to refrain from distributing such insignia of honour to these intrepid and resourceful misfits in the system of disciplinary uniformity. Much the same reflection is applicable to certain offenders against civil law. We are referring to people who have broken bankers' statute laws which are fundamentally irreconcilable with the spirit of common- or custom-laws. Circumstances alter cases; and no doubt many of these delinquents were justly punished from a common-law point of view, because, *for all they knew*, their acts would cause injury to innocent people. They were therefore not entitled to the condonation which they might have claimed if they had been able to show that in breaking the law of the money-monopoly they were consciously upholding, directly or indirectly, the law of the people.

* * *

To students of real politics from the Social-Credit angle of interpretation the distinction is self-evident. The prerogatives usurped by the Money Power have become the core of the Constitution. Insofar as the Constitution is written in statutes, it defines, and reserves to the Money Power, the right and methods of robbing the public. Insofar as it is unwritten, it keeps open an opportunity for the Money Power to alter the definition and enlarge the reservation if it thinks necessary. This unwritten part—the space on the cheque of High Policy, which was once looked upon and boasted about as the place for the ultimate signature of Democracy—is now filled in by a privileged Oligarchy. The Constitution, of course, preserves common-law rights, but only in the sense that it gives citizens rights of redress against each other. It does not confer on these citizens collectively any right of redress for injury against any external party: on the contrary it gives the external party, the Money Power, the right of redress against the citizen who resists the injury! So it is logically impossible to uphold the Constitution as it stands without consenting to a felony. And it is impossible to enjoin, indiscriminately, obedience to "the law" without compounding the felony. Only that code of law can be logically upheld as a whole under which institutions constituting the Money Power have to submit to the same rationing of privilege and opportunity as is imposed on commercial enterprises and private citizens. A most amusing, because unwitting, disclosure of the way in which the law loads the dice of the bankster gamesters, appears in the records of the Bank of Portugal's action against Messrs. Waterlows. Here it is. It occurs in the judgment delivered by the Lord Chancellor on April 28, 1932, in the House of Lords, and is extracted from the official report of all five judgments there delivered—published by Travers Smith, Braithwaite and Company, 4, Throgmorton Avenue. (A joke within the joke, by the way, is that the printers of the report were Messrs. Waterlow and Sons, whose despondency at losing the action was, we hope, somewhat abated by the reflection that at any rate it had brought them an order.) If we had noticed this at the time we might have indulged in the hope that perhaps Mr. Montagu Norman (who knows what bunk the whole case for the Bank was) would have wangled things so that Messrs. Waterlow and Sons could charge £600,000 for the job and so raise the money to pay the inflicted damages without depleting their reserves. It would have been quite easy for the Bank of England to have slid the cash over through the publishers, and called it the end of a perfect day. But it didn't happen, or apparently not; for the depletion of the Company's reserves was duly recorded in a subsequent balance sheet. Happily there was no contemporary declension in the market valuation of the Company's shares—which shows that the banking world was not rendered nervous about the stability of this eminent House despite the inroads on its visible resources.

* * *

Well, here is the quotation. The Lord Chancellor is reciting the legal limitations placed upon the Bank of Portugal by "Article 28 of the Law of the 29th of July, 1887." Now attention! Inspect these limitations carefully.

> The Bank is expressly forbidden from carrying out the following operations:—(a) To purchase for its own account any shares in the Bank. (b) To rediscount its own bills. (c) To carry out any Stock Exchange operations which cannot be immediately liquidated even if for account of third parties. (d) To pay interest on any cash received in account current payable at sight. (e) To promote or take part in the creation of commercial banking or other undertakings. (f) To undertake any risky negotiations or insurance. (g) To buy and sell, for its own account, any commercial goods. (h) To possess real estate and rights apart from the City premises necessary for the carrying out of its functions, except through the effect of any assignment or Public Sale, or in order to secure the repayment of credits, but it will have to proceed to the liquidation of such goods (or "estate") within the shortest period possible. Again, there was an obligation upon them to issue notes on Government service. Finally, it must be remembered that the Bank is a Bank of Issue with control and management of the currency. Its directors were only entitled to issue notes as far as in their reasonable opinion it was right and proper for them to do so in their capacity as guardians of the currency of the country.

