

# THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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## NOTES OF THE WEEK.

### Message from John Hargrave.

The following cable reaches us at the moment of going to press:—

Proposals embodied in Report signed by planning committee and accepted by caucus technically sound, but any confidence I had in Aberhart and Cabinet finally shattered at Cabinet meeting held January 22. I issued statements to Press stating this fact January 25, and left Edmonton for Ottawa. Have worked in purely private capacity throughout, declining to accept payment services or expenses. Majority Alberta Social Credit Party and Members Parliament desire real Social Credit, and should be supported, but Aberhart Government incompetent and irresponsible. Impossible to co-operate further with it.

HARGRAVE.

### Constitutional Speed-Limit.

Any careful student of real politics ought to be able to see that quick-motion progress on sound technical lines would have exceeded the Constitutional speed-limit in the built-up area of monopolistic financial prerogatives and privileges. Even if a speed-limit had not been prescribed in the Constitution, it would have been introduced therein—and in point of fact the Canadian bankers commenced to introduce one in the form of their proposed Loan-Council legislation directly they saw trouble ahead regarding the payment of interest on Alberta's external debts. When you have poor little investors constantly crossing the roads on their innocent visits to banks, insurance companies and stock exchanges it stands to reason that drivers of legislative vehicles must not be allowed to swell the toll of road-deaths by speeding up for the pleasure of their electoral passengers! No; this traffic-problem must not be allowed to get out of hand, or the incensed mothers and fathers of the slaughtered innocents might be tempted to take the law into their own hands!

### The Case of Premier Lang.

It will be remembered that something of this sort began to develop in Australia when Premier Lang was in the driver's seat of the New South Wales legislature—there were threats of secession, and these threats were backed by the surreptitious distribution of arms and ammunition to middle-class citizens whose prejudices had been worked up by bankster agitators and whose consciences had been put into training by bankster bishops. "Inflation," declared the Archbishop of Melbourne, was a "danger threatening moral and religious life;" it was, he declared on another occasion, "a misguided hoax and a dishonest falsehood." It does not need much of this sort of thing to set peaceful citizens pulling triggers with a good conscience. There were dark hints passed by Constitutional jurists that Lang's property might be confiscated and he himself imprisoned if he carried out his intention to exceed the speed-limit imposed on heterodox reforms.

### The League of Nations and Austria.

No; quick-motion progress against the Money Monoplists means ultimately quick-firing guns barring the way to their assailants. And there could arise circumstances in which the Albertan Government might find itself in the same position as the Spanish Government, faced not only with revolt by Albertan irregulars, but with attack by Dominion regulars who would be sent in ostensibly to restore law and order. This is by no means a far-fetched idea, as those readers who remember the suppression of the Austrian bread-subsidy experiment by the League of Nations will recognise. The League was preparing to send an armed force of its own into Austria to overthrow the so-called Communist Government and to over-awe the citizens of that country into peaceful submission to the withdrawal of the subsidy and to its repayment through taxation.

### Subsidies and Sedition.

That the League was wise from its own point of view in making these preparations is self-evident in view of



the fact that in Britain, in 1926, the discontinuance of the comparatively small subsidy of £20,000,000 to the coal-mining industry precipitated the General Strike, and that the cutting down of the dependants' allowances known as the "baby's shilling" precipitated the Invergordon Mutiny. It is true that a distinction can be drawn between the miners' subsidy and the babies' allowance, for the first was provided by bank-creations of credit whereas the second was provided out of taxation. But there was not, nor is, any difference fundamentally between the two. The reason is connected with the existence of what is called the Floating Debt. The Floating Debt of course represents and measures Floating Advances of bank-created credit. These Floating Advances are obviously a General Subsidy granted by the banks to the Government, and, through the Government, to the people. The total amount of this General Subsidy is approximately equal to a whole year's Budget-expenditure. So it is true to say that reliefs provided by the Government through the Budget are just as much a subsidy to the beneficiaries thereof as if they had been directly provided by the banks without being included in Budgetary appropriations. This will be clear if you consider that if the baby's shilling, having been raised in taxation, had not been paid to the baby, the Government would have been obliged to repay it to the bankers in reduction of the Floating Debt. For Governments are not allowed to retain surpluses of fiscal revenue over expenditure. So the baby got its shilling (before the cut) because the bankers refrained, as an act of grace, from demanding it. It is as if they said to the Government: We authorise you to extract the shilling from the taxpayer and pass it to the baby, and we will forgo demanding it until further notice. Well, the further notice was given subsequently and the shilling was cut off. What became of the shilling? Did it constitute that much relief to the taxpayer? Well, if it did, that only meant that the bankers were content to let the taxpayer benefit by the continuance of the General Subsidy instead of the baby. But in point of fact the cutting of the shilling took place either because the bankers actually called it in against the Floating Debt, or, if not, had decided that it should be spent in another direction, say as a part of the financing of slum-clearance or armaments, or any other purpose which the bankers chose to approve.

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It stands to reason that since the bankers are preferred creditors of the Government to the extent of practically a whole year's revenue from taxation, there is no item of Budgetary expenditure which is not provided by the virtual renewal of an outstanding Floating Advance, i.e., a General Subsidy. Whether it be the miner's dinner-basin or the baby's feeding-bottle makes no odds—they are both suspended on a string of debt held in the bankers' hands: and can be hoisted out of reach "on demand or short notice." The Budget?—it is merely a knot in the string.

