THE
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INCORPORATING "CREDIT POWER."
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NOTES OF THE WEEK.

The Government's decision to appeal to the country just now has been defended on the ground that if the appeal were delayed until the completion of the Government's full term of office it might synchronise with some critical emergency. The contention is that the present lull in the storm provides a safe opportunity for Ministers of the Crown to take leave of absence from their duties and consult their constituents—likewise ex-Ministers and Members of Parliament. This sounds plausible enough, no doubt, to the average elector, but to the student of real politics it is the thinnest story imaginable. As a preliminary point the bankers behind the Government are quite capable of manufacturing these lulls, that happen so conveniently, by reason of the same powers as they use to manufacture crises. But that is by the way. The full answer to the story lies in the fact that the functions of Parliament are of least use when emergencies are most critical. This country is run all the time by the bankers, the Treasury and the Permanent Officials of the State Departments. During your seaside holidays you frequently watch the spectacle of half a dozen tiny tots helping a fisherman wind his boat up the beach. The apparently hefty pushing of small hands on the pole of the windlass might seem to you, if you were drowsy, to be helping the old boy round on his circuitous journey. But if you went up and had a close look you would probably see that he was doing more work than if they were not helping, virtually giving them free slides, if not free rides, and otherwise overcoming their own inertia in addition to that of the boat. Supposing a sudden squall from the sea on a quick-flowing tide, necessitating his hauling the boat up quickly, he would soon tell the youngsters that their mothers were calling, and so rid himself of the embarrassment of their assistance.

* * *

Now this is an exact picture of the real political situation. The children are the Parliamentarians and the old man represents Permanent Officialdom. When the weather is still and the saving of time is not vital, then the old man, whom we might name Montagu Norman, permits the impediments of Parliamentary question and debate to operate. But let there be a real crisis, and all the Parliamentary figure-heads and orators are sent toddling back to their mothers. In short, to the permanent official, that is, the trained technician, nothing would be more helpful in an emergency than for the whole crowd of politicians from both Legislatures to take a holiday among their constituents until the crisis was over. It would short-circuit the current of amateurish interference. General elections *between* crises?—nonsense. General elections *at* crises—that is the prescription for meeting them successfully.

* * *

Unfortunately this cannot be worked openly. The electorate are not like the mothers on the beach watching their offspring enjoying themselves, and sometimes telling the boatman they "hope the children are not troublesome"! Oh no. To the electorate the sitting Member is always hatching out something portentous, and to take him off the nest is in itself as big a crisis as any problem that may arise while he's on the nest. Quick, lest the eggs go cold! Nevertheless, the politicians are brushed out of the way behind the scenes whenever problems arise whose solution would be dangerously jeopardised by the publicity and delay attendant on Parliamentary prerogatives and procedure. And apropos of procedure it is worth noting that whenever an unexpected emergency—a matter of "urgent public importance"—arises it can only be debated on a motion that the House do *adjourn*! It is as if the mover were to say: "Mr. Speaker, here's an awful thing happening: I move that we all go home." And not a bad idea either when you come to look at it. For if at the times when the bankers were rushing through the Dawes Pact, the Young Plan, and the Newfoundland Distraint measure someone had been able to get the House adjourned while Members went home to their constituencies to think them over, not a few of them would have received some enlightenment locally which was not forthcoming at Westminster. As a matter of fact the House did adjourn during the last

(all-night) stage of the Newfoundland debate. It went to sleep.

* * *

Some readers may have noticed that Mr. Neville Chamberlain dropped some pretty broad hints as to the true situation in the course of his slanging match with Lord Snowden at the opening of the present election campaign. After alleging that Lord Snowden had claimed credit for a certain loan-conversion operation successfully carried out during his (Snowden's) term of office as Chancellor of the Exchequer, Mr. Neville Chamberlain retorted that the success had nothing to do with Lord Snowden, but was due to the "loyal co-operation" of *banking* and stock-exchange officials. When thieves fall out . . . ! And this episode makes a case for the holding of elections at times of crises; for it is precisely at these times when the accidental spilling of the truth has its highest value, and the truth is most likely to be spilt in the turmoil of electioneering controversy.

What is Purchasing Power?

The following letter appeared in the *Financial Times* of November 7:—

SOCIAL CREDIT SYSTEM.

MORE WORKERS ON THE DOLE.

