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CONTENTS.

PAGE

NOTES OF THE WEEK 61
Japanese competition—Sir Herbert Austin's letter to *The Times*. The Unemployment Insurance Bill—another deflationary ramp illustrated by the analogy of the "purse, hand-bag, and sack." Newfoundland—the banks' foreclosure disguised under Letters Patent. Ireland and republicanism.

SOCIAL CREDIT SECRETARIAT. Statement of Policy . 64

NEW ZEALAND NEWS 65

"PURCHASING POWER AND TRADE DEPRESSION."
A rejoinder to Mr. E. F. M. Durbin.
By Hilderic Cousens 66

THE GREEN SHIRTS. By H. T. W. 67

PAGE

THE THEATRE. By V. S. 67
Revudeville. The Man Who Was Fed Up.

THE FILMS. By David Ockham 68
One Man's Journey.

UNDER-CONSUMPTION OR——? By V. G. M. . 68
A commentary on Durbin's *Purchasing Power and Trade Depression.*

THE WAY AND THE LIFE. By J. S. Kirkbride . . 69
God, Man and Society (Demant).

CORRESPONDENCE 69
Paul Stacy, Augustus Baker, H. T. Webb, P. M., T. C. Wrycroft, BM/WHHO, Maurice B. Reckitt.

NOTES OF THE WEEK.

Japanese Competition.

Sir Herbert Austin writes to *The Times* of November 29 quoting extensively from a letter which he has received from a friend in Japan in support of a warning as to what British industry may have to face in the future from Japanese competition. What is happening with cotton will happen with wool, and then with heavy engineering. Readers of THE NEW AGE, who are aware how all this can be brought about, will smile at the conclusion at which Sir Herbert's friend arrives, namely that "we" must "find some means of improving our production." The lines along which this should be done are indicated by the sort of facts referred to in the letter. Thus in a certain cotton mill—a demonstration mill run by a firm of loom-makers—one girl "tends" thirty-eight looms. "This is an absolute fact," he adds. There are many cases where girls are tending twenty looms each. Another point is that the operatives pass through the industry as from the age of fourteen to the age of twenty-three, when they "leave to get married"—thus there is always "new, fresh vigour" to run the machinery, and not, as in many English mills, operatives who have worked on the same looms and frames for, in some cases, fifty years. He remarks that the idea that Japanese workers live at a "low standard" is without foundation, that whatever a European might think of that standard in a qualitative sense, the workers "live well" on it. Japan, last year, was the largest buyer of Australian wool. With regard to heavy engineering there is a project for a steel works near Kobe which will treat pig iron from Manchuria. A harbour is to be dredged, giving a channel at any state of the tide, and a space of 500 acres is being allowed for furnaces. The land has been acquired, and already the foreshore is being reclaimed. The writer alludes to the physical stamina of the people (their prowess in sports) and to their spirit of patriotism. As to their mental abilities, he fixes on these as the primary cause of their success. As he says: "*They investigate everything.*"

* * *

In this sentence of three words lies the seed, not simply of the transient success of national ascendency in world-competition, but the hope of that final success, the voluntary international co-operation of producers in the service of the world's consumers. The "investigations" that are going on in Europe continue to be directed to perfecting the means of production. The object is to "reduce cost" as calculated under the rules of established accountancy and in conformity with the restrictive principles of "sound finance." Neither the "finance" nor the "accounting" is investigated: they are assumed to be immutable. Now, the Japanese, who investigate "everything," have looked into this doctrine of immutability, and, as we indicated last week, have evidently decided to disregard it and see what happens.

* * *

The only thing that has visibly happened has been a conference between business delegates in India representing Japanese and Indian cotton-textile interests, and, latterly, another between Japanese and English delegates in England. Well, there's no harm in a conference, or in the delays of a conference, to the party who possesses what the other party has lost and wants to regain—in this case, markets. A newspaper man last week put the question to a British business man associated with the negotiations: Seeing that Japan has won these markets on price in competition, what can you do to induce her to renounce her gains, or any part of them? Why should Japan make a present of any trade she can get to other competitors who can't get it? The answer given was: "Japan would not find it pay her in the long run to stir up resentment against herself in Europe." That is either a hint at concerted military reprisals, or at least high-political counter-strokes of a sufficiently coercive nature to precipitate war. As we have seen, Japan is preparing against eventualities of this sort in the industrial sphere, and Sir Herbert Austin's friend gives a vivid summary of the military drilling and manoeuvring that, he says, are going on incessantly in all parts of the country. The United States has just made the gesture of "recognising" Russia—which is tantamount to underwriting Russo-Chinese military action against Japan in Manchuria. President Roosevelt's preoccupation with internal problems of industrial recovery make it possible that he is leaving the foreign-affairs department at Washington to take care of itself,

that is to say, to be run by the house of Morgan and affiliated banking groups. As we have often said, it is not to the interest of the Money Monopoly to encourage military action for settling economic issues; but in a case where those economic issues arise because of a particular nation's usurping the prerogatives of the Money Monopoly and creating its own credit to finance its own policies—that is to say when the fundamental issue of the ownership and control of credit is raised—the Money Monopoly might easily consider war as the lesser of two evils. So, on the assumption that Japan is such a nation, the present course of events falls logically into place. It is still true to repeat what Major Douglas has said, namely that the next world-war would mean the end of the Money Monopoly whatever other consequences it might have; but in theory the bankers might be able to precipitate a "little war," that is, one in which the preponderance of forces allied against Japan were so great as to defeat her forces and her financial heresies before the grand-alliance had time to fall apart. It would be a risky gamble for the bankers, but they would have to undertake it unless they wanted to see all the other countries resort to the same heterodox financial methods of resisting Japan's economic ascendancy as she is employing to extend and consolidate it.

* * *

If, however, we made the contradictory assumption that Japan's victories on the export field were being won within the rules of "sound finance," we should expect to see evidences of the sympathy of the Money Monopoly appearing in the Press of this and other European countries, probably in the form of a heavily underlined slogan: "To beat Japan, follow her example." True such a thing is being said as it is, but the "example" Britain is being exhorted to follow by Sir Herbert Austin and his friends (and many other publicists) is not the whole example which actually is being set. There is nothing in his letter, or in the quotations from that of his friend, that discloses any hint that Japan's success has anything to do with methods of accrediting export trade. Neither gentleman even suggests "subsidies," which would be a half-way approximation to the truth. They seem completely satisfied that the whole cause of the phenomenon of the sixpenny-halfpenny shirt is the twenty-loom maiden. They should compose a new "Song of the Shirt" to mark the discovery.

* * *

With reference to the anonymous business gentleman previously mentioned, it would be interesting to cross-examine him on his remark about the resentment which would be caused by Japan's persistence in her present policy. It is easy to see why European shirt-producers should be discontented; but what about European shirt-consumers? The same disregard for consumers' interests is revealed here as was made manifest in the Wheat Agreement a short time ago, when the various producing interests settled on a plan which is virtually a world-wide compulsory levy on bread-eaters. It can of course be replied that unless people who grow wheat are enabled to live by this occupation there will be no bread to eat. This is true enough; and if the levy on consumers were shown to be necessary to ensure the subsistence of the producers, *regarded as consumers*, and if the whole of the levy were used for that purpose only, no doubt it would be accepted as a just and prudent device. But it is no such thing. The interested parties responsible for the Agreement are not the growers of wheat, but the mortgagors of wheat areas; the levy is primarily for debt-services, and only secondarily—and problematically—for bettering the condition of the wheat growers. The same ramp underlies the cotton conferences.

* * *

What will be the outcome depends upon whether the motivation of the Japanese Government is the same as that of the other governments. The latter are seeking internal financial solvency through export trading; but the Japanese Government seems to have established internal solvency first, and to be using it for export trading afterwards. If so, it is deliberately dumping goods outside without any financial compulsion to do so; and in that case any offer by other governments to come to an agreement whereby Japanese exporters can get higher prices in the world market (as was the inducement in the Wheat Agreement) would not be an inducement. If, as seems to be the case, the Japanese Government is a militocracy, and at the same time is the dominant force in high financial counsels and policy, it is just as likely as not that Japan is seeking military power through trade ascendancy, in contradistinction to the Western policy of seeking trade ascendancy through military power. The old, and now obsolete, policy in the West has been to use military force in order to acquire territory and resources of such nature and variety as would ensure command of a full supply of raw materials for production on the one hand, and the exclusive, or prior, opportunity to sell the product to the populations "acquired" along with the physical wealth referred to. The efficacy of such a policy seemed axiomatic if feasible. And, as we know, it has been feasible in the case of the British Empire and the United States of America. In terms of land, material, organisation, and equipment on the one hand, and in terms of subject populations of potential consumers on the other. there has been nothing apparently wanting to enable both these "Empires" to sit on the top of the world, and to eat. drink and be merry, in sublime indifference to how other nations were faring on their comparatively trivial resources.

