

# THE NEW AGE

INCORPORATING "CREDIT POWER."

ORGAN OF THE NEW AGE SOCIAL CREDIT SOCIETY

No. 2342] NEW SERIES Vol. LXI. No. 13. THURSDAY, JULY 29, 1937. ANNUAL SUBSCRIPTION TO THE SOCIETY 30s.

## CONTENTS.

	PAGE	PAGE
BANKS AND THE COMMUNITY . . . . .	65	SOCIAL CREDIT: TECHNICAL THEOREM RE-STATED . . . . . 67
Goods-train shunting analogy—inflation-deflation dilemma—inertia-momentum deadlock.		Accounted Cost and Recoverable Price—the Co-efficient of their Relationship.

## BANKS AND THE COMMUNITY.

### THE LOOSE COUPLINGS OF THE ECONOMIC GOODS-TRAIN.

#### Mechanisation in Agriculture and Degradation of Food—The Blight of the Marketing Board.

Have you ever stood and watched an engine attached to a goods train travel ten yards before the last truck moved? And when the engine stopped have you seen the last truck pick up the ten yards? For that is what happens to a train when it consists of sixty trucks, and the couplings allow of a linear slack of six inches each.

Such a train is a working-model of the finance-capital system. When the engine moves forward—let us say "inflates" its speed—you hear sixty successive clangs all down the train as the chains are pulled taut. And when the engine stops—"deflates" its speed—you hear sixty successive bangs as the buffers of the trucks collide.

The resemblance is the more striking when you realise that when all the pairs of buffers are in contact, and the engine starts, it only pulls its own weight for six inches, then the added weight of No. 1 truck for the next six inches, and then the weight of an extra truck every six inches until truck No. 60 receives the final tug. Indeed you have only to conceive a train of sufficient length, and the engine would be brought to a halt under full steam before the last truck had moved. And such a train would closely parallel the present system. A closer parallel might be provided if you imagined the train to be standing on a circular set of rails of its own length, in which case the engine would be coupled in front of truck No. 1 and coupled behind truck No. 60. The parallel would be closer because the spectacle would border on the ridiculous. For the present system is essentially ridiculous. You would then see your engine alternately moving forward and stopping (perhaps reversing) along one section of the circle while a number of trucks along the opposite section would never move. In physical language, the inertia of the trucks collectively would be greater than the energy of the steam. That being so, it would not matter where the engine was placed—whether between trucks Nos. 1 and 60 or between trucks Nos. 29 and 30. The train would behave just like a concertina would do if it were pushed at one end and pulled at the other and held stationary in the middle—a concertina simultaneously "inflated" and "deflated" and therefore (to adopt the terminology of our ineffable bankers) "reflated."

But the parallel of the straight train will serve our present purpose. For we can regard the engine as the source of credit-power, truck No. 1 as quasi-public enterprise, truck No. 2 as trusted private enterprise,

truck No. 3 as independent private enterprise, and so on down through organised labour, unorganised labour, casual labour, until you come to means-test leisure in the last truck of all. These trucks, in their order, represent degrees of remoteness from the prime source of credit, and therefore diminishing degrees of initiative, and finally diminishing degrees of economic subsistence and security.

Again it may stimulate your ideas if you consider the couplings as representing credits—their tautness representing extensions, and their slackness contractions, of the credit, along the chain of economic processes. If the clangs, or the bangs, down the train are to be avoided, the engine must never start moving, or if it does start, it must keep moving, without slackening speed, in the same direction in which it starts to move, forwards or backwards. Only thus can the financial drivers of the engine prevent "the kitten's farthing's worth of milk" being jerked out of the saucer in the means-test truck at the end of the train.

Does this picture not correspond with the bankers own warnings, such as: that inflation creates the technical necessity for more inflation; that more inflation creates the political necessity for less inflation; that less inflation is technical deflation; that deflation creates the technical necessity for more deflation; that more deflation creates the political necessity for less deflation; that less deflation is technically inflation?! In short, that the train only stands safe when the engine stands still! The stationary engine is the perfect reflationary engine!

This exhibits the bankers' chronic dilemma. If they adopt a forward policy of credit-expansion they are compelled to slow down by the progressively increasing weight of inertia as the class-trucks behind feel the pull. If they slow down, they now have to resist the momentum of the moving trucks.

Those behind cried forward  
While those in front cried back.

