THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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NOTES OF THE WEEK.

"The New Age" and the Movement.

During the last two years the editor of THE NEW AGE has had to shoulder the personal responsibility for performing the following main functions:—

1. Insisting on the truth of the original Social-Credit Theorem.

2. Interpreting current events by reference to the Theorem

and at the same time dealing with the problem of

3. Raising revenue adequate to the continued and efficient performance of the above duties—

4. —and in the face of the competition of other journals circulating within the Movement—

5. —and against a trend of feeling in the Movement (chiefly among newcomers) that political agitation should supersede technical education: which means, in the final analysis, that THE NEW AGE had become a redundant organ of publicity,

and this problem has created another for the editor, namely,

6. To decide whether the continued existence of THE NEW AGE is *in itself* a hindrance to the Movement's progress; or, if not—

7. To decide whether THE NEW AGE should express opinions on the various agitational policies advocated within the Movement, or should hold aloof from them and concern itself exclusively with the two functions first enumerated: and, if it does hold aloof—

8. To consider whether these two functions are being adequately performed by other journals serving the Movement.

As if this were not a sufficiently intricate complex of problems for one person to unravel, there is a deeper problem behind it. It consists in the fact that from the year 1921, when the editor brought out *Public Welfare* as the pioneer Social-Credit organ (afterwards re-named *Credit Power*) until 1934 his interpretation of current events was based on two axioms, one technical and the other political. They were

(a) The inherent deficiency of purchasing power in the financial system.

(b) The inherent impotence of ballot-bax pressure to change the system.

The editor, during those thirteen years of intensive publicity against the Money Power within the frame-of-reference of these two axioms (really aspects of one axiom) had behind him the moral support of all the leaders and groups in the Movement. (It may be noted, by the way, that as far back as June, 1921, *Public Welfare* was laying the foundation of the Movement by promoting and co-ordinating groups—of which there were twenty-five listed in its issue for that month, and forty in the June of the following year.)

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So rigidly were the two axioms insisted upon that not only was the idea of organising electors authoritatively frowned upon, but even the idea of any centralised system of organisation at all. *Unfettered local initiative* was the order of the day, despite dangers of overlapping and cross-purposes which advocates of centralism pointed out. The only element of centralised character recognised was the diffusion from London, through the agency of THE NEW AGE of information calculated to inspire, stimulate, and advise what may be described as the guerilla bands of crusaders who had formed up, and were forming up, in different parts of the country. So much for the axiom governing political strategy.

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As for the axiom governing educational policy, there came a time, about 1928, when there arose a divergence between the editor of THE NEW AGE and some of his closest and most highly valued supporters. It arose from the fact that his policy was to ensure that the potentially ambiguous term "Social Credit" should not come to be divorced from the Douglas Technical Analysis, nor be widened to incorporate philosophic and pseudo-scientific teachings which, however concordant with the spirit animating members of the Movement, tended to challenge the primacy of the Analysis as the thing to be defended at all costs, whether within or without the Movement.

* * *

In taking up this attitude he had in view the object, not only of promoting clarity of purpose among Social Credit crusaders, but of sowing dissension among the financial defilers of the holy places of the economic system. He took the view, which he still holds, that where you have a Monopoly dominated by power-lust, you can do it the most mischief by exposing the secrets of its usurpation of power, its exercise thereof, and—most vital of all—of the unsuspected but subtle way in which the technical flaw in the price system produces economic and social evils from which the Money Monopoly appears to be entirely disconnected as a causative agent. The creeping paralysis of our national economy was to be related, by every means possible in public journalism, to the creeping error in our national accountancy; the creeping error being a remediable one whose continuance was wantonly connived at by the political machinations of the Money Monopoly. The editor's insistence on this concentration of attention on the scientific analysis, was based on the further calculation that as time went on (remember, this was in 1928) evidences of the creeping nature of economic paralysis would make themselves more and more manifest, and would fulfil the prophetic diagnosis of the existence and operation of the causative accounting error.

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The editor, when off duty, was only too ready to recognise the value of the teaching policies advocated by his friends. What he wished to resist was the incorporation of these policies as an integral part of Social Credit itself. They had force, but not dynamic force. They were laudable inasmuch as they were capable of reassuring people who held particular philosophies of life and conduct (whether religious, psychological or sociological) that these philosophies were compatible with, or would be fulfilled by, the attainment of the Social-Credit objective. On the other hand, if comprehensively and persistently sponsored by THE NEW AGE they might easily give the impression that the way to attain the Social Credit objective was to take up the study or follow the rules of these systems of thought.