Sir,—So far as one can understand from its expounders, the idea of Social Credit is that (1) in each factory, etc., insufficient wages are distributed to purchase the goods produced, and so over the whole country there is insufficient purchasing power, and that (2) by crediting the populace with, say, £5 a month each in the books of the banks, the purchasing power, and so the consumption and employment of the community, could be increased.

As regards (1) it is clear that the purchasing power of a country consists in its stocks of goods, land, factories, etc. —namely, exactly the same articles as are to be purchased. The allegation of too little purchasing power for goods is no more reasonable than the assertion that there are more backs than fronts.

As regards (2) monetary manipulation cannot increase credit. It can only transfer credit from one person or body of persons to another. Thus it can at most redistribute purchasing power and employment.

In the concrete, one may say the veteran Major Douglas proposes bigger and better doles. The present doles have produced anything up to 3,000,000 unemployed. Social Credit would, no doubt, double that number.

R. E. WHITEHEAD.

London, N.16.

Mr. Whitehead's expository paragraph (the second) would be quite correct if we were living under a barter economy. Under such an economy purchasing power resides in the articles which are to be purchased. Everybody is his own banker, so to speak; when he produces an article he produces the means of buying an equivalent article. Hence in a barter economy the community's collective purchasing power expands or contracts in direct relation to the amount of physical wealth that is available for distribution. Mr. Whitehead seems to be under the impression that the same thing is taking place under the present money-economy. He probably has in mind the original concept of a monetary system as one which could "perfect the barter system." It was a sound ideal, and it is a feasible one, but it has not yet been translated into achievement. The proper purpose of a monetary system is firstly to express in terms of a given monetary unit the value of collective production and the sizes of individual shares due to the sharers; and, secondly, to distribute to each the equivalent monetary tokens. The final test of whether the system is accurately working resides in the answer to the question: Does the sum total of individual titles to share the wealth equal the wealth?—or: Does the sum of personal incomes equal the sum of costs, or to put it in a practical form: Do incomes accrue to consumers as fast as costs become chargeable in consumption markets?

* * *

Mr. Whitehead argues on the assumption that costs and incomes are convertible terms. For what else are we to make of his assertion that the purchasing power of a community *consists in* its physical wealth—capital equipment as well as products? That could only be credible if the credit balances of the citizens of a country added up to the same sum as the total assets of its industries. Strictly speaking, purchasing power is not a quantity but a ratio—the ratio between costs and incomes. Under the barter system the ratio was unity, for both "cost" and "income" resided in the physical wealth in the sense that the wealth reflected the two. To use Mr. Whitehead's words: it had a back and a front.

* * *

What we require of a monetary system is that the monetary tokens we receive as incomes, however many or few in number and however unequally divided between one recipient and another, shall in the aggregate procure us the total wealth which industry is physically capable of delivering for consumption. If, as is the practice, the consumer eventually pays all costs, then costs must be expressed and charged in the same number of monetary units as are expressed on our tokens. With that accomplished, purchasing power is at its maximum efficiency; and it will be then when we shall be able to agree with Mr. Whitehead that for all practical purposes purchasing power "consists in" what is purchasable. In the meantime we shall have to get on with the job of making his dream come true.

* * *

"Money manipulation cannot increase credit," says Mr. Whitehead. On a certain definition of "manipulation" we would agree. But he is aware, we suppose, that the people of England started the war with £900 millions of money and ended it with £2,000 millions. Where did the £1,100 millions additional credit come from? Not from any other country, for the technical reason that money does not cross frontiers (vide McKenna) and for the historic reason that England's war borrowings from the U.S.A. were not greater than her loans to her allies. The explanation is to be found in orthodox banking text books, let alone polemical theses, and is that borrowings from banks create credit, and during the war the rate of borrowings outstripped the rate of repayments: credit was created faster than it was being destroyed.

* * *

What is true, and possibly what Mr. Whitehead has in mind, is that a borrowing community cannot expand or contract the credit borrowed, but can only pass it about from one man's account to another's. Unfortunately this is not equally true of *Debt*. The borrowing (i.e., manufacturing and trading) community can so manipulate money, or participate in the process of manipulation, that, as seen during the Great War, the addition of £1,100 millions to the English people's deposits was attended by an addition of £7,000 millions to the National Debt. The difference, say, £6,000 millions represents debt wholly fashioned out of money which no longer circulates. New money cannot be put into circulation to replace it (even if the banks were willing) without creating new costs chargeable against incomes. Hence the burden of this debt has to be borne by current incomes earmarked to pay for current production, and the interest alone accounts for nearly half the Budget expenditure which current incomes must cover in taxes. It is a levy on purchasing power which ultimately falls wholly on the consumer (for industry's taxes are included in prices). It reduces the efficiency of consumer-purchasing power partly by subtracting units of money out of the consumer's pocket and partly by adding units of cost to consumption products. If Mr. Whitehead requires a practical demonstration of the fallacy of the idea that purchasing power *consists in* factories, stocks of goods, etc., let him offer to pay the Revenue his taxes in kind at cost valuation!