A few weeks ago the Directors of the London Passenger Transport Board in truck No. 1 had to get out and hurry down the train to see what was the cause of the inertia behind; and they found that the busmen on truck No. 40 had discovered a hand-brake and jammed it on. Speeding up, they said, gave them train-sickness, and so what about it? Meanwhile the truck was sullenly sliding and throwing up sparks from the rails. Well, the difficulty was temporarily got over. The foreman of



the truck, Mr. Bevin, protested that he had not authorised the jamming on of the brake, and eventually the blokes wot did it got wot for.

But other trouble is brewing along this hind section of the train. Prices are rising, but wages are not keeping up with them. The trucks of the economic system are getting loaded with the added weight of unsaleable surpluses, and their increasing inertia will eventually haul the engine back. There are credit-time-lags between the trucks, so that while there is a glut of credit in front there is a scarcity behind. The bomb trade booms, but the bootlace trade bursts.

This time-lag in responsiveness to the primary credit-stimulus is due to the combined operation of the wage-system and the pricing-system. This dual system prevents wages from rising and at the same time taxes them through prices. It is true that wages have risen in collective amount recently, but chiefly because a greater number of workers have been employed. These workers have stopped drawing the dole and commenced to pay unemployment insurance. These items must be added together, and the total subtracted from the wages now being earned. Against the margin left you now have to compute the total tax on wages generally which is disguised in price-advances against wage-earners. It is not possible for us to do this, but the probability is that the figure would disclose a positive decline in collective real-wages.

#### Inflation and Degradation.

Real wages, be it noted, are an index not simply of how much you get for your money, by weight, length, or volume, but of the quality of the things that are measured out to you. Degradation of quality is exactly the same thing as short measure. Your wages and the prices you pay might remain unchanged, but if quality is degraded, then Inflation is in operation, and you are a victim of it. For example, a pair of corduroy breeches may cost only half, or maybe a quarter, what it did a generation ago; but look at the stuff! The old corduroys you positively couldn't wear out. By the way, when the shopkeeper got a fresh batch in, the whole village knew it by the smell, due to the fact that to cure and harden them properly they have to be dressed with dog-excrement (the naturally desiccated types we may point out to anybody who thinks of reviving this old-time process).

But coming to the basic necessities of life, there has been slow degradation of all sorts of foodstuffs. It starts right back at the time when mechanical transport and tillage, and inorganic fertilisers, commenced to displace horses and scrap lime-kilns. We have often told the story of the Devonshire farmer who treated a meadow in plots with various fertilisers and then sowed it all over with one variety of grass seed. When the grass was up, the old boy said: "Now we'll see what these here sheep have to say about them new-fangled powders." And they did—unanimously and cogently. They sniffed their way to the plot that had been dressed with lime and dung, and when they had cropped it down to the soil they still tried to crop it some more, remaining entirely oblivious of the grasses all around them standing a foot high and waving solicitations of patronage. Degradation of grass is degradation of the flesh formed from grass; and the Almighty has given animals a sharper instinct for knowing what to put inside them than seems to be possessed by our present fish-and-chips generation.

#### The Case of Milk Products.

Then as concerns cream and butter. Last week we tried to track down some of the Cornish butter that we used to eat when young. We wrote to a relative—the wife of a farmer. We specified: butter made from cream made by scalding new milk. Can we get it? Well, the prospect looks remote. Obstacle No. 1: Most farmers are under contract to sell all their milk to a milk-pool.

Obstacle No. 2: Those who make cream use centrifugal separators. Some mischievous body called a Travelling School has been pushing this system on to the younger generation of farmers. It may have its merits as a saver of room, time and trouble; and therefore of cost. Nevertheless it is a degrader of the product. It extracts from the milk elements which should remain there, and it forces them into the cream where they should not be. Those elements, which would have been food in the milk, are poison in the cream. Heat is the natural separator. Under its influence what belongs to the milk stays in the milk, and what belongs to the cream goes into the cream. Make butter with that cream, and you get a stable, cool, partly translucent product which becomes neither soft nor rancid even in the hottest weather. Butter made from separated cream is softish, warmish and opaque. When honestly made (i.e. without admixtures with vegetable fats) it will pass muster—so long as you do not remember the real article! At the same time it is, relatively speaking, a degraded butter.

Degradation runs through all stages forward from its origin: first the soil, then the grass, then the cow, then the milk—and then this unnatural whirling asunder of those constituents which nature has joined together. Vegetables, meat, milk, butter, cream and cheese are not comparable to-day with the things known by those names before the mechanisation of agriculture set in. Things of quality are still to be found here and there, but the logic of mechanisation is exterminating them.