* * *

An example will make this clearer. In a certain group of which the present editor was a member some fourteen years ago, the leader and host was a keen musician, and his great interest was to get ordinary people to appreciate good music, and, what was more, to learn to appreciate novel vogues in musical composition. Well, the group had not been formed very long before the second part of their agenda was listening to a string quartet; and it was not much longer before the Social-Credit part of the proceedings was hurried through, and the group resolved into a class of musical appreciators. Some of the music, it may be observed, was not appreciated. One night the group were introduced to the composition of some "guy" who patterned his harmonisation on the principle that the notes (reading upward) C, G and D (all naturals) formed the proper outline of a common chord, and, consistently enough, concluded his little piece with a chord of that pattern. One member of the audience (the editor) did not like the music, and said so, baptising that final chord with an opprobrious epithet. This riled the leader of the quartette (and the group) who retorted: "If you are going to say things like that, it's no use your listening," and added something about the necessity for students to educate their ears to keep pace with musical developments. Well, the point of this narration has to do with the question of how this gentleman justified the mixing of Social Credit with musical appreciation. Quite simple: he used to say: "When Social Credit comes in, people will have to use their leisure: there can be no better use of it than to apply it to learning to appreciate good music: so let us Social Creditors start now and build up a musical-appreciative movement so as to be ready, on the great day, to lead the leisured multitude to the 'Promised Land,'" That's the true substance of what he said, and what he seriously meant. (Imagine it: as if A + B wasn't enough without C, G. and D!) The moral is plain. This man would have thought it most valuable for THE NEW AGE to have incorporated his idea in its centralised advocacy; but would it? And so with the other ideas mentioned: they belonged, and still belong, to another order of advocacy than that of Social Credit—which is to say that "Social Credit" advocacy which embraces them is not Social Credit as above defined.

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Now, reverting to the 1928 divergence, the editor, in pursuance of his policy, adopted the plan of deliberately and systematically linking Douglas's name with Social Credit, believing that this was the most effective way of limiting the connotations of the word "Social Credit" within the proper scientific bounds. He was often advised by staunch Social Creditors: "Don't mention Douglas: it puts people off." And there were some who even went so far as to boast: "When I write an article I don't mention Social Credit by name: but *it is there*—between the lines." (Which probably meant that it was between the two stools!) Needless to say, the divergence was real, and its development inevitable. Much as the editor realised the undesirability of this, his conviction

as to his course made it necessary. His friends' opposing convictions were honestly held: and that made his task more difficult. But the difficulty was mitigated by the fact that Douglas himself was unequivocally in favour of the editor's policy, although the editor did not ask him to assume responsibility for it. There had grown up, or "happened," a *modus operandi* under which anything which Douglas wrote for publication went in automatically and under his name, while all editorial matter was left unsigned—the editor preferring to keep anonymous so that what was good in his writing might be attributed to Douglas by the public, and what was bad might be corrected or repudiated by Douglas whether in the columns of THE NEW AGE or confidentially otherwise as the circumstances demanded. Happily, on no occasion up to 1934 did Douglas think it necessary to express his dissent from the editorial matter in THE NEW AGE, either publicly or privately.

* * *

In 1934 came the Buxton Conference at which Douglas announced the policy of the electoral campaign. The announcement involved a direct challenge to the political axiom on which the work of THE NEW AGE had been based for thirteen years. It affirmed that ballot-box pressure could be potentised, and by the efforts of Social Creditors. It also involved an oblique challenge to the other axiom, for it affirmed that the work of potentising ballot-box pressure would be hindered rather than helped by educational propaganda referable to the Social Credit Analysis. This event is alluded to, not for the purpose of criticising Douglas's new viewpoint, but for that of giving readers, to whom has now been presented the background of preceding events, an idea of the perplexities it created in the mind of the editor. For him to be thus told in effect, and without preparation, that the two main polemical weapons of offence and defence on which he had relied with unbroken conviction during thirteen years (during which time he had constantly tested his conviction by observing trends of thought within and without the Movement) had become obsolete was an experience to try the strongest fortitude. Its manner of presentation, no less than its nature, precipitated in his mind an inchoate mass of perplexing dilemmas of which those enumerated earlier in these "Notes" yield only a faint indication.

* * *

However, he had one fixed point from which to start. He had, and still has, an inner conviction that the original characteristic functions of THE NEW AGE are still needed, and a confident belief in his ability to continue performing them. Needless to say, during the last two years, everything he has done has been done tentatively and speculatively. The great difficulty was, and still is, that in running a journal officially condemned as redundant he is, by that act itself, impliedly contradicting the official diagnosis. And there is no way open to him of entering a reasoned justification for this act which does not overtly impugn the official judgment. Added to this is the difficulty that the Movement to-day is so taken up with assessing the theoretical merits and experimental results of actionist policies, that for THE NEW AGE to hold aloof from them would be to place itself outside the Movement. The reason why these matters are gone into is to make readers understand something of the psychological stresses and strains which the editor has had to support, and to make them realise, if they can, that only an intense inner conviction could have enabled his physical and mental health to stand up to the tests imposed on it. If readers have sometimes deplored the tone of his criticisms let them ascribe this not to malice against official leaders but to an emotional reaction to the perplexities created by their doubtless well-intentioned policy. Nevertheless, as regards those criticisms apart from their tone, let them remember that they have been publicly reasoned, and have been directed to officials who possess an organ of their own in which to expose the fallacy of the reasoning.