* * *

But in 1919 Major Douglas came along and smashed this fond illusion to smithereens. To alert statesmenlike minds, minds ready to "investigate everything," it at once became clear that even an Empire embracing the whole world's resources and peoples would be no nearer prosperity than are small single nations to-day. And the concept began to receive concrete expression in the appearance and development of economic paralysis in both "Empires." Nothing exists of these "Empires", but the names and such sentiments as yet remain attached to them. The relations between Britain and India, for example, are indistinguishable, in an economic sense, from those between India and Japan, or Britain and Japan; and in the same sense it would make little difference whether the British Empire absorbed Japan or Japan the British Empire. The situation would remain fundamentally what it now is, namely one in which thousands of economic groups are driven by financial necessity, each to gather in from the others more money than it pays out to them.

* * *

Now it is a moral certainty that the elder statesmen of Japan know perfectly well Major Douglas's reasoning, diagnosis and forecasts relating to this world-wide deadlock. More copies of his works have been bought in that country than in all the rest of the world put together—a fact which should give pause to those white economists who profess not to be able to understand the Douglas Theorem. On this point we will tell a story.

* * *

One day, several years ago, two young Japanese students called at our office. They were received and made to feel at home. They said that they were on a tour round the world to study economic theories. They had come through Europe, on the way to England and the United States, and, of course, had looked in at Geneva to find what could be got out of the League of Nations. Someone in the Labour department of that institution had recommended them to call at the office of THE NEW AGE when in London. So here they were, and would be glad to know something about what this journal stood for, and about this Major Douglas and his theories and all that. Well, a long talk ensued, and needless to say the angle of the Social-Credit approach to the subject, which was quite new to them, resulted in their buying several pamphlets and books, including, of course, one or more copies of Major Douglas's works. These they expressed the intention of reading very carefully "because of what you tell us."

"But I want you two young men to make me a promise," said their interviewer.

"We shall be most pleased, certainly, Miss" (for it was a lady who had received them).

"I want you to promise me you will come back when you have read these books and tell me exactly what you think of them."

This they said they most gladly would do, and with expressions of high appreciation of the most interesting interview which had been accorded them, they bowed low and took their departure.

* * *

Perhaps a week elapsed. One morning there came a tap on the door.

"Come in,"

The door opened, and outside were the two Japanese students.

They held their hats in their hands, and entered silently with bowed heads. They came to a standstill, and one of them broke the silence.

"Miss," he said, "our work is finished. We have found what we came for. We go no further. We return at once to our country. This Major Douglas is the greatest teacher of all who have come to cure the evils of the world." Then, both of them turning slowly as if to survey the four walls, the spokesman proceeded: "We are proud to have the honour of standing in this little room from which your great message of hope goes out to the peoples in all the countries."

And then after some further conversation, and with renewed expressions of gratitude for "the kind help you have given us, Miss," these two young men reverently retired as if from the Presence, and were seen no more.

* * *

One hardly knows which to admire the more, this receptivity to a new truth or this recognition that the new truth completed a philosophy. *"We go no further."* None of that vacuous distrust of the adequacy of evidence unless it be variegated and voluminous—none of that: "Now, let me see; what other economists do you recommend me to read? I hear that Mr. Fluxchops has some interesting views on finance—not quite the same as Major Douglas's, but—you know—going that way"—and things of that sort. No; *"We return at once to our country."*

* * *

Coming back to the question of Japanese policy it does not follow that the Government's knowledge of Social Credit theory (assuming this to be a fact) must necessarily mean the application of the theory in the directions which are envisaged in this country. And in fact there is no evidence that the Government has any intention to distribute dividends to the people or to trouble otherwise about raising their standard of life. The use of credit-control can take some queer shapes when exercised by a militocracy among a people with the attributes characteristic of the Japanese. The Government instead of issuing money direct as dividends to people for them to buy what they liked, might issue it in block sums to institutions which would buy things for them whether liked or not. A set of Dickens for everybody free of charge, but no option on the money instead! Or it might be a new battleship without new taxation to pay for it. However, time will show what Japan's internal policy may be, and we need not speculate about it.

* * *

One difficulty in the way of putting constraint on Japan's competition outside is to manufacture a plausible or moral excuse. In this connection it might be enlightening to know some facts about wages in that country and others. Take any grade of textiles made here comparable with one made in Japan; would the raising of Japanese wages to parity with British, or the lowering of British to parity with Japanese, destroy Japan's marginal competitive advantage? Or would it also be necessary to establish parity in loom-tending as well? If so, which way?—more looms per maiden here or fewer there?

* * *

Again, what has become of the classical Free Traders who, inspired by the bankers, used to insist in Mr. Joseph Chamberlain's days that cheap imports were a blessing in disguise, because they enabled us to compete to advantage in supplying the foreigner with "higher manufactures." Thus, if the wage-earner could buy a shirt for sixpence you would need pay him only sixpence in shirt money, a saving on the wage-bill of, say, 1s. 6d. Quite so, and if you had a crowd of these fellows making, say, steel rails, and if the cost of steel rails were made up exclusively of shirt wages, then, other things equal, you would have a margin of two-thirds to capture markets with. But alas, since those days the incidence of wages on costs has been diminishing so fast that the benefits of cheap imports of workers' necessaries no longer count for what they did, not to speak of the problem of inducing organised labour to accept corresponding cuts in wages. Another argument the Free Traders used was this: "After all, foreign dumping can only be temporary; for if the foreigner continues selling us more than we sell him the sterling exchange falls and makes his goods dearer for the British importer to buy as well as making British goods cheaper for him to buy." Thus the beautiful mechanism of the exchanges automatically corrected disturbances in the trade balance. We have heard nothing of this lately; and for the excellent reason that the terms "pegging the exchange" (during the war) and "manipulating the exchange" (since) have been incorporated in the commercial jargons of the world as descriptions of verified fact.

The Unemployment Insurance Bill.

The new insurance Bill was introduced by Sir Henry Betterton, Minister of Labour, on November 30. It is, he said, based on three principles:—

1. Insurance to be contributory.
2. Benefits to depend on contributions.
3. Scheme to be on a solvent and self-supporting basis.

These mean, in order:

1. Insurance to be covered by additions to prices for the one part (employers' contributions) and subtractions from incomes for the other (workers' and taxpayers' contributions).
2. Benefits to be paid shall not exceed contributions.
3. Contributions paid may, and should, exceed benefits paid out.

Students of Social Credit will see that the effects of principle No. 1 will tend to restrict demand in the home market and create new unemployment. Since the scheme is to be self-supporting it must not be solvent simply in the sense of not losing on its yearly revenue-expenditure account but in the sense of accumulating reserves to underwrite the new claims on its resources which further unemployment will create.

* * *

The insurance funds will be an extension of the Budget, and if by some fortuitous changes in the flow of international trade the actuarial estimates of claims turn out to be too high, the margin of saving will go, like Budget "windfalls," to the reduction of debt. Not in a formal, open way like the Chancellor's surpluses, but by conversion into securities, a process which, in the last analysis, enables the banks to sell their own securities and thus withdraw credit from circulation and destroy it.

* * *

A rough picture of the general monetary situation of this or any other country can be made by supposing a purse to be put in a hand-bag, and the hand-bag into a

sack. In the purse are pennies: in the hand-bag silver: and in the sack credit in all its forms (paper). The purse represents the Budget; the hand-bag the aggregation of the personal budgets of the population; and the sack the "budget" of the Money Monopoly. The contents of the purse and the hand-bag are visible and calculable: the contents of the sack are invisible and incalculable. For all people know, the sack is empty. Therefore, when the purse is short (i.e., when the Budget shows a deficit) it can only be replenished out of the hand-bag, as they see it. And if the replenishment puts the hand-bag short (i.e., leaves trade and employment short of revenue and wages) then, as they see it, there is no alternative but to make the purse smaller (i.e., retrenchment of Government expenditure).

* * *

Yet, all the time, from that supposedly empty sack the money-conjurors can produce credit like rabbits out of a hat, and in quantity sufficient to fill the hand-bag and purse many times over. This trick may be cited as "The Illusion of the Flat Sack" and the effect of the illusion on the public is to create the impression that "All Finance is Hand-Bag Finance"—that to look beyond the resources of the little bag and the smaller purse is to gamble with financial insolvency and economic ruin.

* * *

The picture may be modified in one respect, namely that the sack instead of being empty, may be shown to hold securities. Now, as a matter of technique well understood by Social-Credit students (and even by bankers of the McKenna school) a security is simply a documentary record of the destruction of credit previously created. So the security in the sack is evidence that credit has gone in and out of the sack at some time or other. It is a substitute for sack-money (so to speak) and the custodians of the sack spin the yarn that all these securities keep the hand-bag and the purse safe and warm like the lining of a bird's nest. But if at any time the owners of those securities get the idea that they would like to turn them back into money to put into the hand-bag, the only money they can get for them is what is already in the hand-bag—that is, an amount which is a ridiculously small fraction of their cost to the holder or their apparent "market" value. This trick can be cited as "The Illusion of the Bulging Sack." We hope that both these illusions will serve for Social Credit speakers and writers to use as texts for popular educational propaganda.