Our one compensation for degraded milk-products appears to be cheap buttons! We overheard a country-man saying to somebody the other day: "Why, you're wearing on your waistcoat what you ought to have in your stomach." If was his way of making the point (whether true or not we do not know) that milk-constituents are made into buttons at the expense of the milk. It is probable however that these articles represent the utilisation of surplus milk.

#### Consumers and Marketing Boards.

Now, to come back to our inquiry about butter; we are going to follow it up. From conversations we have had lately we have found that this topic is vitally interesting to many of our chance acquaintances. Readers will not need reminding that it is intimately related to Social Credit, and they will find it a fruitful relaxation from expounding monetary theory (which is not always acceptable to listeners) to make and keep up contacts with people who are keen on this food business. In the last fortnight we have made casual contacts with six people who have given us their names and addresses asking us to let them know if we are able to find a source of supply for the real butter, stating that if they can get it the price is no object. On the basis of this experience we have no doubt whatever that any small farmer who revived the old process could dispose of his output direct at a good profit in spite of the cost of carriage. There remains, however, the snag of legal and commercial restrictions such as have grown up with marketing boards. But that is primarily what we want to find out about, for if this obstacle is verified it will provide us with a peg for effective propaganda. At the present moment we are reduced to waiting while our relative writes to a certain "dairy instructress" asking her if she knows of any farm where they can (or may) make the best butter with liberty to put their own price on it! Do we live in Merrie Wonderland?! In the meantime will any readers who catch on to this idea write us or make contacts on their own account? They will see that the injunction "Demand Results" will appeal with particular force when the Results are defined as Quality of Product, and when the people who want them are willing to pay for them, as in this case. It is one thing for the economic system to sell second-grade articles in default of first-grade prices, but quite another for it to confess its inability to deliver first-grade articles at any price at all. Along this line we see a chance of mobilising consumers

as an auxiliary hostile force to the already unrestful producers against the evils of centralised market-organisation. Of course there will emerge the triangular problem of reconciling the interests of the boards, the producers and the consumers; and it will appear to be insoluble; but that is just where the Social Credit expositor and agitator gets his cue and comes on the scene with the remedy. However, we must first mobilise interest in the problem itself from the consumers' end. And, as already described, the awakening of such interest is comparatively easy.

#### Disabled Investors.

Now that we are touching on the subject of Social-Credit political action we want to revive our old tribute to the long-suffering private investors, without whose generous, though involuntary, losses of capital the general body of consumers would be worse hit than they are. We like to toy with the fancy of seeing, on every anniversary of the founding of the Bank of England, a sort of March Past of Disabled Investors, limping between lines of cheering consumers. Of course they would not turn out—and precisely for the reason that they had been cleaned out: for no gambler likes it to be known that he guessed wrong. However there could be a faked march by, say, members and supporters of the Social Credit Party. Condemned as they are to relinquish their uniforms for the variegated mufti of comparatively impecunious private citizens, they would automatically fill the roles of investors who had seen better days and operated on worse tips. Banners could be carried with devices challenging the non-investing slackers lining the route: "We Keep Your Home Fires Burning"—"What Did You Do In The Great War?"—"Had You Fallen In When The Bottom Of The Market Fell Out?"—"Our Disablement Was Your Discount." Then, the procession might mount on a travelling bier the semblance of a "Coffin of the Unknown Operator." To get a Scotland-Yard *visa* it might be well for a lady in white to carry a placard in front bearing the legend: "Aren't Our Police Quite Too —?"

This sound frivolous; but there is a good deal in the couplet:

Laugh, and the world laughs with you,  
Weep, and you weep alone.  
and it is certainly true that ridicule and reprobation can be made to polarise each other by those who know how to do it.

#### Electors and Polls.

Now let us turn to the manners of electors. The *News Chronicle* of July 6 gave an interesting combined analysis of the voting in the batch of eleven by-elections previously held. It appears that the electorates numbered 626,657, and the total polls 319,877, giving a voting proportion of 51 per cent. The highest single proportion was 71 per cent. (N. Bucks) and the lowest 37 per cent. (Ilford). Two other percentages were under the 40 mark (Chertsey and Kingston). The person contributing the analysis draws a moral. It is that "Oppositions" ought to unite in a "Progressive Front." Yes; but when the Progressive Front turns round to seat itself in Office you see a Reactionary Back. Scratch a Communist and you find a Fascist; and the same veneer of deception is spread over all the political parties who stand any chance of getting into power through popular endorsement. "They are like the beasts that perish; yea, they all have one breath": and it is the breath of the Bureaucrat and the Despot. Our own pseudo-Democracy is Communo-Nazi-Fascism with an alibi. And it would appear as if half the British electorate had smelled this out.