* * *

The survival of THE NEW AGE for the last two years constitutes a moral triumph. The weight of authoritative disfavour under which it commenced to pursue, alone, its original course under its original colours ought to have sunk it in a month. It is still afloat. It has been preserved from disaster by the loyalty of its readers, known and unknown, who were initially independent-minded enough to give the editor the benefit of the doubt when he declined to alter its course, and who have since seen evidences slowly and surely accumulating that his decision was wise. Their loyalty is being rewarded by their knowledge to-day that it was not misplaced; and if the worst should now happen it will have happened too late to disguise the fact that THE NEW AGE was right.

Financial Guarantees.

But, for that very reason, the worst need not happen, and ought not to happen. Recently the editor received a letter from a correspondent in which he offered to guarantee a donation of £10 a year for three years to THE NEW AGE Trust if two hundred others would do the same, and invited him to publish an announcement to this effect.

* * *

On this offer we may remark that the total sum indicated by it would be very nearly sufficient to enable THE NEW AGE to be distributed gratuitously, or to be enlarged and sold at a low price. We are not concerned however about the size of THE NEW AGE, but about its quality and continuity. We put continuity first. We want to be placed in a position to maintain and increase our weekly contacts with private individuals. Whether we send them twelve pages, eight pages, or (as last week) four pages ought to depend entirely upon whether we can fill those pages without any inflationary padding. And whether we charge them this or that price ought to depend on the ability of the least affluent reader to afford that price. *Continuity of profitable mutual contact is the vital thing.*

* * *

For this, donations are needed. It used to be computed by Douglas and Orage that if you combed the population of Great Britain, not more than 5,000 people could be found who could, or would, read THE NEW AGE with profit. A unique journal addressed to unique people must not look for a large circulation. So it cannot secure an adequate revenue from sales at a flat rate. It must raise extra money in graduated amounts from those who can spare it.

* * *

Again, besides the contacts of THE NEW AGE with its readers, there are its contacts with other journals, and with leaders and executives of Social Credit organisations. That is why, in our announcement last week, we spoke of a "'New Age' Press Association" as distinguished from THE NEW AGE itself. We then indicated what the Association might do (and what, in fact, is being done in a small way at present). It could, for instance, privately distribute information and articles for publication in other journals than THE NEW AGE—matter which our own readers do not need to see but which others will find instructive and stimulating.

For these reasons we confidently call on every believer in the Social-Credit Analysis and Proposals to make THE NEW AGE and the "Association" the first charge on his capacity to render financial support, and forthwith to send in to the editor his guarantee modelled on the same lines as is that of our correspondent, if not identical as to amount. Remember particularly that the significance of the need of THE NEW AGE for this support is itself unique: its difficulty in covering costs by sales-revenue is consistent with its efficient concentration on a necessarily narrow, and therefore, non-popular policy of publicity. It cannot, must not, and need not, seek revenue by "giving the public what it wants." That is a policy which is being tried out by other journals—and the test of the soundness of that policy must be whether they pay their way without subsidies from the Social Credit Movement.

The Films.

"**The Emperor's Candlesticks.**" Directed by Karl Hartl.

The attractive female spy and her masculine opposite number, secret hiding places, documents to be smuggled across the Tsarist Russian frontier, and the threat of Siberia in the background. Here is a mixture that I can never resist, especially if it is so well and so excitingly done as in this new Austrian production, which is as fast-moving in its way as the admirable "Second Bureau." There are certain errors in local colour, notably in the London auction scene, where the buyers, onlookers, and auctioneer himself, complete with mutton-chop whiskers, belong to pre-war Vienna rather than our West End. But this is a trifling blemish in a most entertaining and excellently directed and edited melodrama.

"**Professional Soldier.**" Directed by Tay Garnett.

Also melodrama, or, rather, meller-drammer. Freddie Bartholomew, whose faultless diction and exquisite manners are just too good to be true, even in the role of a Ruritanian boy-king. Victor McLaghlan, swashbuckling with immense gusto, and toying with an 88-pound machine gun, with which he contrives the surrender of some two hundred and fifty well-armed soldiers and the whole of the reactionary ex-Cabinet, George, His Friend, and the Countess Sonia. The operative word is, of course, hokum, but amusing and entertaining enough if you can park your critical faculties for eighty minutes, and believe that revolutions can be brought to a successful conclusion by means of a half-dozen orations to the mob, a proclamation or two, and no bloodshed. It is really grand, clean fun, even if it makes you despair of the mentality of commercial film producers—as the critic does at least once a week.

Postscript.

"Bed and Sofa," Alexander Room's silent picture of 1927 dealing with the then housing shortage in Moscow, is at the Forum for a short season.

DAVID OCKHAM.

"The export trade in vegetable products was particularly important last year, notwithstanding the fact that many tropical fruits are absolutely excluded from some countries, such as the United States of America, under the pretext that they may be carriers of tropical plagues, although in reality said restrictions are enforced with a view to protection of home grown produce."—*Weekly News Sheet*, Mexico City, April 17, 1936.

NOTICE.