#### Bankers The Sowers of Sedition.

It needs little reflection to see that this subsidy-regulation in the hands of the bankers is the ultimate source of breaches of the peace. There is a direct causal relationship between Subsidies and Sedition. According to how freely or otherwise subsidies are granted, and to how fairly or otherwise they are distributed, so will the task of preserving public order vary in difficulty. Under the present system of private

control subsidies are neither freely granted nor fairly distributed. In fact they are unfairly distributed precisely because they are not freely granted. In the piping times of the Great War when the nation was being cumulatively subsidised to the tune of seven thousand million pounds, and champagne was the staple beverage on Throgmorton Street, even the stingy capitalist did not insist on imposing a means-test standard of wages on his employees. True, he waited for them to kick up a dust and threaten to strike—that was a natural propensity—but he forked out the cash when challenged, and even the traditionally low-paid miner got a margin to buy a piano (some miners bought several if we are to believe the newspapers at the time). We do not forget that there were other reasons, such as the imperative necessity to keep production going continuously, but this does not invalidate the point that the ability to live begets the disposition to let live. The cash was certainly not divided fairly, but the unfair shares were certainly not niggardly.

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It was not until peace came and the subsidies were discontinued that signs of internal disorder made their appearance. The bankers knew, of course, that their deflationary policy would stir up sedition, and that they would have to apply it circumspectly. Passing over the interval until the present time it will be noted that the bankers have begun to grant subsidies more generously. The immediate effect of their inflationary finance will be to make comparatively easy the task of devolving on the Government of preserving law and order. It postpones lawlessness among the people. But it does not do so indefinitely. For technical reasons (based on the bankers' own axioms of "sound finance") a limit must be placed on the duration of this inflationary finance. When that limit is reached, the task of preserving law and order will become more difficult. Mr. J. M. Keynes's articles in *The Times* recently are symptomatic of anticipation of troubles of this sort ahead—although we do not say that he had these troubles in mind when he was writing. His immediate concern, it will have been noted, was to urge upon the Government and the bankers the necessity for preparations to be made during the present boom to avoid a subsequent slump.

#### Mr. Keynes Fears Abrupt Slump.

We will digress for a moment to point out that Mr. Keynes's suggestions seem to be based on the equivalent of some such proposition as this: That the way to avoid falling off a ladder is not to climb it; or that the way to mitigate the injury caused by falling off is to mount as few rungs as possible. One of his suggestions is that some of our present expenditure should be debited to revenue, i.e., recovered in taxation. That is to say, the people should use part of the bankers' subsidies to repay the bankers. That is the same thing as suggesting that you climb up five rungs of the ladder and descend two rungs, so that when the bankers push it over you can stride off instead of falling off. Well, the essential factor in any boom is that the people are using bank-subsidies and not returning them. To the extent that they return the subsidies through taxation to that extent they mitigate the boom. To the extent that they forgo the joys of the boom they escape the sorrows of the slump. Mr. Keynes has apparently convinced himself that in the midst of booms we are in slumps, just as it has been said that in the midst of life we are

in death. For his proposals amount in principle to saying that if we forgo the means of life during life we shall lessen the shock of dying when death comes. Happy are they that are born dead for they shall not feel death! In economic terms, if you would escape slumps do not go in for booms. We do not mean to suggest that Mr. Keynes is so absurd as all this. The absurdity no doubt arises from his reticence. To put his case fairly, so far as he takes it, he suggests that while the present phase of the boom continues the Government ought to be thinking out programmes of production which can be put into operation when symptoms of a slump begin to appear. But it is of no use for the Government to think these out unless it can count on getting the money to operate them. The fact is that when symptoms of a slump appear they will have been caused by the bankers' decision to cease financing the boom, or at least to cut down the amount of their subsidies. Less new credits will be coming out into circulation while interest on subsidies previously issued (and maybe a proportion of the principal as well) will be collected out of circulation at the same time. In that case where is the Government going to get money for the programmes to mitigate the slump? So far as we can see, only from the bankers. Hence the only practical sense that we can read into Mr. Keynes's suggestions is that he is indirectly hinting to the bankers the advisability of their financing a Boom No. 2 to mitigate the Slump emergent from the winding-up of Boom No. 1. Both as an economist and a humanitarian he doubtless feels that the gradient from prosperity to adversity must not be too steep—not nearly so steep as rigid adherence to "financial prudence," as the bankers understand it, would require. He is probably thinking that the amount of credit being absorbed in re-housing and re-armament is too large to be continued for other purposes when these purposes are fulfilled, but hopes that at least the bankers will finance new purposes sufficiently generously to prevent disemployment on a large scale. Well, he need not disturb himself. The bankers have got all these things sized up already. Without alleging undue callousness against Mr. Keynes or economists in general, we may presume that if the ending of the present phase of the boom is not attended by disorder he and they will infer that the condition of the working-classes is tolerable to them, and will be satisfied with the mitigating measures (whatever they may be) which have brought about that happy result. We are all of us ready enough to admit the existence of people who squeal before they are hurt, but we are apt to ignore the existence of people who are hurt but don't squeal. In our lazy way we comfort ourselves (when we think of the matter at all) with the reflection that unless people break out into violence their condition of life cannot be intolerable.