The Newfoundland Report.

Sir William Coaker, head of the Fishermen's Protective Union and a member of Sir Richard Squires's Administration, strongly criticised the Royal Commission's Report in a communication to the *Telegram* (Newfoundland) on November 22. He declared that while he favoured government by commission he preferred "defaults" to the acceptance of the Commission's proposals. This confirms our suggestion of last week that there were influences in the Dominion tending to encourage the repudiation of "sound financial" principles, and that the bankers were in a hurry to forestall their development. The fruits of the hustle were duly exhibited in *The Times* of December 1, where it was solemnly announced (in a leading article) that both Houses of the Newfoundland Parliament had passed resolutions in favour of suspending the Dominion Constitution until the island is "once more self-supporting." The vote of the Legislative Council was unanimous, and in the Legislative Assembly there were only two dissentients, and they *abstained from voting*. And now a "Humble address will now be presented to His Majesty asking for the suspension of the Letters Patent under the Great Seal, and new Letters Patent to be issued providing for the administration of the Dominion by a Commission-of-Government." It is intended that three of the Commissioners shall be drawn from Great Britain and three from Newfoundland—a nice little "50—50" arrangement. It is not so generous as the Japs' concession in Manchukuo. In that Dominion, so to call it, every ruler is a Chinaman. Only, as a writer described it in *The Times* not long ago, every Chinese ruler is "assisted" by a private secretary who explains to him what he wants to do, or ought to do, or may do. All the private secretaries are Japs. This is a more modern variant of the "50—50" arrangement—one ruler one secretary; and from the accounts it works excellently. We can fit a story in here. A traveller calls on a provision merchant and says, "Here: I've got a hot new line to show you." "What is it?" says the merchant. "Tinned rabbit" says the other. "Tinned rabbit?" retorts the merchant; "That's not a new line." "It is when you hear the price," countered the traveller. "Well, what's the price?" "Sixpence per dozen tins," was the answer. "What?" says the merchant, "then I'll bet it's not all rabbit." "Well," says the traveller, "I don't mind saying there's a bit of horse in it." "Ah," said the merchant, "I thought so: and how much horse?" "Oh," said the traveller, "fifty-fifty." "Fifty-fifty? What do you mean by fifty-fifty?" "Well, that's plain enough, isn't it?—One horse to one rabbit."

Social Credit Secretariat.

STATEMENT OF POLICY.

The Social Credit Secretariat exists in order to implement the policy of Social Credit. The primary objective of this policy is to increase the economic power of the individual. The possibility and, indeed, the necessity of achieving this end rests fundamentally upon the demonstrable fact that the individual is a tenant-for-life of the heritage of civilisation, and if this heritage is not destroyed by misuse it is capable of assuring to him complete economic security.

The first necessity is that he shall be presented with a true balance sheet representing the condition of his assets and liabilities. No such balance sheet exists, because of demonstrated defects in the monetary system which is employed in the denomination of the assets, on the one hand, and the claims upon them on the other.

Certain sustainable claims arising out of the replacement of the labour of the individual by machines employing solar energy have not, so far, received recognition.

Many factors which are irrelevant to the presentation of an economic balance sheet, such as the insistance upon so-called moral qualities as a condition or participation in the assets, have further obscured the account.

It is considered that the steps to the rectification of this situation are as follows, and broadly in the order made:—

1. The regulation of prices, i.e., the balancing of claims against assets.

2. The national Dividend, i.e., the recognition of the tenants-for-life.

3. The separation of the Governmental or moral system from the economic system. This involves the abolition of differential taxation, e.g., beer taxes.

It is a fundamental conception of the Social Credit movement that group relationships, such as the State, are only of importance in so far as they conduce to the well-being and progress of every individual composing them. In consequence, the objective of the movement is not to construct a Utopia, but to enable every member of the community so to utilise his interest in the group inheritance that he may construct for himself an existence according to his own ideas. Social Credit is the escape from Utopia.

CHANGE OF ADDRESS.

All enquiries and communications should be addressed to the Secretary, Social Credit Secretariat, 8-9, Essex-street, Strand, London, W.C.2. Telephone: Temple Bar 4154. W. L. Bardsley, Secretary.

New Zealand News.

"It seems queer that the country should be dying of an error in book-keeping." (Miss King.)

. . . . . .

The Bill to authorise the establishment of the Central Bank for N.Z. has passed the Legislative Council without amendment (*Times*, November 22). *Farming First* has fought might and main against the imposition of this sentence to Devil's Island. Trade organisations in conjunction with thousands of individuals—mostly Social Creditors—demanded a Government Inquiry into the monetary system first, but the Government refused their request. The October issue of *Farming First* clarified the position as follows: "A Parliament is elected to guard the rights and privileges of the citizens, not to betray the citizens and barter their sovereignties . . . there is something deeper . . . it is a betrayal of the nation. The ordinary Member may not know this—but he should know it. Ignorance is no excuse in law . . . the bank may be confiscated and a determination to treat all connected with the new institution as un-social may well be expressed early . . ."

. . . . . .

Japan's predicament is taken from the same issue as above: "Those who refused to see the coming slump may very well refuse to see the coming war, which is a necessary corollary of the slump . . . it is remarkable that nations which would outlaw wars do not outlaw war finance. . . . Japan will fight because Japan must fight to let her people live. She will fight soon because Britain and the U.S.A. can build navies and armies faster and more enormously than she can and because it would be foolish to wait for the completion of the Singapore base . . . the Japanese were faithful allies in the war, and Britain denounced her treaty with Japan solely in deference to U.S.A. opinion. Japan was ready to abide by the treaty. . . . New Zealand simply is not capable of defence at present, war stores have been destroyed or sold and armament might as well be bows and arrows for all the use it would be against modern weapons and a first-class power."

. . . . . .

The full report of the Economic Crisis Committee of the Southampton Chamber of Commerce is given in the October issue of *Farming First*.

. . . . . .

Professor R. F. Irvine considers that Social Credit is the only hope for the world to-day:

"No, it is no cause for wonder that the professional economists do not approve of Douglas Social Credit. And the exception proves the rule, for Professor R. F. Irvine, for twenty years Professor of Economics at Sydney University and now retired, when speaking at the Douglas rally at Artamon recently concluded his address by saying that he had been very much impressed with the theories of Major Douglas for more than ten years, but for some time he had not been able to reconcile his own ideas with all that Douglas proposed. Lately, however, he had been studying the subject very closely, and now he was able to say that he was entirely in agreement with Douglas. He was *'of the opinion that these proposals are the only hope of salvation for the world at the present time.'* This is tantamount to forsaking the considered opinions and *the point of view* of a lifetime. Only a Big Man could make such a recantation. Perhaps it is too much to expect of the smaller fry in this Dominion."

. . . . . .

The Key to World Politics, by Arthur Brenton, editor of THE NEW AGE is published in full with diagram complete in the above issue of *Farming First*.

. . . . . .

The mongrels are yelping at Douglas in New Zealand. *The Country Woman* has awarded a prize of half-a-guinea for the best answer to: "Would Douglas Credit give a proper Balance in Currency and adjust Supply and Demand? Why and How?" The prize went to a gentleman writing under the pen name of "Economist" and who is believed to be of the true orthodox bull-dog breed.

. . . . . .

Ex-Army officers also come in for much barking and barracking and the following is a good reply:

"Sir,—I noticed in the August number of *Farming First* your reply to Professor Belshaw's sneering reference to the army officers. It has always occurred to me that being an army officer is a strong recommendation. Cases are numerous, but to quote three: Wellington was made Premier of England, Grant President of U.S.A., but perhaps the greatest achievement on record was the completing of the Panama Canal. After the French attempt failed the United States took on the job and they combed America for the right man for the job and finally selected a colonel out of the army.—I am, etc. "H. L. J."

. . . . . .

English farmers want quotas fixed for N.Z. produce entering Britain. Captain Rushworth pointed out that N.Z. could not accept any responsibility for the consequences to their creditors in Britain if quotas were applied.

. . . . . .

At the Auckland Anglican Synod, Archbishop Averill put a motion calling for the re-organisation of the monetary system with a view to relieving distress. (Reported in the New Zealand *Herald*, October 17-18, occupying two full columns.) The Archbishop said he was not trying to beguile the Synod into Douglas Credit. He was asking them to endorse Christian principles. It was possible for synod to say whether it was in accordance with Christ's principles for a money system to stand between people and the goods they needed.

The motion had to be re-cast to make it acceptable to all members. The debate was very heated at times. One of the amendments to the motion calling attention to the destruction or curtailment of the fruits of industry while millions remain in destitution or want as a crime against God and humanity was defeated.

. . . . . .