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

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

"Credit Power" ("Ex-Corporated").

According to the calendar, by which men count their time, in unison with the solar system, the "new moon" was born on Wednesday, May 20, this year, at 9.35 p.m. Just about that moment "Credit Power" was re-born and constituted thenceforth the instrument of "The New Age Trust (1935)," under the editorship of Mr. James Golder, M.I.Mech.E., of London.

Mr. Golder is a power engineer of North Country birth and Scottish parentage. He was "reared" (as the Americans say) on Tyneside. He escaped the schoolmaster at a very early age, passed through a period of watch and clock making; then a full mechanical and electrical engineering apprenticeship. This was followed by an improvership under the tutelage of the Hon. Sir Charles Parsons (the man who made the "Queen Mary" possible) during the formative period of that great engineer's epoch-making experiments and inventions. He represented the Parsons Patents at home and abroad for some years, and in his capacity as liaison officer between Sir Charles Parsons and his American licensees, he was personally responsible, along with others, for the design, manufacture, and operation of steam turbine power plants, both for marine propulsion and land purposes.

He has travelled on the continent, in South Africa and America; and being for nearly twenty years a Member of the Institution of Mechanical Engineers, he satisfied the council of that body of his independent responsibility for power engineering undertakings.

Independent research work and bitter experience led him to the opinion that human population problems were *inherently* power problems. His first shock was the discovery that there was no such intrinsic relationship between gold and money as he knew by experience existed, for example, between ice, water, and vapour; or coal, heat, and mechanical energy. At that time, being restricted personally by a shortage of money, while there was abundance of water and most other necessities, he travelled in a fog until he came across the evidence given by Major Douglas before the Commission invstigating the renewal of the Charter to the Bank of Canada; and his association with the Social Credit movement dates from an informal meeting at the Institution of Mechanical Engineers about eleven years ago, where he first met Major Douglas.

Intensive study of the works of Major Douglas followed this meeting, which study, in conjunction with experimental research, transformed the aforementioned opinion into a burning conviction. Efforts to enter politics and the Church failed. Then some years of bacteriological and legal researches led to some income but without much advancement.

Though busily engaged in the housebuilding business during the past five years, and still so engaged, Mr. Golder has not ceased to be a close student of comparative law and high finance. He looks forward with confidence to the achievement of peace at home, by an adjustment, in legal form and order, of the error inherent in domestic law, as a condition precedent to world peace now being sought by other means.

He has been granted and has accepted a continuing lease of "Credit Power." It will begin modestly. The first issue will be circulated privately in much the same way (and mainly to the same people) as the begging manifestos of the Trust, but the theme will be changed. A direction of effective action will be adumbrated and explored. Subsequent issues will appear as and when required, according to circumstances.

Current Law and Order.

By James Golder, M.I.Mech.E.

I.

I think it may be written, without fear of serious contradiction, that the publication of this book* marks a very definite stage in the human struggle for Social Credit. Just as the Birmingham debate between Mr. R. G. Hawtrey, of the Treasury, and Major Douglas, the discoverer, marked the release for discussion in official circles of what I like to describe as the Douglas Patents; and just as the election of the first Social Credit Government (in Alberta) marked the final bursting of the Press boycott; so this book, rightly interpreted and faithfully applied, may well mark the release from an intolerable bondage, first, of the few, and then of the many of His Majesty's tortured lieges. *Economic Democracy, Social Credit* and *Credit Power and Democracy* may, with sober truth, be said to formulate in completely intelligible terms the charter of personal freedom. Lord Macmillan's report may, with equal truth, be said, in combination with the above works, to contain the practical means of implementing that freedom.

"If I am irresistibly driven to cleave a moneylender to the chin, the first thing I shall do is to look round for a chopper," writes Major Douglas in his call to action a year ago. If any loyal citizen be driven to the wall by the financial forces of the Crown, demanding money with menaces, threats of dispossession, and all such common unpleasantness, let him look to this book for the material from which an instrument of effective resistance may be forged; and forged, not in defiance of law, *but in its defence*! In short, the Social Credit movement has now been put in sight of the means to make it pay to be a Douglas man.

I knew a man once who couldn't dig, nor yet get work for which he was suited. He was ashamed to beg, so he went to be "something in the City." He learned there how money was made; he knew full well, as we all know, how money is spent. What he did not learn was, *how money is destroyed*! He is now in gaol, on His Majesty's service!

By the aid of "these presents" (to adopt a lawyer's term) it is now possible to locate in the citizen's environment of legal enactments the portion which impinges most heavily upon his direct private and personal affairs. The case-hardened point of that portion is the law of income tax. Here may be identified in modern garb the very ancient Hebraic idea, expressed theologically and paraphrased as the law which lays on one the collective error of all.

In designing any mechanism (and throughout the whole book the law is continually referred to as *machinery*) no engineer worth his salt would rely upon such a principle and call it "law."