#### Re-Housing and Registration.

This brings us back to the question of the foundations of the present boom—re-housing and re-armament. Both these objects of expenditure, whatever other purposes they serve, facilitate the task of the Government in disciplining the people to the acceptance of conditions which can be truly described as intolerable. This is obvious in the case of armaments. It is not obvious in the case of re-housing. But it is true. For the clearance of people out of the slums into blocks of tenements (or flats, to be courteous) has been like a clearance of rabbits from a warren into a compound. The slums may have been unhealthy places to live in, but they

were healthy places to hide in. They provided bolt-holes through which persons could escape from the financiers' ferrets. They could interpose, so to speak, the lease-holder, and the free-holder, of the slum property between themselves and an officious officialdom. By choosing the status of lodgers at call or short notice they could flit about like overnight loans from one place to another, thus preserving the secret of their identities and histories. That is all over now. They have been numbered and ticketed, some through the process of being mortgaged, and others through that of filling up questionnaires when renting their habitations. Practically all of them are in direct contact with public authorities. Even those who have not signed up as purchasers or renters of habitations are caught in the latest regulations for sub-letting. To all intents and purposes they are ticket-of-leave people whose names, circumstances, and sources of income are variously registered by municipalities, gas-electricity-and-water authorities, and by the highest authority of all, the Inland Revenue; not to speak of the quinquennial census and the annual revisions of the electoral register. To sum the situation up shortly, everybody is registered in the "Bankers' Who's Who" of taxable and actionable entities.

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Again, the herding of hundreds of people into one tenement destroys the privacy of each. Every tenant is known to at least some of the others, and his comings and goings observable by them. If any one of them is "wanted" by the police there are always plenty of witnesses to assist the search. Further, supposing a time of emergency, it would require only a few police to besiege a block of tenements, whereas to besiege a slum district would have required almost as many police as there were persons to be besieged. The usefulness to the authorities of this facility can be imagined in the event of an emergency of such critical nature as to impel the authorities to prevent the assembling of people in the streets. The police could stop the assembly at its sources by blockading the tenements.

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Some of these suppositions are fanciful, but they serve to illustrate the direction of developments connected with the bankers' housing-policy. It is not necessary to suppose that the purpose of the bankers in launching their rehousing schemes was to bring the lower orders under stricter scrutiny and more effective coercion; but it is nevertheless a consequence of their policy, and one of which they would not hesitate to take advantage if the occasion arose.

#### The European War Hoax.

Then, turning to armaments, we are seriously entertaining the theory that all the war-talk in the Press of this and other countries is a gigantic hoax designed by the Central Bankers to assist the political Governments in diverting public attention from domestic affairs wherein, of course, reside the main clues to the root cause of their troubles. We are far from being convinced that their troubles are contemplated by any Government. We are inclined to the belief that this re-armament competition is encouraged and financed by the Central Bankers because it puts every Government in a stronger position to deal with insurrections within its own borders. Physically and morally it establishes the ascendancy of each national ruling authority. While the German workers are making bombs for Hitler to drop on Frenchmen, how are they to know whether, when Hitler has collected enough, he won't hold these as a threat to



themselves should they venture to seek redress of their grievances? And the same question can be put to the workers in every country, including our own.

It is important to remember that there is a good as well as a bad side to the growing immunity of Governments from interference from below: It ensures that no such thing can happen as a Government's being driven into war against its judgment by popular clamour, whether fomented by newspapers or spontaneously arising out of events. And since the judgment of Governments is the judgment of Central Bankers, who are fundamentally opposed to war, their immunity makes for peace. The risk of war lies in the contingency of an economic breakdown in some country or other. But the measure of that risk is inversely proportionate to the measure of the power of the Central Bankers to prevent that breakdown. Students of Social Credit know that technically they can prevent any economic breakdown anywhere by the issue of subsidies. They can buy peace with new credits; and if they choose to break away from their obsolete principles of administering credit they can ensure peace permanently.

Since they are in close, continuous contact, and are served by a perfect intelligence-system it is beyond belief that an economic breakdown in any country could proceed to the length of precipitating war before they could intervene to avert it. The real risk of war, in our judgment, lies in the contingency of a clash between the Central Bankers themselves. For if the two parties could not reconcile their differences, they could certainly not settle the issue by creating and issuing credits against each other. They, who can save others by extending credits, could not save themselves by the same means. Both parties would be obliged to procure armed forces to settle which of them should emerge as the dominant influence in world policy.

### The Worth-While War!

But what could they fall out about? It could only be one thing, and that is on the question whether the time was ripe for the technical principles and the economic objective of Social Credit to be adopted and pursued. As is pretty well known, we are fatalists, and we insist that the announcement and proof of the Social Credit Analysis and Proposals in 1919 released a complex of influences which made their acceptance inevitable. The Social Credit Movement, with all its wit and energy, is only one of those influences. It represents, as it were, only a few of the cells in a ferment of regeneration silently working in the meal of high-political philosophy. Just as Paradise was lost through the eating of the fruit of the Tree of Knowledge of Good and Evil, so will Paradise be regained through the same act.

The apparent impotence of the Movement frets us not a whit. Nor do the apparent mistakes of those who are trying to hasten the coming of the New Economic Order. They cannot fail, for they are fighting with the Fates, not against them. The Fates are like so many steps on an ascending escalator, not a descending one. And that thought should inspire every member of the Movement in the midst of his recurrent moods of doubt and discouragement.

In this optimistic spirit let us come down to brass tacks, in other words to the frame of circumstance in which the Province of Alberta has to attempt progress.