* * *

Coming to his concluding paragraph we don't follow the steps of reasoning attributing unemployment to doles. We thought that doles were not paid to people until their disemployment had taken place. Anyhow, suppose that doles were abolished, or that the 3,000,000 dole-drawers fell down dead. The immediate consequence would be a diminution of revenue to industry amounting to say £4,000,000 a week. Industry would contract output and dismiss employees. These would cease buying, and cause another contraction of output, and so on along a continuous, though diminishing, progression of contraction. Meanwhile industry's overheads would remain the same in amount, and prices would have to be raised against consumers. The administrative expenses of the Insurance Fund could hardly be lessened, yet fewer people would be paying premiums, and so the rates would have to be raised. It is true on the other hand that the employer and the State (which means the consumer or taxpayer) would cease to provide their contributions to the original premiums, but when the whole complex of consequences indicated above is worked out it will be seen that doles do more good (or if you like, less harm) to the health of industry than any alternative way of dealing with the unemployment phenomenon—miscalled a problem. If then, as Mr. Whitehead contends, Social Credit would double the number of people on the dole, the prospect need not alarm anybody, even allowing him the false implications of the statement in that bald form. For ourselves, we think the doubled figure, namely, 6,000,000, a fairly moderate one to start with. With a little time for adaptation industry could usefully dispense with another 3,000,000 workers on the present basis of output. But those who do not like the prospect need not be alarmed, because Social Credit starts by giving extra income, *exercising extra purchasing power*, to the whole population of say 50,000,000 people. The tremendous increase in physical output foreshadowed by this expansion of purchasing power will call for enough initial development work to employ all who want to, and are fit to work, for a considerable time.

* * *

As a matter of fact it is not essential to the Social Credit objective that anyone should cease working in industry. That is a matter affecting individual employers and employed. If the two parties agree that everybody should be employed that is their business, and they are numerous enough to get the Government to encourage or tolerate that policy. The criticism of the Social Credit advocate would be technical. He would point out that to employ more workers than necessary would involve the use of less efficient productive mechanisms and therefore a slower rate of output than was otherwise achievable. To illustrate by reference to the amusing story told by Mr. A. L. Gibson at the Central Hall Demonstration: you can easily employ 50,000 workers at a large excavation job if you set each to work with a saltspoon! On the other hand, if you decide to use one of the huge mechanical excavators now available, it is an absurdity to imagine employing that number. Probably not more than fifty men could get near enough to touch any part of the machine, let alone handle it. What of the other 49,950? Well, all we can think of is that they might sing chanties to cheer up the operators—an idea which calls to mind Perlmutter's ironical protest to his partner Potash when the latter engaged a young man as bookkeeper and explained that he liked the boy because he was a clever musician. "Vot," exploded Perlmutter, "and shall he write operas in our books."

* * *

No, the Social Credit advocate leaves the question of employment to the common sense of the parties who will work the employment system. And it is hardly likely, seeing that they are consumers as well as producers, that they will renounce efficiency for the sake of job-making. After all, the "Dividend" is not the final result. The final result is the conversion of the Dividend into goods and amenities; and the question of the volume of employment will depend on two things: (a) the output which is to be aimed at, and (b) the most efficient way of reaching and maintaining it. The first is a question of policy which the citizen will decide: the second is a question of technique, which the engineer will decide. If the policy is to provide plenty of work, then the engineer will plan for a slower relative output; but if to provide the minimum of work then he can plan for the maximum relative output.

* * *

It is undoubtedly the fact that at present the majority of the working classes would prefer the idea of doing with less than the highest possible output to the idea "not having anything to do." So it is correct political strategy to encourage them to vote for *work* as well as "Dividends." They are not yet in a condition to appreciate that idleness in the economic sense need not be monotonous. For one thing many of them associate idleness with loneliness; and your calling it "leisure" will not effect the dissociation. The one great thing that should be stressed is that Social Credit will progressively *invest them with the power to choose* between working for a living and living without working. It is all one to the Social Credit technician which they choose. His job is done directly the principle of the Dividend (and Price Discount) is applied and puts the power of choice into their hands.