Every limitation in this list is one which Central Bankers would impose upon themselves in any case. Each is a variant of a common prohibition which can be expressed in the formula: "Don't tie your money up," which means in practice: "Don't create deposits (i.e., by loans or purchases) which you can't destroy immediately afterwards (i.e., by retirements or sales)." The whole Article is an injunction to the Bank to keep money scarce. It is the buck passed to the Government by the Bank. It enables the Bank to do what it likes, and to leave the onus for the consequences to rest on the Government. "I would dearly like to accommodate you," says the benignant Spenlow, "but, alas, Jorkins is inexorable."

* * *

Students of the credit question will see that a proper interpretation of this cited passage by the judges would itself have been sufficient to invalidate the case of the Bank of Portugal. For its claim to compensation was allowed largely on the basis that the Portuguese Government might require the Bank to provide gold cover once more against the notes it had issued in exchange for Marang's "wrong 'uns." It is a pity that our judges do not realise that no Government can require anything of a Central Bank but what that Bank is willing to concede. They ought at least to have told the Banks in so many words: "We'll reserve judgment until you go back on gold."

NOTICE.

All communications requiring the Editor's attention should be addressed direct to him as follows:
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The Classification of Costs.

A reviewer in the *New English Weekly* describes Mr. G. W. L. Day's *This Leads to War** as being "possibly the first even partially successful attempt to present Douglas SANS tears," and wonders how the volume will be received by newcomers to Social Credit.

On the whole, Mr. Day is to be warmly congratulated on a most readable presentation of the subject for the intelligent man in the street, but I finished by wondering how Chapter III., which essays a technical explanation of "Why Money is always Short," will strike the newcomer—and particularly the Socialist newcomer.

What will a Socialist reader, fresh from a perusal of (say) the Labour Party's *Socialism and Social Credit*, and Mr. E. F. Nash's *Machines and Purchasing Power*, make of the diagram of "orbits" on p. 32? Is there anything in the diagram to convince him that the sum of all the "downward channels" will not buy the boots, if a sufficient number of "orbits" be taken, and assuming continuous industrial operation?

If the Socialist's goal were achieved and all businesses owned by, and run by, the State, productive and distributive Industry could be regarded as a huge single organisation (Great Britain, Ltd.) which, while carrying out countless interdepartmental transfers, would make no payments, for the simple reason that there would be no "other organisations." The Socialist would say that costs of final products would then equal the sum of the A payments. Mr. Henderson, in *The Economic Consequences of Power Production*, claims that this is the case now.

The Social Crediter knows that the prices which Great Britain, Ltd., would have to charge for final products over any given period would be in excess of the A payments of that period by the sum of all the "allocated" charges. But the newcomer to Social Credit would not glean this from Mr. Day's diagram. Nor, for that matter, would he glean it from the diagram (page 31) in *The Monopoly of Credit*.

It is by no means easy to show diagrammatically. If anyone can be said to have succeeded, it is Mr. Gordon-Cumming with his diagrams on pages 110 and 161 of *Money in Industry*. The key to these lies in the division of costs, not into A and B categories, but into Class I. and Class II. costs—vide page 78. Class I. costs are those in respect to which income payments equivalent to those made during manufacture will be paid in the time available to sell the article; while Class II. costs are those which have no equivalent payments made during that time. It is these "allocated" Class II. costs—primarily, though by no means solely, depreciation charges—on which the technical student of Social Credit must concentrate.