That frame of circumstance is embodied, in its legal aspect, in the British North America Act. Below are the material sections which apply to the problem. The first shows what powers belong to the Dominion and what powers to the Provinces. (Typographic emphases are our own.)

## British North America Act, 1867.

### DISTRIBUTION OF LEGISLATIVE POWERS.

#### Powers of the Parliament.

91. It shall be lawful for the Queen, by and with the advice and Consent of the Senate and House of Commons, to make laws for the Peace, Order, and Good Government of Canada, in relation to all Matters not assigned exclusively to the legislatures of the Provinces; and for greater Certainty, but not so as to restrict the Generality of the foregoing Terms of this Section, it is hereby declared that (notwithstanding anything in this Act) the exclusive Legislative Authority of the Parliament of Canada extends to all Matters coming within the Classes of Subjects next hereinafter enumerated; that is to say,

1. The Public Debt and Property.
2. The Regulation of Trade and Commerce.
3. The Raising of Money by any Mode or System of Taxation.

#### The borrowing of money on the Public Credit.

4. The borrowing of money on the Public Credit.
5. Postal Service.
6. The Census and Statics.
7. Militia, Military, and Naval Service and defence.
8. The fixing of and providing for the salaries and Allowances of Civil and other Officers of the Government of Canada.

#### Beacons, Buoys, Lighthouses, and Sable Island.

9. Beacons, Buoys, Lighthouses, and Sable Island.
10. Navigation and Shipping.
11. Quarantine and the Establishment and Maintenance of Marine Hospitals.
12. Sea Coast and Inland Fisheries.

#### Ferries between a Province and any British or Foreign Country or between two Provinces.

13. Ferries between a Province and any British or Foreign Country or between two Provinces.
14. Currency and Coinage.
15. Banking, Incorporation of Banks, and the Issue of Paper Money.

16. Savings Banks.
17. Weights and Measures.
18. Bills of Exchange and Promissory Notes.
19. Interest.
20. Legal Tender.

21. Bankruptcy and Insolvency.
22. Patents of Invention and Discovery.
23. Copyrights.
24. Indians, and Lands reserved for the Indians.
25. Naturalisation and Aliens.
26. Marriage and Divorce.
27. The Criminal Law, except the Constitution of Courts of Criminal Jurisdiction, but including the Procedure in Criminal Matters.
28. The Establishment, Maintenance, and Management of Penitentiaries.

#### Such classes of Subjects as are expressly excepted in the Enumeration of the Classes of Subjects by this Act assigned exclusively to the Legislatures of the Provinces.

And any Matter coming within any of the Classes of Subjects enumerated in this section shall not be deemed to come within the Class of Matters of a local or private Nature comprised in the Enumeration of the Classes of Subjects by this Act assigned exclusively to the Legislatures of the Provinces.

#### Exclusive Powers of Provincial Legislatures.

92. In each Province the Legislature may exclusively make Laws in relation to Matters coming within the

Classes of Subjects next hereinafter enumerated: that is to say—

1. The Amendment from Time to Time, notwithstanding anything in this Act, of the Constitution of the Province, except as regards the Office of Lieutenant Governor.

2. Direct Taxation within the Province in order to the raising of a Revenue for Provincial Purposes.

3. The borrowing of Money on the sole Credit of the Province.

4. The Establishment and Tenure of Provincial Offices and the Appointment and Payment of Provincial Officers.

5. The Management and Sale of the Public Lands Belonging to the Province and of the Timber and Wood thereon.

6. The Establishment, Maintenance, and Management of Public and Reformatory Prisons in and for the Province.

7. The Establishment, Maintenance, and Management of Hospitals, Asylums, Charities, and Eleemosynary Institutions in and for the Province, other than Marine Hospitals.

8. Municipal Institutions in the Province.

9. Shop, Saloon, Tavern, Auctioneer, and other Licences in order to the raising of a Revenue for Provincial, Local, or Municipal Purposes.

10. Local Works and Undertakings other than such as are of the following Classes:—

(a) Lines of Steam or other Ships, Railways, Canals, Telegraphs and other Works and undertakings connecting the Province with any other or others of the Provinces, or extending beyond the limits of the Province; (b) Lines of Steam Ships between the Province and any British or Foreign Country;

(c) Such Works as, although wholly situate within the Province are before or after their Execution declared by the Parliament of Canada to be for the general Advantage of Canada or for the Advantage of Two or more of the Provinces.

11. The Incorporation of Companies with Provincial Objects.

12. The Solemnisation of Marriage in the Provinces.

13. Property and Civil Rights in the Province.

14. The Administration of Justice in the Province, including the Constitution, Maintenance, and Organisation of Provincial courts, both of Civil and of Criminal Jurisdiction, and including Procedure in Civil Matters in those Courts.

15. The imposition of Punishment by Fine, Penalty, or Imprisonment for enforcing any Law of the Province made in relation to any Matter coming within any of the Classes of Subjects enumerated in this Section.