The following quotation is from *Farming First*:

"It is, however, with the *giving* taught by Christ that I wish to deal. To me, this has taken on a new guise since I read Douglas literature, and I wonder whether it is so with others." R. H.

FORTHCOMING MEETINGS.

Chelsfield.

December 7, Thursday. Public meeting at St. Mary's Hall, Green Street Green, Chelsfield. Dr. J. Ewart Purvis on "The Douglas Social Credit Proposals." Time: 8.15 p.m. Auspices: Prosperity Campaign.

Escape.

"On Thursday last two more people plunged into eternity from Sydney Harbour Bridge as the quickest way out of the depression. This makes a total of 29 suicides from the bridge since it opened eighteen months ago. The inquest evidence shows that two suicides were due to unrequited love, four to ill-health, and 21 to money worries and unemployment. The present financial system must incidentally make for more money worries, more unemployment, and therefore more suicides.

"One wonders how long the suicides would continue if someone responsible for the present financial system was indicted on a charge of manslaughter for every death provoked by money worries."—*The New Era*, Sydney, September 9, 1933.

JOIN THE DANCE.

"Will you rise a little faster?" said Producer to the Price,
"There's a Creditor behind me whose reminders are not nice,
"See how eagerly the Wages and the Salaries advance!
"We are waiting for our Profits—Will they come and join the dance?"
—Will they, won't they, etc. L. S. M.

"Purchasing Power and Trade Depression."

A REJOINDER TO MR. DURBIN.

By Hilderic Cousens.

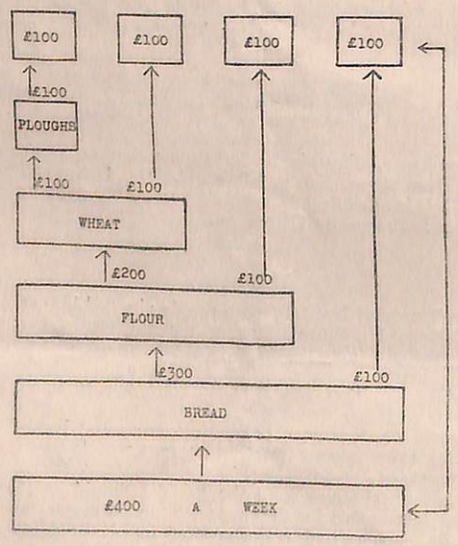
Mr. E. F. M. Durbin's letter on my review of his book once more impresses on me the fact that to deal adequately with a serious work on economics requires, especially if you do not mainly agree with it, either another book or, at the least, a pamphlet. There are some points, however, arising out of his letter which are worth while discussing, and I propose dealing with some of them in this article, since a mere note of reply seems unsatisfactory.

He says in his letter that he admits that his diagrams are not a reply to the more recent forms of Major Douglas's theorem, but are a starting point for the analysis of monetary circulation. But he uses them (p. 54, and in successive but simpler forms on pp. 188-190) to refute Major Douglas as quoted by him *verbatim* on pp. 43 and 183. The quotation is identical in both places, except for a printer's error in the second, where A – B is put for A + B. The passage is the well-known paragraph in *Credit Power and Democracy*, and for my present purpose the relevant phrases are:

> Now the rate of flow of purchasing power to individuals is represented by A, but since all payments go into prices, the rate of flow of prices cannot be less than A + B . . . but since A will not purchase A + B, a proportion of the product at least equivalent to B must be distributed by a form of purchasing power which is not comprised in the descriptions grouped under A.

Mr. Durbin sets out to demolish this, using his diagram argument, and a passage from Foster and Catchings. He concludes (p. 56): "The only thing that is required for an equilibrium between prices and costs to exist is that consumer's income should be equal to the costs of the last stage of production, and this it is as long as no one is hoarding." He then goes on to argue at length that Saving does not upset this equilibrium, but I must be excused from discussing his fifty odd pages on this topic because it would take a great deal of space and also because it does not figure in his diagram.

The diagram (p. 190) in its simpler form is this.



This diagram is, I contend, fatal to Mr. Durbin's interpretation of it. In order to distribute his bread he assumes a contemporaneous production of ploughs, but the ploughs produced this week have no productive relation with the bread produced this week. That productive relation only exists between the bread produced this week and the ploughs produced four weeks ago. But according to Mr. Durbin the bread four weeks ago was sold with the aid of the plough-makers' wages of four weeks ago. Therefore, the A payments made in respect of those ploughs are not available to make the A + B purchasing power needed this week. In short, he assumes as the solution of his problem of selling the bread the distribution of purchasing power for articles which do not now come within the buying range of the public. To sell bread now you must make more ploughs *whether or not they are needed*. Where does the money come from to pay for the making of these ploughs (and also the wheat and the flour)? From a source not a wage or a salary, but largely bank credit, used either to pay wages or to buy ploughs, wheat or flour. The Complaint made about this use of bank credit *as we have it* is that it results, taken with sundry other factors, *as we have them*, in a production of ploughs, wheat, and flour (generalised as capital and intermediate products throughout our society) which is excessive and increasingly unsuitable to the requirements of the bread-making and the bread-consumers.

II.

As the doctrine of Heracleitos that "All things are in flux and nothing is stable" applies very forcibly to economic societies—I can think of no society which has been stable since money was invented—the consideration of change in various economic factors is most important, and particularly the changes in productive technique. If we apply an increase in the longevity of ploughs to a series table based on Mr. Durbin's diagram, we shall get a little light on the matter.

	1	2	3	4	5	6	7	8
Period								
Ploughs ..	£100	£100	£90	£90	£90	£90	£90	£90
Wheat ...	£100	£100	£100	£100	£100	£100	£100	£100
Flour	£100	£100	£100	£100	£100	£100	£100	£100
Bread	£100	£100	£100	£100	£100	£100	£100	£100

In each of these periods we have these sums distributed as wages and salaries by each stage of production. Therefore consumers' incomes and spendings are:

	1	2	3	4	5	6	7	8
Period								
	£400	£400	£390	£390	£390	£390	£390	£390

Each class of producer pays his wage and other costs each week, the other costs being for goods supplied to him the previous week. Therefore the farmer pays the cost of the first week's ploughs in week 2, the miller pays for week 2 wheat in week 3 and also for week 1 ploughs via the farmer. The baker in week 4 pays his wages for that week and also for week 3's flour, week 2's wheat, and week 1's ploughs. Their costs, therefore, are:—

	1	2	3	4	5	6	7	8
Period								
Ploughs ..	£100	£100	£90	£90	£90	£90	£90	£90
Wheat	£200	£200	£200	£190	£190	£190	£190	£190
Flour	£300	£300	£300	£300	£290	£290	£290	£290
Bread	£400	£400	£400	£400	£400	£390	£390	£390

The drop in the wage bill for ploughs occurs in period 3, and we will take it to be the result of technical advance. Either the manufacturers have altered the carbon content of the ploughshare steel or some agricultural committee has persuaded the farmers that their ploughs will do better if they select the pattern for each type of soil and work more carefully. The result is that they do not need so many and reduce their orders. What are the consequences?

Case A. Each group finances itself by credit entirely. That is the farmer, e.g., borrows to pay his wages and for his ploughs, from a bank, which he re-pays when paid *his* bill by the miller. Then we have

	1	2	3	4	5	6	7	8
Period ...								
Bread costs	£400	£400	£400	£400	£400	£390	£390	£390
Consumers' income	£400	£400	£390	£390	£390	£390	£390	£390

That is, *in the absence of countervailing measures*, this technical improvement results in (a) unemployment and loss of income among plough-makers, (b) an unsold stock of bread from the date of improvement, (c) indebtedness of the bakers to the bank. And, of course, a worsening of the situation from Period 4 because the bakers will cut down their orders to the millers, and then they to the farmers, and they to the plough-makers.

Case B. Each group finances itself with its own resources, i.e., cash "hoarded" and accumulated at some times or other for the purpose and thereby causing some disequilibrium then. Let the floating capital of each group be sufficient to pay its costs until paid by the next group, its customer. Then capital applied to ploughs will be £100, to wheat £200, to flour £300, to bread £400.

The same tables will apply but in Period 4 plough-makers will pay £90 and get £100: so will have £10 to spare. In Period 5 farmers will pay £190 and get £200, and so will have £10 to spare. In Period 6 millers will pay £290, get £300 and have £10 to spare. But the bakers will lose £10 in Periods 3, 4 and 5. They will probably deal with their accumulating stocks of unsold bread by curtailing orders and making matters worse. In the absence of countervailing measures, depression is inevitable.

What these measures may be I will not here discuss, except to say that they are most unlikely to be directed towards the depressed market for consumption goods. Doubtless there would be a strong demand for building railways in South America.

The Green Shirts.

NOTES FROM THE GENERAL SECRETARY.