So far as technical analysis is concerned, one can almost date a Social Credit work by the growing importance placed upon the factor of "overheads" amongst the B costs—the trend in this direction can be traced in Major Douglas's own works—and it now becomes a question whether the technical expositor to-day will not find that he can present a more effective argument for the average student by dropping the old division of costs into A and B categories, and substituting the Class I. and Class II. varieties used by the author of *Money in Industry*.

A. W. COLEMAN.

* Vedetta Series. 3. Figurehead. 1s. net.

The Content of Cancellation.

In the series of articles published during the last few weeks in this journal there is material (rather scattered) which, when assembled, will serve to support the proposition that the question of whether the Dividend shall be *cancelled* or not is really the question of whether it should be *rendered invisible* or not in the accounts of the banking system. Mr. McKenna's dictum that the retirement of a loan destroys a deposit is a way of saying that the retirement destroys its visibility in the statistical sense. The visibility is destroyed because when a borrower repays a loan, the banker subtracts the credit from the debit. He does not leave the debit standing and enter the credit on the other side of the account. He abandons the double entry system of accounting, or rather, winds it up, and leaves visible only the difference between the figures of the original loan and its equivalent deposit—the difference of course being *nothing*. Thus the figures are rendered invisible.

The orthodox accountant or the plain man of business will no doubt say: "Of course: the striking of balances is a well established and convenient way of keeping records, no matter whether the balances are nothing, or something more than nothing." That is quite true as concerns the relations between citizen and citizen or business and business. If A owes B £100 and pays B, then at that point A can say: "I don't owe B anything nor he me," and so can B. So each can properly record the balance of *nothing*, because there now exist no obligations on the part of either to the other. Neither is due to deliver money, or money's worth (i.e., things that have cost him money).

But it is quite another proposition when A or B—or, better, A and B together, representing industry as borrower and paymaster—discharge their debts to the banking system. It is true that when A, as a separate borrowing entity, repays his particular loan to *his* particular bank, obligations are discharged on both sides. And the same with B and *his* particular bank. A balance of *nothing* correctly records their relationships with their banks.

But when you add A and B together and regard them as representing the employing paymasters of the whole community, and add their particular banks together as representing the banking system as a whole, the mutual discharge of obligation is not a fact. For AB (so to describe them in the combined sense) in the course of borrowing and repaying to the Bank (so to describe the banking system) a succession of loans, distribute them in their role of Paymaster, and collect them from the community at the same rate—otherwise they would not be able to repay the loans. In return for the money recovered from the community AB deliver only a part of the wealth created by its means, and retain the other part. Since they have collected the money representing the retained part from the community (as well as that representing the delivered part) they are still under an obligation to deliver the retained part to the community. Since such delivery (in a monetary system) has to be operated by the process of selling for money; and since (under the "work" system) the community can only get money from AB as paymasters for service, AB are under an obligation to return them the money representing the retained wealth. And they are under the necessity of doing so if the retained wealth is to be delivered. Lastly, they must pay out the required money gratuitously—not hiring services with it and thus creating new wealth at a new cost.

From this it follows that as and when AB repay to the Bank their loans in full the Bank remains under an obligation (unacknowledged by it, of course, and unsuspected by the public) to return to AB such proportions of the repayments as represent the values of the retained wealth to which the repayments refer. So when the Bank, at each successive repayment, subtracts it from the loan-figure, and records the situation by the cipher "O"—signifying that there now exist no obligations on its part to AB (there are obviously none on the part of AB) they are statistically falsifying the true situation. This situation is that the Bank is debtor to the community in respect of what may be described as a Drawback out of the repaid loans.

If the proportionate amount of this Drawback were computable on each occasion of a loan-repayment, the Bank could credit it to AB, or, if you like, to a "National Industrial Trustee" acting on behalf of AB and ultimately for the community. The effect of this would be to render visible obligations on the part of the Bank which its present practice of subtracting repayments in full renders invisible. The advantage to the Bank of its present practice is derived from the fact that what is invisible cannot be thought of as accessible by the community. What the eye does not see the heart does not grieve over. Visibility would evoke questions of accessibility, and rights of access, among the community.