16. Generally all Matters of a merely local or private Nature in the Province.

Readers have now before them material for forming a picture of the problem that has to be tackled. The sections of the Act here reproduced constitute a juridical cross-word puzzle. Section 91 seems to reserve for the Dominion all the powers that can be exercised. Yet Section 92 seems to reserve some powers for the Provinces. Hence the two sections seem to be mutually contradictory. The juridical puzzle is to isolate and evaluate the overlapping area, or fringe, of contradictory powers in a sea of Dominion powers. Remembering that the B.N.A. Act which defined and distinguished these powers is seventy years old, there is scope for investigating whether there has been, so to speak, a process of erosion diminishing the area and altering the configuration of the island. If so, the fringe of erosion will be the focal point of legal disputation. And the dispute would centre round the question whether the provincial islanders had the right to reclaim the ribbon of foreshore that had been submerged by the sea. What size and shape was assigned to the island in

1867, and what size and shape is to be assigned to it to-day? Can Alberta (or any other Province) place a construction on the terms of the Act on which may be legitimately based effective measures implementing a Social Credit policy for the benefit of the Albertan people? It is antecedently possible, because, although there were high-financial crooks behind legislation seventy years ago, they could not have foreseen the developments that have taken place since, and have possibly left loopholes in the drafting of this legislation. We are not qualified to explore that possibility, but there are people who are. There may, indeed, be some of them among readers of THE NEW AGE—and that is partly the reason why we reproduce the section of the Act in question. If so, we hope that they will take a hand in the game. In fact, the greater the number of people who interest themselves in the subject the better, whether they are trained in the law or not. For in the interpretation of Constitutional law factors are embraced which would be excluded from the interpretation of ordinary Statute law—factors on which the layman is as good an authority as the lawyer. Moreover, the greater the publicity accompanying the arguments relevant to the present issue between Alberta and the Dominion, the less scope afforded to the bankers for out-manceuvring the counsel for Alberta by tricks of juridical strategy and dialectics. Fundamentally Social Credit is an open challenge; and there is no phase of action or argument appropriate to it that need, or should, be wrapped up in secrecy.

Reasons of space prevent our elaborating the subject further this week. We shall have other opportunities later.

## The Theatre.

"Climbing." By Marten Cumberland. Embassy. The essential sanity of the village idiot is a theme which has inspired some of the highest flights of our bar-parlour story-tellers. In Mr. Cumberland's hands it supplies both comedy and an implied criticism of things as they are. Which was the craziest: half-witted Willie, who stayed up a tree for one hundred and forty hours on end; the publicity a tree for one hundred and forty hours on end; the publicity merchants who rushed to exploit this unprecedented feat; the public whose credulity and craving for novelty made such exploitation possible; or the financial system which makes large-scale advertising necessary? Willie undertook his historic climb because he wanted to fly, and climbing was the next best thing. It was lucky for his family that the impulse came when it did, for on the very day of Willie's triumphant descent from the branches his father was discharged by the Vito-Nervo people, after eighteen years in their service. When the publicity merchants arrived Willie's wandering wits were sharp enough to stick out for the highest possible terms, while little Mr. Baker, after a life-time's submission to fate, realised that now he had nothing to lose, and turned on the Vito-Nervo people with startling effect. It is one thing to tell funny stories about half-wits, and another to portray them on the stage. Mr. Skelton Knaggs, as Willie, roused the majority of the audience to shouts of mirth, but his knowing imbecility was distasteful to some of us. Miss Katie Johnson and Mr. Andrew Leigh, as Mr. and Mrs. Baker, held our sympathy throughout the play, Miss Johnson carrying several scenes almost entirely on her own shoulders. Mr. Hugh Metcalfe made a brief but most effective appearance as a flash "author-journalist," and Miss Molly Hamley Clifford, as Mrs. Baker's vulgar sister, gave a glorious exhibition of comedy timing. Mr. Aubrey Dexter, as a commercial magnate, contributed a rich and memorable study of shallow bonhomie and fishlike guile.

ANDREW BONELLA.

## Forthcoming Meeting.

LONDON SOCIAL CREDIT CLUB.

Blewcoat Room, Caxton Street, S.W.1.

Friday, January 29, at 8 p.m. "Banking," by Mr. R. Thomas.



## The Unsaleable Surplus.

### WHAT TO DO WITH IT.

The latest device for disposing of unsaleable goods stands revealed in a suggestion that the Government are considering a plan for acquiring millions of tins of preserved foodstuffs and burying them in caches distributed in different parts of the country. The idea is that these secreted stores will constitute an insurance against food-shortage in time of war. A writer in one of the newspapers points out that the food will "keep" all right, complacently adducing an instance where tins were opened after being sealed for 86 years, and their contents found to be still "fresh." Impressive—is it not?—to think that science can now make perishable consumables last as long as permanent capital.

However, in its military frame of reference the suggestion is sensible enough. If there be a real risk of Britain being starved out then the wisdom of hoarding food is unquestionable. And there is this to be added, namely that if food, or any other form of real wealth, is beyond the capacity of the population to buy for immediate use, it is more sensible to bury it inside the country than to send it outside. For when real wealth is exported, not only is the country exporting it deprived of the benefit of it, but the importing countries are strengthened by it both in terms of economic and military resources. There is no form of real wealth that cannot serve military purposes directly or indirectly. So if war is threatening all exporting ought logically to be prohibited, and importing encouraged. Of course we are all familiar with the saying that "we must export to import," meaning that we need to exchange things that we can make in excess of our requirements for needed things that we cannot make so abundantly or cannot make at all. But we are familiar also with the saying that "we live by our exports," meaning that we must export more than we import. The two sayings are fundamentally irreconcilable. Either it is right to give something for something, or to give something for nothing. But it must be one or the other: not both.