The first thing that strikes me in an examination of the opening paragraphs of this book is the utter bewilderment of the committee. It is no metaphor to declare they are in a fog. It would not be an exaggeration to say they appear to be in a veritable morass. It is simple truth to state, the task appalled them. Small wonder their numbers were depleted by death and other causes; still smaller wonder, the committee was augmented and re-constituted more than once. Smallest wonder of all (to minds enlightened by the Douglas analysis) they brought their labours to an end without competing their task.

In the biological cycle of natural order it takes nine moons to make a man. I believe it takes a great many more to make an elephant. I have not yet come to the product of this committee's nearly nine years of labour, viz.: The Bill,† but I have read far enough to see that these honourable, genial, and doubtless well-remunerated gentlemen do not like the look of their offspring. Their task was to codify, clarify, unify, and simplify the law. They admit failure, nevertheless, such as they have, they have given, penalties!

Nature is said to abhor a vacuum, which simply means that natural law tends towards a true balance, and hates disequilibrium. Nature, however, has no objection to a freak! *When men try to unite what nature has separated, the consequences cannot be anything but freakish, a word which aptly describes the present rule of law.

(*To be continued.*)

* *Income Tax Codification Committee Report*, Vol. I. H.M. Stationery Office. Price 8s. net. Command No. 5131.

† A separate volume. Price 4s. 6d.

New Zealand Government.

CREDIT CONTROL PLANS.

An article in *The Age* (Melbourne) of April 16 describes the financial legislation and policy of the Labour Government in New Zealand. It reports that Mr. Walter Nash, the Finance Minister in that Government, is completing plans which will place the Reserve Bank of New Zealand absolutely under the Government's control. These plans are discussed in detail, and they include the following: That the Bank shall finance the Government's policies; that its directors shall be removable at the instance of the Governor-General; that it shall control (under Government supervision) all foreign exchange; that its shareholders shall be paid out. In brief, the Reserve Bank of New Zealand is to function like a department of State.

More interesting than the status and function of the Reserve Bank is the Government's intention to control the prices of New Zealand's exportable products. The scheme takes this form: that the Government will fix prices for these products and buy them outright from the farmers at those prices with credit created by the Bank for that purpose. If the proceeds of sales abroad fall short of the collective amount paid to the farmers, the Government will shoulder the deficit: if the proceeds show a surplus the Government will share it with the farmers, paying them a dividend.

The significance of this scheme lies in the fact that it links credit-control with price-control, thus registering the right of the representative Government to take hold of the economic system at both ends—the exercise of that right being technically an essential pre-requisite to the development of a full Social-Credit economy.

This is not to say that the present scheme, of itself, assures this consequence. All that can be said is that it is a trial-and-error experiment which is consistent with an intention on the part of the Government to bring in Social Credit, and which may contribute towards that end if the Government are alert and competent enough to modify the "trial" promptly upon the appearance of the "error." Happily there are a number of students of Social Credit in New Zealand who are well able to foresee the secondary consequences of the present scheme, and to distinguish between those consequences which proceed from the scheme itself, and those which proceed from acts of obstruction on the part of its opponents, whether in New Zealand or abroad.

Any Government coming into power under the present financial system has to start to get out of it from some point inside. Because of that its first step cannot be expected to embody all the safeguards which Social Credit theory requires. For example, *The Age* professes to foresee inflation in New Zealand as one of the consequences of the present scheme; and so far as the provisions of the scheme go it is impossible to demonstrate that they exclude that possibility. The answer to *The Age* is that there are methods by which credit may be increased without inflation following, and the only questions open are whether the Government is prepared to adopt them, or, being prepared, can be prevented from doing so. *The Age* will, no doubt, remember the occasion when it was prepared to treat Sir Otto Niemeyer as a gate-crasher, but was obliged to change its mind between sunset and sunrise. Well, the Government of New Zealand is exposed to the same sort of pressure to change its policy, or to arrest the development of it, as was exerted on that newspaper.

More Investment Difficulties.

"It is, therefore, I think, incontestable that, either wholly or in part, the purchasing power to pay overhead charges on a scale which is legitimate from the plant owner's point of view does not exist, except in times of wholly excessive capital production or quite abnormal exportation."
MAJOR DOUGLAS.

In an article dealing with some "investment difficulties" published in the issue for March 5, the point was dealt with—but only very briefly—that the sums accumulated by depreciation charges were not hoarded, but were invested in industrial securities so that the money found its way back to consumers at short intervals.