Of course, considered as a proposal, this supposititious system of recording is impracticable—unless, indeed, the authorities were prepared to set all the unemployed to undertake the millions of interim differential analyses necessary to build up the National Industrial Trustee's record of Drawbacks due from the Bank in respect of prematurely cancelled loan-repayments. It is virtually impossible, in respect of any loan repayment to tell what proportion of it represents wealth delivered to consumers and wealth retained by industry. The idea of its being accomplished is therefore only put forward for purposes of elucidation.

The hypothetical Trustee's credit—i.e., National Industrial claim on the Bank—would represent, broadly, the cumulative total of investments made by the community in the cumulative quantity of wealth retained by industry. In other words, this credit would be a visible sign of the existence of money potentially available to buy up all industrial property (plant, equipment, and so on). Its visibility would furnish the initial answer to the perennial objection: "Where is the money to come from?" which is raised against every measure of progress that involves large expenditure.

The question would then arise: "Who owns this money?" It would not be the Trustee, of course. Immediately it would be AB (representing industry). But AB themselves would owe it to investors who, as already seen, are the parties who have really repaid the Bank. Then another question would arise: "Who ought to draw on the credit?" Logically, the investors, let us say, through AB. But in practice AB could show that this would amount to winding up industry; or alternatively would oblige them to borrow from the Bank an equivalent sum to that which the Bank had paid out to investors. If so, the result would be that instead of the cost of industrial property being offset by *no money*, this cost would be doubled and would be offset by the investors' possession of money equivalent to one half the now doubled cost—a useless expansion of figures.

It will be seen that AB are themselves Trustees for investors' financial capital. The investors' charge to their Trustees is not: " *Return* us our capital "; it is: " *Use* our capital." Hence the duty of the National Industrial Trustee would be to dispense the credit owing to him by the Bank in financing AB's continued operations. Fundamentally, his accounts would represent clearings of money representing investment capital previously forfeited in bank-loan repayments, and now recovered from the Bank.

On what condition would the Trustee pass the Trust Money to AB? This would be that AB needed it for use. At what rate would their need arise? At the same rate as that at which the retained wealth was converted thenceforth into a consumable form. Remember that the potential buyers of this wealth, the consumers, have no money to set against it. The maximum amount of money they will have will be their earnings derived from the process of completing its conversion. So, AB, in order to sell it, must price it down to that level, and draw the difference from the Trust Money. Nor is this all. The maximum money earned in the completing stages won't be the amount of money tendered by the consumers. Some of it will be re-invested and foreited. For, in practice, AB will be making *new* wealth which they will have to retain as well as converting *ready-made* wealth for immediate delivery. So there will be *new* investments in the *new* wealth, and the amount of these will diminish the amount of money tendered at the shops.

Let some token figures be applied to the situation. Let the cost of the retained wealth be £1,000. Therefore, the Trustee will be in credit at the Bank to that sum. Let the wealth be considered as 1,000 tons (of something or other). Let it be supposed that AB can make 250 tons ready for consumption at an expenditure of £100, and can complete the job in a month. For simplicity let this £100 be paid wholly to private individuals as incomes. Out of this £100 let £25 be reinvested. Then at the end of the month the cost of the 250 tons at the shops will be £250 plus £100, or £350. The money available to buy the goods will be £75. On these figures AB would require to collect £275 from the Trustee to recover costs in full (i.e., £350). The Trustee's balance will now be down to £725. This balance will offset the cost-value of the 750 tons of wealth still retained by AB. But the cost-value will be £750. So the Trust balance is short by £25. This £25 represents the newly re-invested money. But since this money will have been forfeited to the Bank, the Trustee will be credited with this further amount thus equating his balance of credit with the balance of retained goods, namely, £750.