The statement that we live by our exports is self-evidently false in the realistic economic sense; but it is true in a capitalistic financial sense. For example, take a loaf of bread to represent exports, and let us assume that the cost of it is sixpence. If you export the loaf and import no other article in exchange, you obviously do not "live on" the transaction—in fact you would die by it if that loaf were all there was to eat. But supposing that you mustn't eat the loaf without paying the sixpence, and you haven't got the sixpence, and if the only way to get sixpence is to export the loaf, then by exporting it you will be richer in money by that amount, and you can "live on" this export in the sense that you can now buy sixpennyworth of something inside the country which otherwise you could not have bought.

But a snag now appears. It is this, that by exporting the loaf you diminish the quantity of things on offer in the country, while you increase the amount of money demanding those things. The inevitable consequence, under the existing "law of supply and demand," will be that the collective price of the now diminished quantity of things rises to the same amount as the price of the previously undiminished quantity. In other words your new-found sixpence will not buy anything more. So you do not live by your export. That is to say you do not consume any greater quantity of things as

a consequence of exporting the loaf than you would have consumed without exporting it.

Nevertheless, there is a truth embodied in the phrase: "We live by our exports." But it is a different truth from that which the phrase appears to mean. It is this: that by exporting the otherwise unsaleable loaf, sixpence appears in the country which wouldn't have appeared otherwise. But, as just shown, the sixpence is absorbed by the industrial system in the form of increased prices. It is now handed to the banking system in repayment of a bank-loan, whereupon it is destroyed. So far it would seem that it doesn't matter whether the sixpence appears or not. But it does: and the reason is that unless it appears, and accrues to industry, industry defaults on the loan, with the consequence that industry is forced to stop production and go into liquidation.

So "we live by our exports" in the sense that unless industry can sell abroad everything that we at home cannot buy (because we haven't got sufficient money) industry ceases to make anything at all; and so we "die" by our failure to export. That is the logic of the financial system. Really it is the logic of a cabalistic phantasy under the hypnotic influence of which people misuse things in obedience to misleading figures. They are deceived into thinking that it is worth while parting with sixpennyworths of things in exchange for tokens of purchasing-power called sixpences; whereas in truth they part with valuable wealth in exchange for valueless tokens thereof.

## The Warren Theorem.

A few years ago Mr. Warren pointed out that if all business enterprises were to be merged into one Combine, their present payments, each to others, for materials and service would not need to be recorded as purchases and recoverable costs. In terms of the A + B Theorem, this Combine could not incur "B" costs because there would be no external business organisations from which it could purchase anything. It could only incur "A" costs, that is, it could only buy services rendered by individuals.

From this axiomatic premise Mr. Warren proceeded to the final conclusion that if any payments were made by such Combine other than "A" payments, they could only be payments made by the Combine to itself! So far this conclusion is foolishness. But it begins to be intelligible if a time-factor is introduced. For there is a sense in which the Combine can pay money to itself and call it a cost if you conceive it as winding up its affairs at regular intervals and starting again. For at such intervals it would possess material assets having a monetary-cost value, and it could transfer these assets to itself as a reconstituted Combine. That is, Combine No. 1 (the earlier Combine) could sell out to Combine No. 2. On this line of reasoning Mr. Warren concluded that what are called "other organisations" would now be the Combine itself in another period of time.

Students of Social Credit will follow the reasoning more easily than others because they are aware of the fact that the operative financing of production and consumption by industry is at present punctuated by external interferences proceeding from the controllers of loan-credit—i.e., the bankers. These interferences consist of bankers' demands for the repayment of loans. These demands are made at comparatively short intervals. These intervals are only a fraction of the intervals between the beginnings of processes of production and the final deliveries of the finished products to consumers.

It has been estimated that the average interval during which consumers have possession of money proceeding from loans by the banks is something like two months, whereas the average interval between the construction and destruction of real wealth relating to the loans is at least several years. But no matter what the ratio may be, the fact remains that the banks demand each loan back from industry long before industry is ready to deliver to consumers all the real wealth to which that loan relates and whose cost that loan measures.

So industry has to arrange its accounting to provide for repayments to the banks when demanded. It has to set up a system for collecting money from private individuals supplementary to that of selling them goods outright. It has to borrow from its potential customers.

Now this supplementary system is, in principle, nearly the same as the process known as "winding up" or "going into liquidation." The only difference is that industry is not ceasing operations. The "winding up" is an interim process carried out with the object of re-commencing business with a new loan. In fact the "winding up" is a condition of going on. Unless a loan is repaid on demand, no new loan is forthcoming.

This can be partly illustrated by reference to a single enterprise. A farmer borrows say £100 which he must repay to the banker in a fortnight. He pays it out to himself and labourers, and sows mustard-and-ress seeds and carrot seeds. At the end of the fortnight the mustard-and-ress is up and ready to eat, but the carrots won't be up for a further ten weeks. The cost of sowing being the same for both kinds of seed, the cost of each crop can be put down as £50. Suppose that he sells at cost. He sells the mustard-and-ress, which is now consumed, and has £50 to repay the banker. To get the other £50 he is obliged to borrow it on the security of the carrots. He can now repay the banker in full. At this moment he has, to all intents and purposes, gone into liquidation. He has disposed of all his assets as a business proprietor, and as such, stands in exactly the same position as he did before he commenced operations.