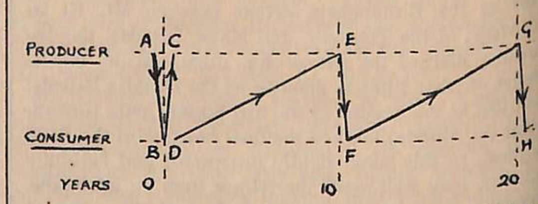
The objection has been stated by a critic as follows: "The money collected in depreciation charges is not hoarded until it is required at the end of ten years to make the replacements; on the contrary, it is used right from the outset. If it were hoarded it would cause a shortage of purchasing power in the market just as would any form of hoarding. That is admitted, but it is not the case here. The firm collecting depreciation charges of £1,000 in the first year may do either of two things. It may use the money to extend its own business and acquire additional equipment, in which case it will have to provide for replacements out of profits, or it may put the £1,000 to reserve and open an investment account. Now in either of these cases the money goes back into industry and returns to consumers in payments for creating new capital assets which do not in this first instance involve a charge against consumers. When the depreciation charges on the latest new equipment have to be paid the same process is repeated, and so on *ad infinitum*. The whole point is that the money collected from consumers is *not* held out of the industrial system, and consequently does not produce the result that the depreciation charges spread over the first replacement period of ten years cannot be paid. As they are collected they are used in the industrial system and in consequence returned to consumers. In effect new capital production is partly financed from this source of depreciation charges, and when the time arrives that the money is required to make the replacements, the investments held by the industrial concern are transferred to new investors and the money put up by them used to make the replacements."

That may fairly be said to represent the orthodox case. It may perhaps be remembered that a diagram was used to illustrate the payments made in respect of capital assets by a firm spending £10,000 of shareholders' invested capital on additional plant estimated to last ten years. The full lines in this diagram represented payments from producers to consumers, or vice versa, according to the direction of the arrowheads on them.

The vertical distance between the two horizontal lines represented £10,000, while the dotted ordinates were placed at ten-yearly intervals along the time base.

The essential portions of this diagram are reproduced in Fig. I., where AB represents a distribution of £10,000 to

FIG. I



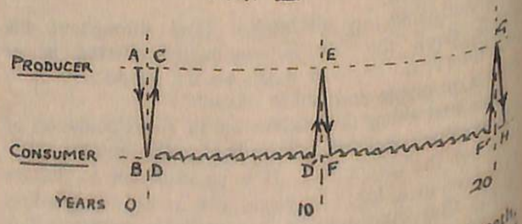
consumers during the construction of the plant. BC represents the payment of this sum to producers by investors (consumers) when they subscribe for shares. DE represents the payment of £10,000, by consumers, in depreciation charges during the first ten years. EF represents the distribution of this sum to consumers during the first renewal of the plant. And so on, for subsequent renewals.

Now, for the sake of argument, it may be admitted that AB and BC cancel out, and that, on reaching point D, neither producers nor consumers have any more money than they had before the capital operations commenced. The line DE shows a sum of £10,000 being slowly abstracted from consumers, and hoarded, until, at point E, producers are £10,000 in hand and consumers are £10,000 short. But, as the critic explains, the depreciation charges are invested at short intervals during the ten-year period, and returned to consumers as incomes.

Now, in order that this may happen, the money *must* be invested in *new* production, either of consumers' goods (in final or intermediate form) or of capital goods. If the money is used to purchase existing securities, it only frees a block of capital in the hands of the vendor, and the chances that he will treat this capital as income, and "blew" it, are remote. He may invest it in other existing securities, and the vendors of these may do the same, but sooner or late a buyer will invest in some *new* concern. Note the words "sooner or later," because it may well be later—months later—before the money is paid out as wages, etc., for new production; and during the period that intermediate sales of existing securities are taking place the money might just as well be hoarded. It is being held out of the industrial system.

However, it will be assumed here that the money is promptly invested in new production, and the money returned to consumers as incomes, via wages, etc., earned in the course of producing the new goods. We then get our diagram modified as in Fig. II.

FIG. II



In this one, from D to D1, we get a series of saw-teeth, the upward lines (left to right) representing abstractions of income from consumers, and the downward lines representing income-payments to consumers for new production; and if the teeth are sufficiently fine the time-lag involved may be neglected when considering a number of such businesses proceeding concurrently.

But at D1 we are held up. Neither producers nor consumers have any more money at D1 than they had at D.

The producers have investment-scrip, but no money; yet, in order to reach point E, they must raise the money by selling the scrip to consumers who have no money to buy. However, there need be no difficulty. This is where a beneficent banking system comes in.

The producers can deposit their securities with a bank, and obtain a loan. This money can be paid to the contractors for replacement of the capital assets. They will pay it out (via EF) as incomes; and consumers, flushed with this relatively sudden flood of income money, will be able to purchase the securities, and the original producing firm will be able to pay off its loan. In theory it can be done; and as we are dealing with theory we must pass on to observe a repetition of this process over the next (FF1) and subsequent periods.

Now let us return to the series of investments occurring from D to D1. We saw that the money had to be invested in *new* production, either of consumers' goods or of capital assets. But if the new production takes the form of consumers' goods, the return of the money to consumers will create new industrial costs in excess of incomes. In this way:—Any income money received by a consumer has a corresponding cost outstanding against it somewhere within the industrial system. and if this money is used to buy *ultimate* products, the cost will be defrayed. If this income-money is taken from the consumer in the form of profits and returned to him again as a dividend, no harm is done except such as may arise from the time-lag; he can still defray the first cost. But if it is abstracted from him as a depreciation charge and returned to him as a wage for making new *consumable* products, then a fresh cost has been added. At the moment the consumer receives the money back in wage form, there are two costs of that amount against it, and he can only defray one.