* * *

Now that universal suffrage is in being the power of controlling policy which is inert under the present system will be active and will proceed from the "masses" as we call them. They will gain more influence in the counsels of the State by reason of the Dividend. A lot of people don't care for this; but that is because they have got the notion that the poor must always be opposed to policies that suit the rich. It is a fear that will pass, along with the passing of the fear of economic insecurity.

Movement News.

"Social Credit News."

This is the name of a broadsheet just published by the London Social Credit Club. It comprises two large leaves, or four pages, fifteen inches wide and twenty inches deep, each carrying five columns of text. The first number is well produced technically, and the contents are interesting and stimulating. The contributors include Dr. Purves, Dr. Mitchell, B. J. Boothroyd, H. Best, R. S. J. Rands, W. T. Symons, Gladys F. Bing, William Brittan, Maurice Colbourne, R. W. Willans, and H. Norman Smith, whose names will be familiar to members of, and visitors to, the above Club. This number is intended chiefly to rally support for the Albert Hall meeting on November 29, and otherwise to make known the activities of the Club to a new public. Further numbers will appear, but not at definitely stated intervals—the frequency will depend on how the broadsheet is received. It certainly deserves success, and there is a logical place for it between the official organ of the Social Credit Secretariat on the one hand and that of the Green Shirt Movement on the other. Supporters of either of these organisations will find it congenial to read and useful to distribute. Congratulations are due to those who co-operated to launch this publication. Until further notice communications respecting supplies should be addressed to Dr. Mitchell, 2, Bromley-common, Kent. (Telephone: Ravensbourne 2871.)

South Leeds Campaign.

The Social Credit Party candidate at South Leeds got himself well into the news on nomination day last week. He arrived at the office accompanied by three supporters each carrying a bag containing £50 of silver. The bags were deposited on the table. Opening one of them, the Mayor proceeded to count the contents. When he had reached forty shillings Mr. Townend intervened to remind him that silver was not legal tender for more than that sum. Without waiting for this fact and its implication to dawn on the Mayor, Mr. Townend produced Bank of England notes to the required amount of his deposit, namely, £150. The bags of silver were then taken charge of by the three bearers, who marched away with them. In the meantime Mr. Townend briefly told the Mayor why he had presented coins before presenting paper, namely, that the King's effigy was on the first but not on the second; and he concluded his explanation with the comment that since the acceptance of the money of the Crown was not legal he had to tender Mr. Montagu Norman's promises-to-pay —leaving the moral to speak for itself, i.e., that the law placed the credit of a private institution higher than that of the King and the People.

* * *

This episode secured a headline and three inches of text in the late editions of *The Evening Standard* the same night. Not more than five candidates altogether (out of 1,300) provided nomination "stories" for the Press; and of these only Mr. Townend secured publicity by his own initiative. The other candidates were simply appendages to episodes, e.g., being late in attending, and other unplanned exploits! The report in *The Evening Standard* was generally accurate but erred in one point, namely by saying that it was the Mayor who raised the objection to taking the deposit in the form of silver. Probably the difference did not seem to be of any importance to the reporter; but it is of great importance in the frame of reference concerning the political issues involved. If, as looked likely to happen, the Mayor had accepted the coin, and Mr. Townend had taken the notes away, the bankers would have been presented with an opportunity to challenge the validity of the candidature after the declaration of the poll if the result did not please them. Hence Mr. Townend, though tendering the coin, had to take care that it wasn't accepted.

Apathy and Rowdyism.