Now, in a perfected credit system the banker would enter this second £50 as a suspended credit in favour of the farmer, and be ready to re-issue it to him after ten weeks when the carrots were ready for consumption. When the time arrived the farmer would draw the £50, distribute it to himself and labourers, and they would buy the carrots, and the farmer would get back the £50. This money would be of no use to him as a consumer, for there would be nothing left to buy for consumption. It would only be of use as working capital. So the question whether the banker had re-issued the £50 as a gift or as a loan would be practically immaterial to the farmer and all concerned provided that he could rely on the banker to lend him as much as he required to commence another cycle of operations. (Of this more later.)

The bankers' accounts could be posted up on the principles illustrated below:—

<i>First Stage.</i>	
Loan:—The bank is owed by the farmer.....	£100
Deposits:—The bank owes the farming community	£100
<i>Second Stage.</i>	
[The mustard-and-ress sold.]	
Loan:—The bank is owed by the farmer.....	£50
Deposits:—The bank owes the farming community	£50
<i>Third Stage.</i>	
[Money borrowed on the carrots.]	
Loans:—The bank is owed by the farmer.....	nil
Deposits:—The bank owes depositors .....	nil
<i>Fourth Stage.</i>	
[Suspense Account Opened.]	
Loans:—The bank opens a forward debit against the farmer in the sum of .....	£50
Deposits:—The bank opens a forward credit in favour of depositors in the sum of .....	£50
When the carrots are up, this Suspense Account becomes an operative account. The farmer draws the £50 and is	

debtor to the banker in respect of that sum until he has distributed the money to the community gratuitously, and recovered it in payment for the carrots.

NOTE.—The banker has not got to know who the depositors are when he credits them in the Suspense Account. He can call them "The Farm Community." It is the farmer who can identify and pay them—for he has (ex hypothesi) borrowed from them. This illustration presents an economic cycle of six fortnights within which the carrots sown at the beginning of the first fortnight are consumed at the end of the sixth. In the meantime of course a second economic cycle would have commenced in the second fortnight, ending with the seventh, and so on, assuming that the banker issued a new production loan of £100 every fortnight to replace the loan repaid.

If this went on long enough there would be seven such economic cycles in progress at any given time, each overlapping the next by a fortnight. But each can be seen to be distinct from the rest, and complete in itself under the conditions assumed. However much the total money in circulation got tangled up, so to speak, from the viewpoint of the community concerned, it would be bound to straighten itself out at the farmer's and banker's end. Nobody would need to know what particular batch of money belonged to any particular item of consumption; nor would it matter if the money got "crossed" as between the cycles—for the processes of lending, repaying, and pricing would have been co-ordinated to effect the complete successive clearances of consumable things as and when they became ripe for consumption.

And now let us isolate the first cycle and consider the significance of the £50 shown to be left in the hands of the farmer when he had sold the carrots. It has been shown that for all practical purposes the £50 could have been issued to the farmer as a consumption-loan, in which case the farmer would repay it. And everything would be satisfactory because (ex hypothesi) the farmer can raise a production-loan of any amount he likes to start on the next cycle of operations. The reason why the situation is satisfactory is that although the £50 is a loan, it is used to finance a gratuitous distribution of goods to consumers. And so it is merely an academic question whether the £50 is called a gift or a loan. The essential fact is that the community do not want to keep the money; they want the goods; and when they get them they are content to pay the farmer, and he is content to return the money to the banker.

But now let us suppose that the carrots are not going to be consumed, but are going to be left in the custody of the farmer. In that case he does not need a consumption-loan. At the end of the first fortnight, after repaying the £100 loan, his accounts will show him to owe the community £50 and to have carrots valued at £50. We may suppose him to close that account—let us call it the First Fortnightly Account. He now opens a Second Fortnightly Account, and into that account he transfers the liability and asset. He thus enters figures in the Second Account reflecting actual transactions happening in the First Account. The Second Account appears to show that those transactions have taken place in that account. It wears the same appearance as if he had bought his asset with money circulating in the second period instead of with money circulating in the first period. In other words he appears to have transferred money circulating in the second period back into the first period.

Now, this apparent transfer is equivalent to the hypothetical "B" cost which we have considered our hypothetical Combine to pay to itself. It is a figment made to look like reality by a trick of accountancy.

Notice; the liability cannot be discharged in the second period because the asset cannot be realised in that period (or any future period). For the total money issued for use in the second period is needed for the repetition of the operations and transactions of the first period.



## Oil.

By Arthur Brenton.

[Second and concluding part of "Oilfield" parable commenced in THE NEW AGE of January 14.]

E.—Well, I think you are as competent as I am to make a suggestion.

S.—I don't think I am. I've never —

E.—Now don't be in a hurry. Give yourself time to reflect.

S.—Well; give me something to start on.

E.—Yes, I'll do that. Bear in mind the thing to be accomplished. This is that every day we ought to be able to get all the oil that we tap. The amount of oil we get depends entirely on the tapping. Nature provides the oil, and the only way in which we can fail to get more is by failing to strengthen the tapper. But, you have seen on the oilfield that the problem of sinking wells gave no difficulty at all. On the contrary, it was the ease with which those people could sink wells that caused them trouble. So you must begin by assuming that there can be as much oil to-morrow as there is to-day, and that in all probability there will be much more.

S.—So that is why you have pictured a row of barrels increasing in size along the row?

E.—Quite right. Now I'll give you a start. We will suppose that on Monday we introduce our banker, and he prints and lends us, say, ten tickets. We break open the smallest barrel as best we can and get ten gallons of oil. Having got the oil we repay the tickets to the banker. As he would term it, we have *bought* the oil, and have paid the price of one ticket for each gallon.