It is true that the invested £25 relates to *new* wealth, and not to the retained wealth, but since the Trustee replaces it *now* he has forestalled and closed up the discrepancy which these new investments will be creating between future costs and incomes.

At this point we can dismiss the Trustee as dispenser of the Trust Funds; because the main argument turns, not on who dispenses them among the producers, but on the fact that they *are* literally *trust* funds when so dispensed. That is to say, they are needed, and earmarked, for re-employment on a repetition of the operation in respect of which they have been collected. This being so, their amount does not matter.* For all practical purposes they are cancelled. The only difference is that they would be visibly recorded in the accounts of producers instead of being rendered invisible by the bankers' bookkeeping system. Only if production ceased would these funds get into the hands of consumers (through the repayment of investors' capital), but in that case since there would be nothing to buy the funds would be valueless and would be " cancelled " by the owners themselves.

A broad survey of this analysis outlines a picture of these Trust Funds gradually superseding Bank Loans. Insofar as this takes place it tends to lessen the scope of the mis-timing of loan-retirements which, in previous articles, has been shown to create the necessity for the National Dividend. So there is room for inquiry (which cannot be undertaken on this occasion) as to whether what the cancellationists call the " piling up of Deposits " will not give industry the confidence to scale down prices apart from the price-regulation system. If so the monetary measure of the Dividend would tend to diminish, and, indeed, ultimately to vanish. Industry certainly has no motive for piling up *Trust* funds beyond its ability to use them. Nor has the consumer any motive for drawing Dividends of large monetary dimensions provided that his income will buy him what he wants.

The essence of the Social-Credit contract is not that consumers shall get so much extra money—(£300 a year per family) but that they shall get extra goods and services equivalent to that money. The contract virtually says: " You shall have extra goods, etc., to an amount which, if you had to buy them at the existing price level, would cost you £300 a year." But what if the price level falls (apart from the price-discount)? If it fell to over half, while at the same time the output of consumables doubled, consumers could still use the same amount of money as before and live better on it. But if output did not expand commensurately with the fall in the price level, consumers would not need so much in order to buy all that there was available to buy.

To conclude this article it should be noted that supposing that Deposits did initially begin to " pile up," this piling up would be recorded in the balance sheets of every enterprise. Imagine the psychological effect on industrial managements, accountants and shareholders alike, to see the item: " Cash in hand and at the bank " mounting up rapidly towards equivalence with the total of paid up capital! Would not this spectacle, by itself, tend to cause a revolution in industrial costing and pricing without the necessity of interference from any external authority? This is a long distance speculation, but it serves to support the theory that the " piling up " of Deposits will eventually correct itself.

Douglas to Speak in London.

We learn unofficially that arrangements are being made by the Social Credit Secretariat, Ltd., for Major Douglas to address a meeting in London on February 26. Admission, we understand, will be by ticket (price 1s.), obtainable from headquarters or (perhaps) from groups affiliated to the Secretariat. The object of the meeting, it is said, is to enable Major Douglas to make a pronouncement on the internal relationships of the Movement—in which case it is not intended for the general public. Readers wishing to attend are advised to make early application for tickets, since the accommodation of the hall to be taken is said to be limited. There is no information so far as to whether questions and/or discussion will be allowed

Note on Cancellation.

Under Bank-Loan Production-Finance Costs accumulate faster than Deposits.

Under Social Credit Consumption-Finance, considered apart from Production-Finance, Deposits are created, but no Costs. So it can be said that Deposits tend to accumulate faster than Costs.

Under the two systems combined the P-F excess of Costs over Deposits will be balanced by the C-F excess of Deposits over Costs. The C-F excess of Deposits is potential: it cannot become actual because it will be absorbed in defraying the P-F excess of Costs.

CONCLUSION.