The Bradford Green Shirts seem to be making steady headway. On November 22 a full Section, under S.-L. Morris and S.-L. Townend, of Leeds, attended a public meeting organised by the Bradford D.S.C. Group. On the 26th, at an open-air meeting on the Car Park, S.-L. Townend was challenged to debate with the N.U.W.M. speaker, who was addressing a large crowd when the Green Shirts arrived. The Green Shirt leader made his way through the crowd to the platform and outlined the policy of the Green Shirts. After the N.U.W.M. speaker had replied. he was asked whether the debate was over. He said, "Yes." Thereupon the Green Shirts opened up a rival meeting. A good number gathered round the G.S. speakers, who put forward sound argument and answered fairly all questions. A religious meeting then created further opposition, but the Green Shirts carried on. Eventually the N.U.W.M. and the religious meeting "packed up," leaving the Green Shirts in command of the situation. They made full use of this opportunity. The speakers included Section-Leaders Townend and Morris and Green Shirts Wood and Furness.

. . . . . .

The Widnes Section has held meetings at Clock Face, a mining village four miles away, but it was too cold to hold the small audiences that turned up. Several Communists wanted literature, and the leader seemed keen to follow up the idea of Social Credit, especially when he had got his mind off the "ownership" complex on to the money problem. These meetings were held on November 7 and 11

. . . . . .

The *Evening News* for November 25 published a write-up entitled "London's Fascists," in which the last sentence ran as follows:—

> Then there are, or were—no one seems to be very sure which—the National Fascisti with offices in the City and a liking for green shirts. . . .

An official letter was sent immediately to the editor of the *Evening News* correcting the above statement.

Once again we remark upon the extraordinarily muddled and inaccurate information obtained by the Press.

. . . . . .

Southampton Green Shirts attended a meeting of the Mosley Fascists on November 19. Our report says:—

> ". . . first Fascist speaker (30 mins.). Subject: Outline of Mosley's political career to date; reasons for changes of party; patriotic views; intense love of country, etc., etc.
>
> "Second speaker (35 min.). Announced subject: Fascism. Actually served up what Fascists think of Conservative, Liberal, Labour, and Communist Parties—especially Mr. J. H. Thomas. He also had something to say about some men called Lenin, Hitler, Mussolini.
>
> "Question time: Only written questions taken. These were very carefully winnowed, and then divided between three Fascists to answer. Many people were ejected by the stewards.
>
> "1st Southampton Section sat in a row with folded arms, 'eyes front,' throughout the meeting. Excellent discipline was shown. We submitted no written question. When reading out a written question that proved to be a financial query, the Fascist speaker said, 'This is apparently from our Green Shirt friends.' Section-Leader Jones immediately stood up and stated that this was not so, and challenged the speaker to take a verbal question. This was refused. At the end of the meeting, amidst a disappointed and noisy audience, S.-L. Jones secured attention and enquired: 'What are the specific proposals to which a British Union of Fascists Government would give effect in order to deal with the present iniquitous financial system? I also wish to know why both speakers have deliberately refrained from telling us what Fascism is?' No reply.
>
> ". . . The meeting was a 'flop,' and did harm to the Fascist cause. This rough-neck, unintelligent stuff does not go in the South. Even the Labour and Communist elements merely laughed at the forced rhetoric.
>
> "On the other hand, the Green Shirts were very well received by the entire (very mixed) audience. The comparison was entirely favourable to the Green Shirts. Their matured faces and quiet but decisive bearing inspired regard and respect for their convictions; whereas the local Fascists are nearly all youngsters and imported London 'toughs.'
>
> "The 1st Section also attended a very good meeting organised by the local D.S.C. Association on November 16. Speaker: Dr. Ernest Purvis. . . . Good constructive, plain answers to intelligent questions. No party or organised opposition, although most of the local Labour and Communist leaders were present. They *feel* our stuff is good, though they don't yet understand it. S.-L. Jones addressed the meeting on the necessity for organisation and the aims of the G.S. Movement. Hundred copies of *Attack*! were sold, and thirty Mandate Forms signed." H. T. W.

The Theatre.

"Revudeville," at the Windmill. Production by Eve Bradfield, L. B. Lestocq, and Vivian van Damm.

Congratulations to the Windmill, the pioneer of the present vogue for continuous variety, for the manner in which it contrives to keep up the fun, while most of its rivals have long ago turned to some other form of entertainment. I advisedly say fun, because humour is the strong suit of the programme. Not very refined or very sophisticated humour, but the broad fun of the old music hall, which makes no demand on the intellect, acts as an excellent digestive, and is admirable fare for those who like it, as the present critic does when it is so served up so well as at this little theatre. The turns I liked best in the 36th "Revudeville," which finished last Saturday, were three sketches, "College Days," "Anthony and Cleopatra" (which included Egypt complete with telephone), and "Utopia," in which John Citizen is first helped by an Inspector of Taxes to inflate his expenditure account until it exceeds his total income, and is then handed a wad of Treasury notes with the compliments of the Chancellor of the Exchequer. The two choruses, the Windmill Girls and the Revudebelles, are hard-working and well-drilled, and fanciers of the youthful female form receive a good eyeful, but their evolutions lack a certain spontaneity, due, no doubt, to the considerable number of performances in which Mr. van Damm's young ladies appear every week. John Tilley, the "resident comedian" of the Windmill and its most noteworthy discovery to date, reappears in the current and 37th "Revudeville," which runs until the 30th inst.

The Man Who Was Fed Up. By Frederick Witney. Produced by Frank Birch. Embassy.

Yet another comedy with a good central idea that fails to hit the target, because the author lacks the experience necessary to carry his theme through three acts and work it up to a climax. Joe Stuyvesant, successful, wealthy, and youngish, undergoes a species of conversion that causes him to reconsider all his values. He proposes to sell his busi-

ness, hand the proceeds over to his wife, Nina, and retire to a lay monastery. Nina objects, whereupon Joe, after trying to fake evidence against a lounge lizard, finds an obliging but innocent co-respondent, who agrees to marry the lady so soon as the decree is made absolute. But Joe looks up his wife the evening before, and is induced by her to resume cohabitation, so that the King's Proctor can be informed in time. Personally, I should have preferred the lady to have been left plantée between the three men, none of whom appeared to desire her very greatly.

Mr. Witney has a sense of the theatre and a knack for writing amusing dialogue, but as he handles it, the theme becomes too tenuous. Incidentally, the play must be added to the long list of dramatic efforts owing a considerable, if unacknowledged, debt to Shaw in general and "Man and Superman" in particular. The cast includes Henry Thompson, Alistair Sim, Basil Foster, and Barbara Couper, the last two as the husband and wife. Mr. Foster is good, but rather overdoes the part, as is true of the players in general, and Miss Couper is miscast; she is a talented actress, but this is not the type of role for which she is fitted. Frank Birch, who is producing on this occasion, is to be congratulated on the speed at which the whole play is performed, but he should have insisted on lowering the key of the acting; the margin between actuality and burlesque becomes at times so narrow as to be indistinguishable.

Short verdict. With all its defects, definitely an amusing entertainment.

Janet Barrow, who gives one-woman shows in the manner of Ruth Draper, and has been favourably received on the Continent, gave a special performance at the Ambassadors on Friday last, her impersonations including such contrasted characters as Queen Elizabeth and Mata Hari. On Sunday the Embassy Student Players revived "Prunell" for one night only. Owing to the exigencies of publication of a weekly journal, I am obliged to record these performances without having had the opportunity to criticise them.

V. S.

The Films.

One Man's Journey. Radio Picture Production. Coliseum.

There is a certain likeness between this picture and "The Stranger's Return," in which Lionel Barrymore was also the principal figure. Both are of the type of which American producers have a virtual monopoly, the film dealing with the simple lives of real people, in which nothing very much happens and yet everything happens. Of surface happenings there are certainly enough in "One Man's Journey," which contains motor-car accidents, operations, illness, a small-pox epidemic, and a number of other not precisely cheerful ingredients. But these serve largely as the framework for the story of the country doctor who sacrifices the chance of celebrity and wealth in order that he may continue to live among the people whom he loves and who need him. It would have been easy to have made the treatment mawkish, but the director has escaped this pitfall, and has made a film that while much too slow moving, especially at the beginning, and constantly threatening to be dull, yet holds your interest for an hour and a quarter.

As with so many recent American pictures, the lighting and photography are poor.

Department of Elegance.

"Elissa Landi is learning to hiccough (burp to you) for a scene in Universal's 'By Candlelight.'"—Universal Pictures publicity.

Non Sequitur Department.

"Although considered one of the best dancers in the screen colony, Leila Hymans, Universal ingenue, would rather go deep-sea fishing."—Universal Pictures publicity.

Historical and Literary Department.

"'Storm at Daybreak.' This story of intrigue and romance opens with a most sensational sequence which shows the assassination of the Archduke Ferdinand, which *many believe* provided the first volley in the World War."—British International publicity. (My italics.)

DAVID OCKHAM.

BUSINESS FAILURES.