#### Forthcoming Meetings.

##### LONDON SOCIAL CREDIT CLUB.

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

July 30, 8 p.m. "A Business Man Looks at Social Credit," by Mr. A. F. Anderson.

## Social Credit.

### Technical Theorem Re-Stated.

[Note. This is a somewhat hastily written exponential exercise. Readers are invited to point out errors or omissions, but should bear in mind that the main purpose of it is to emphasise the identity of the term "Social Credit" with its original significance as connoting the nature and cure of the Flaw in the Price System. Its secondary purpose is to create some measure of confidence (not to offer a complete demonstration) that the Social Credit remedy can unfasten the economic deadlock and put an end to poverty.—Ed.]

Social Credit is the name given to the theorem that, under the existing system of financing production, the cost of goods ready for consumption is greater than the quantity of money in the consumption market. The Social Credit Theorem can be expressed in its simplest form thus:—

$$AC > RP$$

meaning that Accounted Cost is greater than Recoverable Price.

The proof of this Theorem establishes, further, a mathematical relationship between AC and RP, and the complete Theorem can be expressed thus:

$$AC \times \frac{c}{p} = RP$$

This means that AC is greater than RP in the proportion in which p is greater than c. The term p stands for Production and the term c for Consumption.

This means that taking any two successive periods, if total Consumption is less than total Production in the earlier period the Recoverable Price of goods for consumption will be less than their Accounted Cost in the second period. So that, in order that all the goods can be sold in the second period, consumers must be provided with extra money sufficient to enable them to meet the Accounted Cost. By valuing (in the same unit of measurement) Consumption and Production in the first period the ratio between the two values enables one to ascertain what proportion of Accounted Cost must be met by the provision of extra money to consumers.

Thus if  $AC = £12$ ,  $c = 3$ , and  $p = 4$ , then  $RP = £9$ , and  $£3$  must be given to consumers so that all the goods shall be sold. Alternatively the  $£3$  could be given to the sellers on condition that they allowed it off their price. In other words consumers must be paid a Dividend of  $£3$  to supplement their earnings, or retailers must be paid  $£3$  to enable them to allow consumers a Discount of that amount.

This Dividend or Discount can be directly measured by the formula

$$AC (1 - \frac{c}{p})$$

as will be seen from the token figures just used: thus—

$$£12 (1 - \frac{3}{4}) = £12 \times \frac{1}{4} = £3$$

It is only when production has exceeded consumption in the earlier period that a Dividend or Discount factor can be calculated and applied in the next.

In modern industry production always exceeds consumption in any given accounting period. One reason is that in any such period a balance of products is brought in from the previous period carrying an Accounted Cost, whereas no money to offset it is distributed to consumers in the later period as earnings. For the earnings represented in this Accounted Cost have been collected and cancelled in the earlier period. Another reason is that, apart from the products brought in, the new production taking place in the later period bears an Accounted Cost greater than the earnings of the consumers who make it. For earnings (i.e., wages, salaries, and dividends on investments) are never more than a fraction of the total Accounted Cost entered up by the industries which pay out these earnings.

Thus, in the later period there are two categories of Accounted Cost.

1. Brought forward from earlier period.
2. Entered up in later period.



Against item No. 1 consumers receive no money at all. Against item No. 2 they receive less money than the cost entered up.

This does not mean that the amount of item No. 2 is wholly additional to that of item No. 1. Rather, they overlap—that it to say the excess of Accounted Cost over incomes under item No. 2 is largely due to the Accounted Cost brought forward under item No. 1. In other words industry, regarded collectively, buys from itself (!) in the later period the products brought forward from the earlier period, and debits the amount to consumers as a first charge on their current earnings. Since these earnings are being wholly entered as costs of current production, they cannot buy all the products. AC is greater than RP.

The idea of industry buying anything from itself sounds ludicrous. But it is true. The reason why it does not appear to happen is because industrial accounting is carried on by thousands of separated firms who are each buying things from each other and entering the cost against consumers. (For all costs have eventually to be paid by consumers if they are to be defrayed and leave industry out of debt.) The collective consequence of all these inter-business transactions is exactly the same as if an all-in industrial combine bought its old surplus products from itself and entered the amount as a cost to be recovered from consumers.

The much discussed "A + B Theorem" exhibits an epitomised cross-section of this process. It declares, and truly, that every business enterprise is simultaneously entering up more costs than it pays out earnings to consumers. The excess, which is designated B to distinguish it from earnings, finances transactions which do not yield any earnings whatsoever to consumers, transactions which amount in principle to the buying-from-itself accounting-figment just alluded to. It is true that actual money is spent for that purpose, but when so used it is earmarked for cancellation by the banking system, having first been derived therefrom as loans.