The rate at which the National Dividend is issued will measure the rate at which the P-F Costs exceed the P-F Deposits *applicable to goods coming into the consumption market*. Thus if the National Dividend is any sum you like, let it be £100 millions a week, then the P-F Cost of the goods put weekly into the consumption market will exceed, by that sum, the P-F Deposits available to purchase them. The total P-F Cost will probably be some multiple of the £100 millions, depending on what the periodic statutory price-regulation factor may be at the time.

So one answer to critics who are afraid of the *size of the Dividend* is to invite them to relate their case to the *size of the Cost*, and to ask themselves: " Is it possible for industry to run up a Cost of so much? "

J. G.

Observations of an Election Agent

By T. H. Nicholls.

IV.

The respective values of " Personality " and " Principle " are always hotly debated in every political group. " Follow the leader " cry one faction; " Stand by the Principle " yell their opponents.

But political history shows that the fall of the great leader is always a calamity to his party, since it is upon a superficial personal popularity that his party holds power.

After the retirement of Lord Beaconsfield in 1880, prior to his death in 1881, the Unionist Party enjoyed but one prolonged period of office, until 1895, and that only by reason of the defeat of Gladstone's Home Rule Bill in 1886.

Similarly, when Gladstone retired in 1893, his party, after a brief period of office, went out of power for over ten years, until in 1905 they began that long period of political dominance, culminating in the personal achievements of Lloyd George. But with his fall came the complete collapse of that party. The greater the leader, the greater the fall.

To attempt to gain the principle on the popularity of the person is always a dangerous expedient, since an indiscreet utterance of that individual may send his stock to zero and the principle with it.

Take a recent glaring instance from the " New Year Message " in *Social Credit*. From this we learn that Labour is a party of long-haired men and short-haired women. What has that to do with Social Credit? Presumably these Labour members are to be approached to sign the famous pledge. Then why close the avenue of approach and add difficulties to the task of a deputation? What does it matter to the Social Crediters what length a member wears his or her hair if with (or without) the aid of it, the principles of Social Credit can make their way to the statute book? Where lay the strength of Samson?

This is the sort of obstacle which often brings a great ideal to nought, when a person, and not a principle, is allowed to dominate a party.

When through force of circumstances a leader finds himself ruling the principles of his party, he must remember that even his most tactful remarks may take a widespread misconstruction. A famous case was the post-war utterance of Lloyd George, when he declared that it was *our* national duty to provide homes fit for heroes to live in. Ever since, he has been the man who *promised* homes for heroes, and in his failure to do something which he merely said ought to be done, much of his political power, and that of his party, disappeared.

For this reason, a party should never consciously bind itself around a person, but should, at all times, place its principles before every other consideration. The time will come when some outstanding exponent of those principles will appear largely in the public mind, and the party divide itself in crying " Follow the leader " and " Stand by the Principles "; but if Social Crediters glean wisdom from the experiences of others, they will stand by the principles, and let any temporary leader pursue alone, into oblivion, the path common to the discredited.

The Theatre.

" Storm in a Teacup." By James Bridie. Royalty Theatre.

This is a really funny story of small-town politics adapted by Mr. Bridie from the German of Bruno Frank. The Provost of Baikie is standing for Parliament and counting on being elected when his plans are blown to bits by the affair of Mrs. Flanagan's dog. This endearing mongrel is under sentence of death owing to his owner's inability to pay for his licence; Mrs. Flanagan makes a personal appeal to the Provost, who refuses to be human and sacrifice a principle. An indignant journalist turns the incident into a first-class scandal, and the play ends with a glorious scene in the Sheriff's court. The women in the cast are indifferent, with the exception of Miss Sara Allgood, who has a riotous part as Mrs. Flanagan. The men are excellent, especially Mr. Ian McLean as the Provost, Mr. Roger Livesey as the journalist, and Mr. C. M. Hallard as the Sheriff. The dog plays his part to admiration, and altogether this is a most successful evening.