"Figures compiled by R. G. Dun and Co. (New York) for the years 1930-1932 show no fewer than 89,590 business failures during those three years, with aggregate liabilities of more than $2,322,000,000. In New York City alone there were more than 18,000 foreclosure actions in that time."—*New Era* (Sydney, September 28, 1933).

Under-Consumption, Or—?

[A Commentary on Durbin's "Purchasing Power and Trade Depression."]

By V. G. M.

This is an illuminating book. It is true that it does nothing towards explaining the tragic paradox of poverty amidst plenty, but it does throw much light on that other curious phenomenon—the mind of the professional economist. It shows the futility of expecting such a mind to detach itself from the environment in which it was reared and to face realities

Mr. Durbin is evidently disturbed over the unusual length and intensity of what, to him, is another depression in the course of the trade cycles. He is not satisfied with the orthodox explanations of the recurrence of these unfortunate periods. He even sees that the under-consumptionist theory does contribute something to the study of the problem. Using Mr. Brenton's metaphor,* he has realised that all is not well with the car; he has observed that it proceeds in an erratic manner and is difficult to control. In this he differs from the orthodox economist, who very largely suspects either the road or the driver to be at fault—usually, of course, the latter, viz., "human nature." Mr. Durbin, however, is sure that the fault is in the car, but by reason of the curious twist of the expert mind he ignores all such obvious points of possible trouble as the steering mechanism, and with confident fingers goes to the magneto and adjusts the "Rate of Interest" and then off with the top of the gear-box—the "Rate of Saving" is functioning erratically. In his own words, "A permanent cure must eliminate the disequilibrium which predisposes the system to oscillation." Evidently it requires the severely practical mind to suspect the cause of oscillation to reside in the magneto and the gear-box.

The book is of further interest to Social Creditors by reason of the appendix dealing with the "views of Major Douglas and certain other gentlemen." Since Mr. Durbin commences this with the question, "What is a right credit policy?" the student of Social Credit will not be surprised to find that the author's conception of Major Douglas's views is no more accurate than that on which criticisms by other professional economists have been based.

Before examining Mr. Durbin's attempt to disprove the A + B proposition, it is worth while to notice his curious ideas concerning the flow of purchasing power. He states, "Even when a payment is not made directly to a consumer, but to another producer, as, for example, when a baker buys his flour, it will come into the hands of a consumer in the end." This is doubly strange, in view of the fact that in his diagram he shows the miller's account is settled by the baker with the money the latter *has* recovered from the consumers. The author quotes the A + B proposition correctly, but at once falls into the error of assuming that the sum-total of "B" payments throughout industry represents the exact amount of new purchasing power which, according to Major Douglas, would need to be created. Such a position is conceivable, but it is by no means implied in the proposition. It is no doubt this fundamental misconception of what he imagines the Social Credit proposals to consist which led him to use a very simple illustration of production in four stages. He has simplified this to such a degree that he has omitted every one of the three primary causes of a deficiency of purchasing power! His diagram shows a four-process production system—ploughs, wheat, flour, bread—each distributing £100 in wages, the result of which is that £400 worth of bread is made and £400 in wages is distributed in the same period. In other words, that in a very simple economic system into which neither past debt nor present "saving" nor variation of the rate of production per man enters the community is able to purchase its output—the *just price* being the same as the financial cost.

Notice.

All communications concerning THE NEW AGE should be addressed directly to the Editor:

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20, Rectory Road,
Barnes, S.W.13.

Renewals of subscriptions and orders for literature should be sent, as usual, to 70, High Holborn.

* Mr. Arthur Brenton's speech at THE NEW AGE DINNER, 1933.

The Way and the Life.

—the spirit of man is blind and dumb except God touch him, and awake, in the winter of his flesh, the spring of his immortality. ("The Fountain." Charles Morgan.)

The man who was scientific enough to see that the Holy Ghost is the most interesting of all the hard facts of life got easily in front of the blockhead who could only sin against it. ("Back to Methuselah." G. B. S.)

—it is proposed to make an endeavour to show that there is a way through, and that we may in time regain the best of the advantages on which the Medievalist rightly sets such store, retaining in addition a command over environment, which he would be the first to recognise as a real advance. ("Economic Democracy," p. 99.)

The Middle Ages had made religion a business; the nineteenth century made business a religion. ("Christian Ethics and Modern Problems." Dean Inge.)

In the "Notes of the Week" of the *New English Weekly* for October 12, the learned and cultured writer of these Draconian comments on matters economic and political says:—

"It is a reflection on the ability of the tens of thousands of professed propagandists of Social Credit that after fifteen years of effort we have totally failed to make the smallest dent in the armour of the financial monopoly that both decrees 'Unemployment' and prescribes the treatment to be accorded it."

Now there is no writer in the narrow circle of the saner journalism who knows better than the framer of this sweeping indictment that if men were swayed by the dictates of pure reason Social Credit would have been in undisputed control of affairs not later than 1925, perhaps earlier;—but, alas, they are not. Such is the perversity of man, so ingrained his original sin, that he seems incapable of seeing where his true interest lies, and forgets, so lightly, how closely the things of the spirit are interwoven with his material needs and satisfactions.

May it not then be possible that the apparent failure of the apostles of Social Credit to convert the Gentiles of the City and the Treasury to a more Catholic financial faith is due to over-emphasis of the material and neglect of the spiritual factors which have played so prominent a part in the economic history of Western civilisation?

If that is the case, then Fr. Demant's book, "God Man and Society,"* makes its appearance at a most opportune moment; for, if there is, as many of the supporters of C. H. Douglas firmly believe, a "Christian Sociology," it is essential that the Social Credit Movement should find its right place in the ranks of the great force the Church Militant is marshalling for a decisive assault on the economic evils which make living the "good life" almost an impossibility.

Incidentally, it must always be borne in mind, as Fr. Demant warns us, that "the worst evils of the world are due, not to bad men, for they cannot injure all men all the time, but to false theories of good men," and the false theories which are working such havoc to-day are the outcome of a false reading of Holy Writ and are in the strictest sense—heretical. In short, the problem before the world is, in the last resort, one of theology. But let the reverend author state the case himself:—

"The Christian Faith," he says, "has been essentially a message, not only of the truth, but also of the way and the life. The Gospel is not good advice, but good news of deliverance from the obstacles which men have erected or found to the realisation of their deepest needs. The Christian Religion claims to offer through Jesus Christ the Way and the Life of Truth, not in any possible world, but in the world in which God has set man his task, that is, in the world where men have to act along with other men and in co-operation with the material creation."

These are not the columns in which it would be fitting to pass judgment on Fr. Demant's theology, neither has the writer the qualifications for the task: he would rather the cordially endorse the verdict of a reviewer in a widely read Church newspaper, and

"urge its careful reading and consideration by all who desire that Christian principles should increasingly direct the development of human society, and who are groping for some Christian solution of the problems of our social life in its international, political, and economic relationships."

We can leave it at that, and get down to brass tacks.

To suggest that the root of the world's malaise is "sin" may raise a smile: sin being an archaic theological bogey long since laid to rest by the psycho-pathologists: but nevertheless let us hear a Father of the Church on the matter. According to St. Athanasius, "the essence of sin is the erecting of means into ends," which is precisely what the "good men" with the false theories are doing the world over in this our day, with results which Fr. Demant sums up very concisely:—

> "The nations are in suspended rivalry not because they want each other's wealth, but because they want each other's work. The money system which was devised as a means of exchange is now the main factor in preventing the exchange of goods. Politicians exhort the nations to get together, and the more the nations get together in trade, the more they do it not to enrich each other but to unload exports upon each other—an effort which, by a curious result of money mentality, is considered good for the exporter and a disaster for the importer."

After quoting a few striking examples of the extraordinary "contradictions in the theory and practice of industrialism," too familiar to the readers of this journal to need recapitulation, this learned and discreet Minister of God's Word adds that

> "they are here set out in order to ask whether the problem of restoring to society a rational theory of its own and the problem of making it subserve Christian ends may not be one and the same problem."

It is—and how did this deplorable and dangerous situation arise? Well, let us go back a few centuries, past the dawn of the industrial revolution and beyond the rapacious days of Queen Elizabeth, when the forces that were eventually to bring civilisation to the verge of ruin had got well into their stride, to All Saints' Day, 1517, when Martin Luther, nailed his ninety-five theses to the door of the Castle Church of Wittenberg and the great upheaval known as the Reformation was inaugurated.

Then was started that disruption of Christendom—a disaster of such overwhelming magnitude that we are only now beginning to realise the measure of its malevolence—and then was sown the seed of the dreary heresy that "economic activity was a means of sanctification and success in it a sign of grace"; a perversion of Pauline ethics which has served the high-priests of mammon so well in the blood-stained years between Luther and Lenin.

As for the vaunted liberation of the human spirit from the tyranny of an outworn ecclesiasticism, that is sheer myth. All that happened at the Reformation was a change of masters—and a change for the worse. As Max Weber in his "Protestant Ethic and the Spirit of Capitalism" says:—

> "The Reformation meant not the elimination of the Church's control over everyday life, but the substitution of a new form of control for the previous one."