But if the money, after being abstracted from him as a depreciation charge, is returned to him for constructing new capital assets, owned by a company financed by *non-redeemable* shares, then an additional productive plant has been set up but no new cost against consumers has been added at the time, as the directorate of such a company is under no obligation to return the shareholders their money. (If however the company in question is financed by redeemable bonds or debentures, then a new cost against consumers has been added, if the debt is to be genuinely discharged at the due date.)

So we get this result. If every new business to which the diagram applies is to be self-liquidating (*i.e.*, if all its allocations in respect of depreciation are to be balanced by corresponding distributions of income to consumers) then it is necessary that there shall be continuous construction of *new* capital assets at the same rate as funds are accumulated for the replacement of *existing* capital assets.

But there is more involved in the condition than this. We have seen that the *whole* of the money abstracted as depreciation charges must be invested in *new* capital assets, i.e., spent on plant and equipment. But every new business, after it has obtained its plant and equipment, requires a considerable amount of working capital, and this capital must be *new* money. If it is existing money, put up by investors, it will cause costs to be increased relatively to incomes—as before explained. And *new* money can only be issued as debt.

So the foregoing condition for the self-liquidation of every individual business is the continuous construction of new capital equipment and the continuous growth of debt in order to operate it.

What actually happens is something of this sort. The sums invested at short intervals by each business concern are not wholly used in constructing new plant and equipment. Most of it is so used, but a considerable part is usually set aside as working capital, i.e., it is used to buy materials and pay wages, etc., for final and intermediate products, and so creates costs in excess of incomes. The cumulative effect of this is to bring about trade depression unless consumers' incomes can be augmented faster than the costs which are being created reach consumers' markets. The only way in which this can be accomplished (apart from exports in excess of imports, or accumulations of stocks within industry) is by the construction of new capital assets—either Governmental, municipal, or industrial—financed by *new* money; bank-created debt.

The bulk of this will be funded debt.

In this case, additional new money reaches consumers as wages, etc., for the new capital construction in large amounts spread over a comparatively short time, while the capital costs charged against consumers subsequently are in comparatively small amounts spread over a relatively long period.

But here the capital costs in question are two-fold: Firstly, depreciation charges, as before; secondly, charges for a sinking fund to provide for the redemption of the bonds. These charges will appear in future prices (if possible) and will be invested at short intervals, so that we shall have a similar diagram to Fig. II. except that BC will not exist, the period from D to D1 will represent the term of the bonds, and the diagram will finish at F. Once again, we shall have the same conditions necessary if self-liquidation is to be maintained, viz.: the continuous growth of new capital assets and of debt to the banking system for the new working capital to operate them.

The situation may be summed up by stating that the industrial system and the money system cannot both be self-liquidating. Every attempt to liquidate the money system throws the industrial system into a state of bankruptcy, while every attempt to preserve self-liquidation in industry increases debt and renders the money system non-self-liquidating.

Further, the continual advance of science and invention entails a more and more rapid approach to obsolescence with each new plant, necessitating larger and larger depreciation charges, relatively to capital cost, with each new plant; which means that the preservation of self-liquidation in the industrial system can only be attained by an ever-increasing *rate* of non-self-liquidation of the money system. And we know from the figures provided by the staff of Columbia University, U.S.A., on the growth of world debt, that it is now only a matter of time before bankers will have to adopt a new monetary unit for the measurement of debt comparable with the astronomers' light-year unit for the measurement of distance.

A. W. COLEMAN.

French Comments

"The Japanese cotton goods which go to India to compete with the products of Lancashire must pass between the Malay Peninsula and the Isle of Sumatra, i.e., Singapore, the capital naval base belonging to England.

"The Japanese would prefer to avoid passing within range of the English guns, so they have undertaken to cut a canal in the Siamese part of the Isthmus of Kra. At present the work of the Japanese engineers goes on ceaselessly—like that of the chancelleries of the various imperialisms interested at the Court of the King of Siam

"As for England, apart from the fact that she has strongly reinforced her effectives stationed at Singapore, her agents are endeavouring to 'counsel' the King. Last year King Prajadhipok was manœuvred into a position where he could do nothing but abdicate in favour of a boy of eleven years

"With regard to America, Colonel Jonett (Aviation Counsellor at Nankin) is entrusted with the task of 'inspiring' the Siamese regents.

"Thus the Pacific route is no less congested than that of the Indies."—(*Vendredi*, Paris.)

* * *

"The other day the President of the Reichsbank took the train for Denmark. He stopped at Esbjerg, where he met two bankers arrived from the West. Then he went to Toender, a small town in the new Danish territory of Slesvig, of which he is a native, in order to pass some hours with his friend the German banker Rasch.

" And now it is said in Berlin that the devaluation of the mark is near, and that as soon as it is decreed the National Socialist Government, desirous of minimising the scandal will sacrifice Dr. Schacht. Others will reap the benefit of the operation, which will diminish by one-half the internal National Debt, and will produce such a balancing of the budget as will satisfy the City of London.