The full cycle of the process is as follows. Industry has a surplus brought forward into a given accounting period. It borrows money from the banks. It buys its surplus from itself. Then it repays the banks. Thus the money completes a cycle out of reach of consumers, and the surplus remains inaccessible to them. All that happens is that the surplus changes hands inside the industrial system. It is redistributed among business firms, but is not distributed among consumers; or, in so far as it is distributed, consumers have to pay for it by drawing on earnings which relate to current new production, and thus leave themselves short of money to buy the new products. AC remains greater than RP—and must do so in perpetuity under the existing system of loan-accountancy.

We can here derive another formula. Bearing in mind that Recoverable Price cannot be greater than Earnings, and must not be less under the present system, we can substitute Earnings, E, for Recoverable Price, and say

$$E \times \frac{p}{c} = AC$$

which signifies that in whatever proportion production exceeds consumption in any period of test, Earnings in the next equivalent period may safely be supplemented in the same proportion through a Dividend or Discount distributed by the Government outside the industrial costing system. If the periodic test-intervals are reasonably short—giving fairly frequent revisions of the production-consumption ratio—then there will be achieved an abiding approximate equivalence between prices and earnings in the consumption market. AC will be practically identical with RP; industry and its customers alike will be able to make both ends meet round an indefinitely expanding volume of real wealth.

To sum up.

Under the present financial system the accounted cost of articles offered for consumption is greater than the available earnings of consumers, and therefore some proportion of that cost is irrecoverable.

If this is true the same proportion of the articles themselves will be unsaleable. The effect will be that the production of such articles will tend to diminish as time goes on. The cumulative carrying forward of the unsaleable articles will lessen the necessity for producing new ones. Yet, however much the accounted cost of articles is reduced in this way the recoverable price will be less still. RP will be less than AC in the proportion that c bears to p. The factor

is what is called a co-efficient—in this case, the Co-efficient of Saleability. It is a *variable* co-efficient, but it never reaches unity, because in any period over which the values of c and p are simultaneously measured, the value c is always less than the value p. For this reason the expression

$$1 - \frac{c}{p}$$

is the Co-efficient of Unsaleability as regards the articles offered, or the Co-efficient of Irrecoverability as regards their accounted cost. Hence it is also the Co-efficient of Insolvency as regards the condition of Industry taken as a whole.

The way to test the truth of the Social Credit Theorem is to consider the banker as the employer of the community. His loans become the wages of society. By retiring the loans he cancels the wages. In return the community draw goods. Assume him to lend on a monthly account—say, £100 for January, which he calls in on January 31 and lends again on February 1, and so on.

Assume that in January say 100 articles are produced. Their cost will be £100. Assume that of these, fifty are ready for consumption, and the other fifty will become ready in February. Now the banker has to receive his £100 on January 31. Therefore the community must surrender the whole £100. They get fifty articles for £50 and invest in the other fifty with the other £50.

Next assume them to appoint a Trustee to administer this property. Since it will be ready for consumption in February his duty is to arrange for its distribution then.

Now, on February 1 the banker lends £100 again. It can be the same £100. Assume that 100 articles are produced as before, and fifty are consumable as before. The community will possess £100. On the other hand the Banker will require them to pay him £100—£50 for the articles immediately ready and £50 as an investment in the other articles. But the Trustee will have £50 worth of articles to offer. The community cannot buy these with their earnings. If they are to get them they will either have to receive £50 additional to earnings, or receive the fifty articles as a present.

In other words they must receive a Dividend in order to pay the total Accounted Cost of the 100 articles be halved (which it would be if the Trustee gave out, as he would, one free article for every article bought with February earnings).

This squares with the Formula. For in January

$$\frac{c}{p} = \frac{1}{2}$$

and in February

$$AC (\text{£}100) \times \frac{c}{p} (\frac{1}{2}) = RP (\text{£}50)$$

### The Hargrave Report

Copies are now available at the office of "The New Age," 12-14, Red Lion Court, Fleet Street, E.C.4, as from Wednesday, July 21. Price 1s. 2d. post free.

#### 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.

Published by the Proprietor (ARTHUR BRENTON), 12-14, Red Lion Court, Fleet Street, E.C.4, England, and printed for him by THE ANGUS PRESS, LIMITED, Temple-avenue and Tudor-street, London, E.C.4, England. (Telephone Central 3701).