That control has persisted through four hundred years and is perhaps more firmly established than ever in this the *n*th year of the Norman dispensation. That it is more skilfully disguised goes without saying. The Devil, besides being a skilful strategist, is a subtle tactician. Therefore, if it be impossible, as it seems to be, to convince the mandarins of high finance and big business that their elaborate system is contrary to right reason and its end disaster, then there is no option but to attack the philosophy on which it is based and the pseudo-religion which condones it.

And how is it to be done?

* * * * * * * *

Almost exactly four hundred years after the great events at Wittenberg there appeared another "thesis," which was destined to undermine the elaborate structure which has been built up on the truculent reformer's fissiparous heresies. It is no reflection on the author of "Economic Democracy" that he did not, at the time of publication, foresee the tremendous consequences latent in that slim red volume, and he might well resent being hailed as a champion of the Catholic Faith, but the fact remains that the deeper we probe into the Social Credit philosophy implicit and expressed in the writings of C. H. Douglas the nearer we get to those basic principles on which Christendom was built, and on which, in God's good time, it will eventually be reconstructed.

Now, using the word in its strictly secular sense, there is no more "Catholic" body in the world than the cloud of witnesses assembled under the Social Credit banner. The recruits are drawn from every stratum of society and reflect

* "God Man and Society." An Introduction to Christian Sociology. By V. A. Demant, B.Litt., B.Sc. (Student Christian Movement Press, London. 6s. net.)

every phase of thought and every creed. This wide variety of types is at once the strength and the weakness of the movement, but the plasticity of mind which has enabled so many very live men and women to sink their differences of creed and culture in the pursuit of a common ideal should have the happiest results when it dawns on them that Social Credit and the Catholic Faith are working on parallel and possibly converging lines. "Religion," says Fr. Demant,

> "is the basis of civilisation, for it is the condition of a right order in the scale of human activities; and experience as well as thought shows that without a right order in these no political efficiency can for long succeed in keeping social order and peace. This is a social application of the final Christian truth about the world, that what is natural and right, when corrupted, can only be redeemed and kept true to its original purpose by a power that is more than natural and right, by a power that is supernatural and divine."

Well, "money," per se, is "natural and right" enough; it is as Douglas describes it, "probably one of the most marvellous and perfect agencies for enabling co-operation that the world has ever conceived," but that it is hopelessly "corrupted" should be obvious to every impartial critic. We might go so far as to say that it partakes of the essence of sin inasmuch as it has ceased to be purely functional and has become an absolute end in itself.

It is from this angle that the Social Credit attack should be made, and when the Social Credit hosts add the whole armour of the Faith to their intellectual panoply the obduracy of Whitehall and Threadneedle Street, which the *New English Weekly* so justly deplores, may yield to the combined attack. Even a financier has a soul to be saved —although some doubt it.

And that is not the whole story either. It has been well said that it is not possible to dilute the essence of the Catholic Faith with any other to make a third, and the same stricture applies to Social Credit. Any attempt to water down the definite tenets of the Social Credit creed can only play into the hands of the enemy and lead to confusion. A mere opportunist policy would be fatal, for the City could beat us, hands down, at that game. As for diluting Social Credit with a vague religiosity, such feeble emotionalism would make the "movement" the laughing-stock of every definite Churchman. No, only two definite uncompromising creeds, in holy alliance joined, can fight this battle to a victorious finish. The mischief is that neither party to the proposed alliance has, as yet, seen how essential each is to the other. Individuals do, but not the directors of policy in ecclesiastical high places. They seem to be too intent on playing for safety and, alas, appear to be willing auditors of the deprecatory criticisms of Social Credit which their friends and acquaintances in the world of financial intrigue are only too eager to impart.

Let us hope they will give more than passing attention to Fr. Demant's thought-compelling book and learn from him how "the lost social tradition of Christendom is to be recovered," and with it the solution of the social problems with which, under "sound finance," our politicians and bureaucrats wrestle in vain.

J. S. KIRKBRIDE.

LETTERS TO THE EDITOR.

"A + B" AND "CONTINUOUS PROCESS."

Sir,—By all means let us suppose production and services of all kinds to be confined to one organisation, as Mr. Coleman suggests, and all B payments therefore to be interdepartmental, there being none due to other organisations. I have often tried to get Douglasites to accept the validity of such an illustration, but sooner or later they invariably chafe at the confinement and want to introduce external payments of some kind after all. Incidentally Mr. Coleman showed the same tendency when he objected to the absence of B payments from my tanners' accounts.

In this one organisation then, which first we assume to be merely replacing its real capital as used, without increasing its amount, the consumers' income is capable of purchasing all finished goods, and by transferences of the same sums back through the various departments all output of every kind can be paid for. So far Mr. Coleman and I agree. But before proceeding I should like to make it clear that we have now deprived the A + B theorem of the special significance that it is usually assumed to possess. The theorem is supposed by many to reveal a necessary deficiency of money so long as money is only distributed for productive purposes and production is carried on by processes separated by an interval of time. The theorem makes no proviso that capital must expand before the deficiency occurs. If Mr. Coleman and I are right in what we have now agreed upon, then A + B is only true in a very obvious sense: it merely shows that the sums paid to those responsible for carrying out one productive process are less than the sums paid for all processes; and since the various processes are proceeding continuously and simultaneously, and consumption also is continuous, we are able to infer that any output of consumption goods is partly paid for with money earned for work on a later output. But nobody would deny this. Perhaps it is because I do not deny it that Mr. Hilderic Cousens, in his review of my *Control of Prices*, wonders what I object to in the A + B theorem. I do not object to it if it means no more than the simple and obvious truth that I have just stated. But if this is so the theorem provides no case for consumers' credits or selling below cost or any of the proposals that are peculiarly Major Douglas's. That case must rest on an entirely different argument, such as that to which Mr. Coleman at this point proceeds.

Capital, he points out, is not merely replaced; normally its amount is continually being increased; and the alleged deficiency of income is said to arise from financing this capital development. I have devoted a good many pages in my books to examining this argument in its various forms, but Mr. Coleman spares me the task of covering all the ground again by recognising that even in these conditions incomes "may keep pace with the costs arriving on *consumers'* markets." Many Douglasites not only fail to recognise this, but involve themselves in hopeless confusion by denying it. If it is true, however, where is the deficiency? Can it be that all costs need not, in spite of a favourite Douglas assertion, go into the prices of finished goods? Mr. Coleman seems to think so, for he follows his admission by speaking of "a continuous rise in *total* costs, represented, physically, by the increased plant of B. I., Ltd. (our all-embracing unit), and, financially, by the growing figures in the loan accounts of its banking department."

New capital is paid for either out of savings or out of credit expansion. Eventually it is supposed to be financed out of savings, the banks providing merely temporary accommodation. I have discussed the consequences of changes in saving and investment as I see them in the ninth chapter of my *Money and Prices*. The subject has long been much debated, but the disequilibrium that arises from this cause is not Major Douglas's discovery. Indeed, I fancy he thinks that some writers have attached a too exclusive importance to that aspect of the problem, and there I agree with him.

As for the argument that new capital financed by bank loans which have to be repaid causes the deficiency of incomes compared with prices, the shortest way of answering this is to refer Mr. Coleman to pp. 165-7 of the *Control of Prices* and other passages in that book. The next shortest is to show its irrelevance to the Douglas scheme. If all new capital were financed by bank credit, and all of it were wrongfully charged into current prices, by how much would prices exceed what they ought to be? Shall we say by perhaps 12 per cent. in active times? If we said by 25 per cent. we should much exceed the highest estimate of the rate of capital development in this country that I have ever seen. But Major Douglas (see *The Control and Distribution of Production*, p. 73) declares that the deficiency amounts not to a mere 25 per cent. but to 500 per cent. How a deficiency of this magnitude occurs has not been revealed by Mr. Coleman, or by anybody else so far as I have discovered.

I must choose another occasion to try to clear up the surprising misunderstandings betrayed by Mr. Hilderic Cousens—unless I despair of ever doing so.

AUGUSTUS BAKER.

MR. ROOSEVELT AND AMERICA.

Dear Sir,—It would seem that there might be a particular significance attached to the two items of information following, which some of your readers may have missed.

The first is from the report of the New York Correspondent of the *Manchester Guardian*, as printed in that paper on October 10, and reads:—

"... Some of Mr. Roosevelt's close advisers have actually been urging ... a subsidy to all citizens to a limited amount in order to stimulate the consumer to purchase more and end the depression."

The second item of interest is taken from the same paper, date of issue, November 21, and consists of a report from Washington, which reads:—

"The United States Treasury is to impose its first ban on news since the end of the war with the accession of Mr. Morgenthau, the new acting secretary, who is succeeding Mr. Woodin.