" Goebbels is rubbing his hands."

(From an article, " Hjalmar Schacht," in *Vendredi*, Paris.)

* * *

A writer in *Vendredi* (Paris) states that Hitler's coup in the Rhineland was premature. He also alleges that the German army has been equipped by French armament firms subsidised by " National " Leagues and Movements. A second coup is impending: financial panic. This is engineered, with the co-operation of the Bank of France, every time that Left Wing elements attain office.

The following are extracts from the article:—

" The real government dare not make war; they are too prudent to start a revolution, but they can amuse themselves without risk with financial ruin. Holding in their hands the private and public fortunes, masters of gold and credit, they can at will let loose panic and terrify the small investor—their eternal dupe.

" These tactics have always succeeded, and they will succeed while their adversaries respect their privileges. But this time a premature attempt may well arouse the suspicions of those who are to be deceived.

" It is dangerous for the effect to precede the cause. The success of the Popular Front* is not expected until a month's time, but already the real government—too hurried this time—wish to make it flower artificially while it is yet a bud. A dress rehearsal is on, but it is extremely clumsy thus to reveal that the whole thing is a play, with all the illusions of the theatre.

" If one wishes to ascertain the cause of such a fundamental and surprising tactical error on the part of those who are not usually clumsy, it will be found that fear alone is capable of provoking such a loss of nerve."

* This article appeared in the issue of *Vendredi* for April 3, 1936.

LETTERS TO THE EDITOR.

A MESSAGE FROM RHODESIA.

Sir,—I have recently been sent by Mr. F. J. Gould, of Ealing, London, whose writings are well known to Social Creditists, a copy of the February number of the Canadian " Douglas Social Credit," which contains an article, " The Physical Measure of Monetary Cost," culled from THE NEW AGE.

The article purports to be a mathematical problem presented to " intelligent school boys," and the data starts with " a block of sugar weighing 1,000 lbs. (all natural resources)."

Any intelligent schoolgirl would have pointed out that sugar is a secondary product, produced by the expenditure of time and energy, from the primary product, sugar-cane, which is a natural product increased by cultivation. [True, but irrelevant.—ED.]

Recent legislation in Southern Rhodesia is based on controlling and restricting primary production of natural products in order to raise prices, so that producers shall receive more money, without any regard for whether children go short of the necessities of life. The increasing needs of a growing child are the epitome of the needs of a progressive nation, and the fundamental problem of the monetary system is: how can increased natural production be distributed to a growing nation?

The latest suggestion that the National Dividend shall be paid to all children is a step in the right direction. (The original Douglas Theory was that it should be paid to all adults over twenty-one years of age, and I was one of the first to point out that, unless it were paid to all children, the larger the family, the poorer it would still remain.)

The data continues, " a man (all men) chipping it into the form of a statue (all property) and feeding himself on the chippings (all consumption)."

The statue would represent culture, and the man's labour would be service for which he would be entitled to live on the " chippings " or secondary production.

If a National Dividend is given to all persons, will the professions become voluntary service? instead of being, as now, a means of redistributing natural production through payment of fees?

Salisbury, Southern Rhodesia. HELENA ADDIS.

" INVESTMENTS AND PRICES."

Sir,—I suggest that the reply to Mr. J. A. Franklin's question " as to whether the prime cost of capital assets enters into prices against consumers " is both Yes and No—depending on (1) the terms of issue of the share capital, and (2) whether the capital is subscribed by consumers out of incomes, or by producers out of profits.

(1) If the share capital has been subscribed for Ordinary or Preference shares, then the directorate of the company is under no obligation to return the shareholders their money. Consequently, there is no compulsion, so far as the rules of accountancy are concerned, to charge the " prime cost " into future prices. As regards that other compulsion—the " propensity to liquidity "—dealt with by Mr. A. W. Joseph in his letter in your issue of March 12, I will say nothing.

But if the share capital has been subscribed for any form of bonds redeemable by a certain date, then the directorate of the company must arrange for a sinking fund which will enable it to meet its obligations to the bondholders at the due date, and it must charge the " prime cost " into prices and set the sum aside out of what it would otherwise regard as profits.

(2) If the capital is subscribed by producers out of profits, then this " prime cost " must have been charged into *past* prices, otherwise the producers could not have obtained it from the profits. It is true there will be no need to charge this sum into *future* prices unless these producers are investing in other businesses than their own and subscribing for redeemable bonds.

As to what proportion of the total capital assets of Great Britain—Governmental and municipal, as well as purely industrial—has been financed by issues of redeemable bonds, I confess I do not know, and I should be glad if Mr. Franklin or any of his accountant friends could tell me. But I would hazard a guess that it is probably well over a half, and in all such cases these prime costs must be charged into prices.—Yours faithfully, A. W. COLEMAN.

Forthcoming Meeting.

London Social Credit Club.

Blewcoat Room, Caxton Street, S.W.

May 29, 7.45 p.m. " What is Wrong with Social Crediters," by Mr. M. B. Reckitt.

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