The election campaign generally is manifesting some marked features. On the one hand *The Evening Standard* deplores outbreaks of rowdyism at public meetings, while on the other *The Daily Mail* says that the Government are alarmed at the apathy of the electorate. To the unsophisticated readers of these newspapers it will probably appear curious that rowdyism should take place in an atmosphere of apathy. But to readers of THE NEW AGE the two things are logically reconcilable. Apathy may be taken as reflecting the citizen's loss of confidence in the politician and/or the Parliamentary machine. And if so, it is natural that this loss of confidence should be signalled by interruption and disorder when big Parliamentary figures come down to address the constituencies. A vote, in theory, is an investment; and these politicians are in the same position as company directors who face their shareholders with empty hands. And if it were not that company directors hold their Annual General Meetings in rooms too small to accommodate more than a tiny fraction of their stockholders and at times when only that fraction is able to turn up, the tale of disorders at these meetings would be as dramatic and disturbing as was the shouting down of Mr. MacDonald and Mr. Thomas reported this week—probably more so. Apropos of this the current news from France is worth attention. There the *déboires* of the Stavisky scandal have turned even the Law Courts into bear-gardens. And when you come to look at it, the appellation "The Stavisky Government" would not be unjustly fastened to the so-called National Government, which seems to measure its success by the prices of gilt-edged securities. Its defenders may protest that Ministers of this Government are men who mean well even if they do badly; but there are few famous financial figures in criminal trials who could not enter much the same plea, pointing out that their cooking of accounts and other devices were adopted to *tide over* danger which they hoped would prove temporary. Every one of these men could lay claim to sanctuary within the portals of the economists' *Trade Cycle*. "The worse things are the sooner they'll be well"—hence, why not a little cooking to save shareholders from being ruined perhaps on the night before the dawn of Prosperity?! However, in the region of high politics to-day, no matter what the law says, the refusal of our representative political rulers to inform themselves of the means now open to them of leading this country out of its economic insecurity constitutes the worst form of corruption. We have come to a pretty pass when a Chancellor of the Exchequer, to wit, Mr. Neville Chamberlain, is ready to denounce or ridicule any proposal merely on the evidence of the sigh of a Treasury official.

Green Shirts at Leeds.

When Mr. Baldwin went to Leeds last week a party of Green Shirts travelled by the same train. On reaching Leeds station they got out and hurried along the train to greet him on alighting from his compartment. Their greeting took the form of a flag demonstration accompanied by the shouting of the slogans: "Down with the Bankers' Government" and "Vote for Townend." This rattled the gathering of Mr. Baldwin's admirers who were there to escort him away; and a commotion ensued in the course of which blows were struck. The Green Shirts were prevented from leaving the station until Mr. Baldwin had been got safely out of the way. The above account is taken from the *Daily Mail* of November 8, page 15.

Movement Notes.

"I feel sure that if there were a Social Credit Party in this country, long before it became a formidable menace, its organisation would contain in most of its key positions a set of rogues. . . . There is plenty of promising material about at the present time."—Major Douglas in *Social Credit*, October 25, 1935.

. . . . . .

"If philosophies differ but actions agree then the philosophic differences will have no more than academic interest."—*The Times*, July 23, 1934.

The basic attitude of THE NEW AGE on the question of organised political action by members of the Social Credit Movement was defined last week. The problem was stated to be equivalent to that which would present itself to a colony of fleas in an elephant's ear who desired to shape the course of the elephant. It was suggested that external influences on the elephant would be so great as to render the actions of the fleas relatively negligible. That meant that whether the fleas did the "right" thing or the "wrong" thing, or adopted uniform or multiform methods, the margin between the theoretical optimum and minimum results achievable was practically negligible. Douglas's one-time dictum that the Social Credit Movement and the Social Credit Press were redundant was cited in support of this proposition. It rests upon a determinist concept of the political situation wherein events shape policy, not policy events.

Assume, for the purpose of argument that this concept is true in its extremest form. (It will be qualified later.) Then all controversy about actionist policies becomes futile. To use our analogy, it is a storm in the elephant's ear. It does not matter whether the fleas form a "Limited Company," or a "Party," or a League or Society, or any other organisation whose name exhales a pleasant odour. Nor does it matter whether this or that form of organisation lends itself more easily than others to permeation by bankers' *agents provocateurs*. In fact, without reference to any concept at all, it is a matter of ordinary experience that "rogues" (as Douglas calls them) cannot be prevented from penetrating an organisation by the sound of its name. "Company," or "Party," "League" or "Society"—these are words, words; they have no talismanic properties; they are not a *cordon sanitaire*. . The defence against rogues is a matter partly of the structure of an organisation, and predominantly of the character and wisdom of its leaders. So if rogues can permeate a "Party" and not a "Company" the reason must be that the good faith, the wits and the skill of the Party leaders compare unfavourably with those of the Company directors.

But, in the frame of the concept outlined above, all this talk about the risks of "betrayal" is hot air. It does not matter if the whole colony of fleas are "betrayed." For once assume them to be politically impotent, then their actions are politically negligible whether inspired by saints or sinners; and there is no justification for the present spectacle of all the little David Copperfields constituting the Social Credit Movement being pestered with protestations: "The *Codlin* Company's the friend, not the *Short* Party"! So; much as readers may be repelled by the extreme concept from which this conclusion logically results, it does at least lay the foundation for peace, concord and brotherly love—and it is hereby recommended to the attention of those who are deploring divisions and preaching unity.