"On taking over the Treasury Department to-day Mr. Morgenthau informed officials that they must not in future give any information whatsoever to the Press or to others. The ban applies even to the dissemination of routine statistical information by subordinate officials. He said that information would be given to the Press only through himself and his assistants.—Reuter."

T. C. WRYCROFT.

GREEN SHIRT POLICY.

Sir,—We do not think that the power of credit issue and withdrawal exercised by the so-called Bank of England can be looked upon as a "sound" tradition of the past.

As, however, other comments may be forthcoming on the point raised by Mr. R. S. J. Rands in your last issue, we refrain from saying more at the present time.

H. T. WEBB.
General Secretary,
Green Shirt Movement for Social Credit.

Sir,—Mr. Rands's letter on Green Shirt Policy, in your issue of November 30, encourages me to make a few remarks.

I attended the Green Shirt meeting at Edmonton Town Hall on November 23 when Mr. Hargrave gave an address. I admired the absence of any appeal to popular ignorance and prejudice in his address, and I was impressed by the acute questions asked by his audience, most of whom seemed quite humble folk, and the fairness and honesty with which he answered them. At the same time I find *Attack* disturbing in some respects. Rousing popular passion against bankers as a class and a demand for a National Credit Office seem premature. It would depend on what the bankers would do in face of a widespread demand for Social Credit or an attempt to set Social Credit going. The Bank Officers Guild is in sympathy with Social Credit.

Attack gives the impression that the Green Shirt Movement is a revolutionary movement on the part of the poor and the destitute. This is not Social Credit, which aims at the economic security of all classes of the community. I should like to see the appeal of *Attack* widened.

I am not connected with the Green Shirt movement, and therefore realise that it is ungracious, even presumptuous, to criticise the labours of Mr. Hargrave and his colleagues. I therefore apologise.

P. M.

CHRISTIANISING SOCIAL CREDIT.

Sir,—Referring to the statement in your issue of this week taken from the Australian *New Era*, in which the Editor of that paper describes my friend Mr. Scrutton as "the Rev.," may I be allowed to correct him through you, and say that Mr. Scrutton is very much a layman, though the fact that he lives with me in a vicarage seems to mislead more than *The New Era*, for the mistake has been made before by others?

May I, at the same time, refer to Mr. F. J. Gould's article in *The Literary Guide*, which you also quote?

In that article Mr. Gould makes a friendly attack upon those Christians who are taking a lively interest in Social Credit, and incidentally upon Mr. Scrutton and The Prosperity Campaign.

Therefore, the following quotation from *The New Era*, of October 12, is very relevant, and of some importance.

I do not now take up the cudgels for the Church in the matter, but will be content with saying that *The Tribune*, Melbourne, is a Roman Catholic organ.

Now there is some ground for supposing that the official Roman Catholic attitude towards the freedom of the individual is not altogether friendly, whilst many would say harsher things than that.

But, in any case, and especially in regard to Mr. Gould's contention, the passage given below is very welcome, and remarkably well stated.

"If man be but an animal, as the financial system would rate him, by all means let him work, however wastefully or unproductively, lest he wax fat and kick. If, however, we accept the other conception, if we admit that he has not merely a body, but a mind and an immortal soul, it is but fitting that machinery should enable him to devote the least part of his time to the least part of himself, and, by giving him the leisure, give him also the opportunity to cultivate his mind and his soul.

"It is but a question of whether a pagan bookkeeping system shall rule the people, or whether the people shall open Christian ledgers."

PAUL STACY.

St. Peter's Vicarage, Coventry.

Sir,—I have not seen Mr. F. J. Gould's "long and trenchant article" to which you refer, in which he protests against "the attempt of the Church to run Social Credit as a sort of ecclesiastical side-line." (By "the Church" he must surely mean "some Churchmen"; there is not much evidence that either the Lambeth Conference or the Sacred College is ready to take so daring a step as would be involved in an official patronage of Social Credit, or even clearly to understand what is involved in it). However, I can sufficiently understand his apprehension of the consequences of pushing Social Credit "as a Christian proprietary article," that as one whom he might regard as a principal culprit in this matter—for I have been writing on this theme since 1920—I hope you will allow me to explain something of the point of view of those who perceive the Just Price and the Social Dividends to be necessary elements in a Christian Sociology for to-day.

In the first place, it is necessary for Mr. Gould to appreciate the fact (however strange it may seem to him and others outside organised religion) that there is a growing number among the nominally Christian to-day who take their religion seriously, not merely as a supernatural revelation, but as a criterion for the interpretation of the problems of man and society. It is impossible for such to regard the deadlocks and dilemmas of contemporary crises as involving merely secular issues. Clearly, they are related to errors or misunderstandings about the purpose of human order, such as must necessarily fall within the purviews of any religion worthy of the name. For religion is not exclusively a matter of spiritual exercises on the one hand or ethical conduct on the other. It is concerned with rightness in the whole of life and experience. Christianity involves, for those who sincerely espouse it, the effort to comprehend reality and to bring human order into relation therewith. Reality in economics involves Social Credit. It is surely incumbent upon those who perceive this within the Church to urge it upon their fellows, and not merely on general grounds, but as an essential concern of a body which, as they must believe, has a pre-eminent mission of phophecy in society such as cannot be devolved upon any secular organisation. To do this does not—or, at any rate, most certainly should not—involve slobbering over the scientific purity and objectivity of the Douglas analysis and proposals with any mystical gush or cheap moralism such as your contributor, "S. R.," justly execrates. Nor does it imply any effort to "vest the stewardship" of Social Credit in any religious organisation.

But there is the further point that to many of us with knowledge of the traditional Christian sociology of the Middle Ages three elements in it appear to be of permanent validity—a Just Price objectively calculated, the restraint of usury on explicit grounds of principle, and the universalisation of the experience and responsibility of property. For all of these the Douglas proposals provide, amidst the technological achievement of to-day, the necessary and only possible implementation, at least, for the immediate future. How can we do otherwise, then, than claim that we have in Social Credit a technique vital, at any rate as a skeleton, to the development of a Christian sociology for to-day? It is not, we think, without significance that very many Churchmen have perceived its validity when considered in this light; hidden from the "wise and prudent"—the economists and the lords of business—it is thus "revealed unto babes," for the eye of the babe is single.

If Mr. Gould (and for that matter "S. R." also) would do me the compliment of reading chapters ix. and x. of my *Faith and Society*, or Mr. V. A. Demant's new book *God, Man, and Society*, where the relation of Social Credit to Christian sociology is worked out in a good deal of detail, they would not, I think, feel moved to complain that we had compromised the cause they (and we) have so closely at heart.

MAURICE B. RECKITT.

IMMACULATE CONCEPTIONS.

Sir,—Perhaps you will allow me to draw attention to a small point arising out of your remarks on "Idealisms and Social Credit" in the current issue of THE NEW AGE (page 38).

So far as I am aware the term "Immaculate Conception" has no definite significance, apart from its use in describing a particular dogma of the Roman Catholic Church, and one would therefore expect that any secondary application of the phrase (such as occurs in the course of your remarks) would have some general relation to its original technical meaning.

Your use of the words is so far from fulfilling this simple condition that I confess to a slight mental shudder on reading the paragraph, akin to that which I experience when some blissful non-technician refers in my hearing to a "voltage of ten amps."

Briefly, the dogma of the Virgin Birth makes no reference to the Immaculate Conception, for the simple reason that the latter refers to the conception of the Virgin Mary herself, and merely states that she was, from the first moment of her existence, free from the stain of Original Sin. Moreover, in the whole of Roman Catholic theology there is no imputation whatever that the *macula* of Original Sin is a consequence of the sexual union.

BM/WHHO.

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The Social Credit Movement.

Supporters of the Social Credit Movement contend that under present conditions the purchasing power in the hands of the community is chronically insufficient to buy the whole product of industry. This is because the money required to finance capital production, and created by the banks for that purpose, is regarded as borrowed from them, and, therefore, in order that it may be repaid, is charged into the price of consumers' goods. It is a vital fallacy to treat new money thus created by the banks as a repayable loan, without crediting the community, on the strength of whose resources the money was created, with the value of the resulting new capital resources. This has given rise to a defective system of national loan accountancy, resulting in the reduction of the community to a condition of perpetual scarcity, and bringing them face to face with the alternatives of widespread unemployment of men and machines, as at present, or of international complications arising from the struggle for foreign markets.

The Douglas Social Credit Proposals would remedy this defect by increasing the purchasing power in the hands of the community to an amount sufficient to provide effective demand for the whole product of industry. This, of course, cannot be done by the orthodox method of creating new money, prevalent during the war, which necessarily gives rise to the "vicious spiral" of increased currency, higher prices, higher wages, higher costs, still higher prices, and so on. The essentials of the scheme are the simultaneous creation of new money and the regulation of the price of consumers' goods at their real cost of production (as distinct from their apparent financial cost under the present system). The technique for effecting this is fully described in Major Douglas's books.

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