M. J.

The Films.

" I Dream Too Much." Directed by John Cromwell. Carlton.

Radio Pictures' unsuccessful attempt to present Lily Pons as a rival to Grace Moore; the little Moore, and how much it is. If there are any stale situations known to the screen that are not included in the film, I must unaccountably have overlooked them. I liked the performing seal.

" Bonne Chance! " Directed by Sacha Guitry. Curzon.

Sacha Guitry's first picture. M. Guitry may be likened to the French Seymour Hicks, and he shares with our actor-knight the characteristic of being more at home on the stage than on the screen. Jacqueline Delubac plays " opposite " the star-director; the film might have been better without him.

" Get Off My Foot! " Empire.

" Rendezvous." Empire.

The first item in the Empire programme is one of those celluloid constructions made by a British producer for an American distributor for quota purposes, and unkindly known in the trade as a " quickie." Honest comment on my part is almost impossible in view of the libel laws, but I may be permitted to express the hope and belief that I shall not see a worse film this year." " Rendezvous "—an affair of international espionage, begins on a fast-moving key, but tails off. It is fairly good entertainment, but " Second Bureau," which has been unusually successful at the Curzon, set a standard for this type of film that Hollywood is far from having emulated.

Postscript.

" Hohe Schule," with that distinguished actor Rudolf Forster, and " Faust," described as the first opera film in colour, replaced " Sans Famille " at the Academy yesterday. Both are Austrian productions that have not been shown to the critics at the time of writing. " Faust " has a cosmopolitan cast, including our Dennis Hoey.

DAVID OCKHAM.

LETTERS TO THE EDITOR.

RAW MATERIALS AS B COSTS.

Sir,—Accepting the division of B costs into the two categories given by Count W. G. Serra in his letter of December 24, 1935, B1 costs would correspond approximately to what the author of "Money in Industry" calls Class II. costs.

These Class II., or B1, costs are not payments at all; they are allocations.

The remainder, the B2 costs, *are* payments. I do not say that they "exist in the form of purchasing power"; they do not. My contention is that, on reaching the stage of final products, they can be met by equivalent contemporary A payments so long as industrial operations are continuous and there is no hoarding or investment of savings.

Theoretically, a complete amalgamation of all productive and distributive industries under one management would eliminate B2 payments and costs altogether, but no amount of amalgamation could reduce the B1 costs. There would be no equivalent contemporary A payments to meet these B1 or Class II. costs so long as industrial operations were strictly continuous, and the existing conventions of cost-accounting obtained.

In order to meet these B1 costs, under the existing system, industry requires to be *more* than continuous; it must expand. It must expand at such a rate that the A payments distributed in respect of the new production will at least equal the B1 costs of the old; and this, in face of the fact that the ratio of B1 to B2 costs is continuously increasing.

A. W. COLEMAN.

ERDINGTON ELECTION.

Sir,—In view of the information contained in the report by "Green Armlet" of the meeting in Leeds of the three S.C. candidates at the last election and the treatment apparently accorded to Mr. Townend prior to that meeting, it is but right, I think, that the fact be recorded that Mr. H. C. Bell, the Erdington candidate, asked for the help of the local Green Shirts in his campaign. Acting on the instructions of our leader, we gave Mr. Bell our sustained co-operation and support.

C. RUSSELL,
Section Leader, Birmingham Green Shirt Section.

"MONEY IN INDUSTRY."

Sir,—I was delighted to see Mr. A. W. Coleman's recommendation of "Money in Industry," by M. W. Gordon-Cumming, as "the soundest and most convincing treatise on Social Credit theory that has appeared to date." I recently spent three years in England (including many enjoyable evenings at the New Age Club) in active pursuit of this elusive Social Credit, but it was not until I had read and re-read "Money in Industry" that my grasp of the theory ever approached being secure.