S.—I see, our tickets are worth a gallon each. So I suppose on Tuesday we shall borrow twenty tickets so as to buy the twenty gallons.

E.—Yes, if you like. But why not the ten tickets?

S.—Well, I suppose so . . . But it looks to me as if it doesn't matter how few or how many tickets we use.

E.—Nor does it in principle. How can it? For whatever number we use we get all the oil.

S.—Yes, I see. The only difference on Tuesday would be between having 10 tickets and getting two gallons for each, and having twenty tickets and getting one gallon for each.

E.—Yes. We could fix the purchasing power of a ticket at one gallon, and multiply the number of tickets accordingly, or we could fix the number of tickets and leave their purchasing power to expand as and when we tapped the larger barrels.

S.—Do you see any advantage in either plan?

E.—Yes. I should prefer the principle of letting the purchasing-power increase. In this particular illustration it would not matter, because we have assigned a definite quantity of oil to each barrel and know beforehand what quantity we shall have available. For example, seeing we know that when we tap the barrel on Tuesday we shall get 20 gallons, we are able to make use of 20 tickets if we like and call them 1-gallon tickets. But supposing we were going to tap a barrel of *unknown size*; we should not know how many tickets we wanted.

S.—We could guess beforehand, and get some more afterwards.

E.—Yes, but if we guessed too high we should have to tear some up afterwards. Not that it matters, except that it is unnecessarily troublesome. By adopting the other plan we should not have to guess what was in the barrel. When we had tapped it, it would tell us how many gallons our tickets were worth.

S.—Well. I must say, going by this illustration, that I don't see any difficulty at all in consuming all our oil under a ticket system. In fact, I can't conceive how we could help doing so unless —

E.—Unless we decided we wouldn't, eh?

S.—Quite.

E.—Now, this brings out an extremely important fact. The designing of a ticket system is nothing. The problem is bound up with *what you wish it to do*. The whole trouble that you have witnessed arises from the single fact that whereas all the employers and workpeople on the oilfield want to get more oil they are using a ticket-system expressly designed by their banker to prevent their getting more oil.

S.—But why don't they tell the fellow to alter it?

E.—Because they believe that his system is the only one that will get them what they want.

S.—But how can they possibly be such fools when their actual experiences point so plainly —

E.—Ah, because from the age of four, they are educated

into distrusting the natural significance of such experiences. Tiny children are taught: Waste not, want not.

S.—Does that mean: if you waste, you want, or does it mean: don't waste what you don't want?

E.—You can take your choice. Either meaning conveys the suggestion that it is a most difficult thing to replenish wastage. . . . Well, in time the child is taught: Don't waste what you *do want*. This sounds paradoxical, but by that time the child knows something about the use of tickets; so the injunction means to him: Don't waste tickets by spending them on what you want. The insinuation is introduced to the child: How much nicer it is for you to *know* you can buy sweets than for you to *have* sweets: you do see, don't you, that to-morrow's sweets are ever so much sweeter than to-day's? And the child, meaning *no* with his heart, says *yes* with his lips. In a year or two he is so accustomed to contradict his heart that it ceases to protest, and he becomes unaware that he means anything but what he assents to. So, by the age of, let us say, twelve, he is more or less cheerfully buying red tickets with his white ones. These red tickets are called by another misleading name, "savings certificates"—as though the child's white tickets were not themselves the safest savings he could have. . . . But I need not go on. You will see for yourself that by the time these children leave school they are, both in theory and practice, upholders of the banker's ticket-system. Think of it!—the children's white tickets being taken and used to cap oil-wells and put their own fathers out of jobs!

S.—Yes, I see how this could happen. So you mean that if we had been trained like this we might decide not to divide up all the oil in those barrels?

E.—Yes. And more than that. We should be obliged to because it would be the banker who made the decision. We should not know that he had, because he would not have told us so. His decision is embodied in the rules of the ticket system; and in carrying out those rules we should automatically renounce the extra oil.

## LETTER TO THE EDITOR.

"A + B + C."

Sir,—I think I might possibly make my position clearer to Mr. Coleman if I state that I am seeking to establish: (1) That in respect of any article which is put upon the market industry seeks to recover in price more than it has up to the time of marketing distributed either directly or indirectly in purchasing power in respect of that article; (2) that in these circumstances, and providing no expansion in credit conditions takes place, a deficiency in total purchasing power against the total prices claimed must inevitably result; and (3) that credit expansion can only temporarily improve the position, as such expansion in no way modifies the underlying principles of the present system, which will eventually smother the benefits accruing from the expansion.

If Mr. Coleman will examine these three propositions which I have stated broadly and with a disregard of factors which affect the position but do not fundamentally change it, I think he will appreciate the bearing of my argument upon his thesis, which it seems to me is conclusive on one point only. It is admittedly a different approach to the problem from that which he has adopted, and does not claim to establish a comparison between the volume of prices and the distribution of incomes at any given time, for which, so far as I can see, no sufficient data are at present available. But I think it can be definitely stated, upon the basis of the propositions advanced, that there is an inherent tendency in the present system for prices to outrun purchasing power, that this tendency can only be temporarily stayed under credit expanding conditions, and that there is no escape under the system as it stands from the familiar and disastrous cycle of alternating periods of trade recovery and depression, in which recovery has no higher merit than that of lessening the degree of depression.

L. C. J.

## NOTICE.

We shall publish next week a proposal from Mr. James Golder which reached us too late for this week's issue.—Ed.

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