May I suggest that Maurice Colbourne's "Economic Nationalism," followed by Gordon-Cummings' "Money in Industry," would form an ideal introduction to Social Credit? And that the latter book is the best we have with which to combat the attacks made by Labour economists and others on Social Credit.

G. F. MANDEVILLE.

SOCIALIST IDEOLOGY.

Sir,—Mrs. Best accuses me of evading the issue when I assert that the Labour Party's rejection of the Douglas Scheme is compatible with their aim to Socialise Credit. Mrs. Best's misapprehension rests upon the regrettable assumption of so many Douglasites that "Social Credit" is an invention and monopoly of Major Douglas. Nothing could be farther from the truth, as Mrs. Best will find if she studies sociology. Her horizon badly needs widening.

The "flaw in the price system" so firmly thrust at us by Mrs. Best is irrelevant to the need to Socialise Credit, as the need for the issue of the Social Dividend does not rest upon the validity of the A+B theorem.

I wonder why Mrs. Best agrees with Douglas that insulting the Labour Party is good Social Credit propaganda! The New Zealand election results must have been a blow to them. Personally, I rejoice that many Labour leaders in England, together with large blocks of rank-and-file Socialists and Trade Unionists, are as ardent Social Crediters as I am myself.

Surely this fact, together with the complete absence of contrary evidence, demonstrates the absurdity of Douglas's and Mrs. Best's effort to separate policy from technique. Only the most unpractical theorist could maintain so negative an attitude. When capitalist-finance requires to use consumer-money to cancel bank credit, it will not need to consult Douglas, and it will not aim at Democracy. That is why the Socialists will prefer to use the technique to Socialise Credit that is consonant with their traditional policy.

In view of this I referred to "dreaming Douglasites" because of their amazing thraldom to an idea that Douglasism is the one particular bit of technique which shall contravene all the known laws of evolution and drop whole and undefiled, from a legislature magically purged of policy, upon a united electorate.

It is very necessary to dream before one can create, but it is essential to link one's dreams with historical precedent and to project them into the available material upon which one has to work; they must, therefore, be assimilable by the available material, and Douglasism, in its present form, is not so assimilable. Surely this fact has been demonstrated?

Socialised Credit, like the Socialism of which it is a part, has its roots in the traditions of past democratic co-operative efforts, and only by consistent pursuit of those efforts will economic democracy inevitably be achieved. Douglasism must become amenable to the only mechanism which will work, or it will be superseded by a scheme which can be so worked.

But methinks the lady doth protest too much, and her "loathing" of Socialism is explained by her instant re-action to it by hailing a dictatorship of the Douglasariat which shall prohibit the discussion of "Usury," "Socialised Credit," etc., and which is truly funny in view of the limited size and power of the Douglasariat and the other great economists who are democrats, but not Douglasites, e.g., Engels, Bellamy, Proudhon, Gesell, Kitson, Jeffrey Mark, and many more.

However, I do suggest it will help us all if, as Douglas and Mrs. Best wander alone along "the straight and narrow path of Douglas," they refrain from retarding progress by insulting those of us who follow a wider way. For they will then unite a technique of co-operation with a policy of liberty and brotherhood which is, I believe, the ultimate philosophy of many Douglasites as well as Socialists. It is only by uniting policy and technique that anything ever *happens*.

GLADYS F. BING.

[No more, please! We suggest a Bing-Best debate at the London Social Credit Club.—ED.]

Forthcoming Meetings.

The following public meetings will be held at the Blewcoat Room, Caxton Street, S.W.1.

Feb. 14, 7.45 p.m.—"New Zealand and the Application of Social Credit Principles," by Rev. Kenneth Saunders.

The Social Credit Party of Great Britain.

National Headquarters: 44, Little Britain, E.C.1.

Wednesday, February 12.—8 p.m. Speakers' Class. Subject for discussion: Draft Parliamentary Bill to Equate Consumption to Production in Great Britain.

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