Let this dilemma be pondered: you cannot have it both ways. The only practical foundation for unity is the recognition that you can't control events. If you reject this and affirm that *you can bring events to pass* you must be prepared for disputes about how to bring them to pass. If people could control the weather there would be perennial squabbles between the country and the towns about fine and wet days. Since they can't they co-operate amicably in preparing for both contingencies. There is no question of "how" when a thing can't be done. It is only when you can do a thing (or believe you can) that the question is opened and the "hows" begin to sing, like the blackbirds released from the pie.

Allow for the sake of argument that the "Company" offers better safeguards than the "Party" against successful conspiracy on the part of the bankers —what then? What form can the conspiracy take? Supposing that by some means or other bankster agents were to occupy the key positions in a centralised "Social Credit" or "Dividends" organisation without detection, what could they do? The worst they could do without arousing suspicions among the membership would be to formulate official demands in such a way as to provide the bankers with means of ostensibly fulfilling those demands without actually doing so. Their objective would be to trap the Movement into accepting an imitation scheme as the real article, and, when this scheme failed to produce the expected results, to adduce the failure as proof of the unsoundness of the principles on which the demand for the scheme was based.

The first comment to make is that the certain safeguard against such deception would be to disband the central organisation so that there would be no authority entitled to bargain with the bankers.

The second is that the bankers cannot get themselves out of a technical dilemma by political trickery. The essence of the Movement's demand is that the bankers must adapt their technique to a new principle. If they do not, it matters little whether or not they make the Movement believe that they have done it. Their fabrication of a proof that the change was futile or dangerous would not alter the fact that their omission to make the change was even more dangerous, not to say disastrous, to everybody—*including themselves*.

The third comment is that granted the danger resident in a deception of the Movement, the moral is that a membership instructed in the technical principles behind the "Dividend" demand would obviously be the least easily deceived.

The fourth comment is that the existence of independent Social Credit journals conducted by people who understand the right technical principles constitutes the best safeguard that the Movement can have. Conversely, to put the Movement under a single centralised organisation controlling one tied journal and censoring or suppressing the free expression of opinion is to present the bankers with the best facilities for working mischief.

A Social Credit Novel.

John Hargrave's *Summer Time Ends* (Constable, 10s.) ought to be bought by every member of the Social Credit Movement. It has not been reviewed in these columns yet, and one reason is that the only satisfactory way of reviewing it for the information of readers of THE NEW AGE was to wait to include references to the reactions of outside authoritative reviewers. Every contributor to THE NEW AGE knows too much about Hargrave's beliefs and aims to be able to judge what effect this book would have on the fiction-reading public. On November 7, however, James Agate gave a lead in the *Daily Express*. He contributed an article of nearly a column in length, in which he acclaimed this book as "a great work." Accompanying the article was a prominent and striking picture of the author. He refers to the length of the book (877 pages), and says that to read it as it deserves to be read would take him roughly one twentieth of a working year. He had given "three hard and concentrated hours" to it. He mentioned that Messrs. Constable had drawn his attention to it in a letter, and quoted the following passage from their notice:

> "The purpose of *Summer Time Ends* is to deal imaginatively with the most urgent problem of the modern world—how to get goods, produced by machinery, past the barrier of money, to the people who need them."

James Agate's general description of the book is this:

> "For this story is an epic of death, love and poverty, a prose song of the world's workers. It is written in a form approximating to free verse."

Considering the high estimation in which Agate is held as a critic one may suppose that the worst obstacle to the success of this book has been overcome, namely the tendency of critics generally to shy from a writing of the style and nature that the author has introduced. Agate forestalls this reaction by saying:

> "This method of writing has one disadvantage, that you cannot read much at a time; it is like standing in Piccadilly Circus on Sunday morning and absorbing all the posters of the newspapers at some street merchant's stall. But then, nobody ever tried to read James Joyce at one go, and this book is in the James Joyce class. For in my opinion Mr. Hargrave has not only bent the bow of Ulysses, but broken it."

This is a just survey. To expand it somewhat, the experience of the reader going through the pages is very much the same as if he were sitting at a wireless receiving set which enabled him to hear any conversation and "televise" any action proceeding anywhere from the top to the bottom of society, and at the same time turned the tuning knob about absentmindedly or accidentally at any odd intervals, mostly brief ones. What he would "receive" would be, so to speak, a cross-section of Pandemonium—a rapid succession of synchronisations of disjointed thoughts, words, and acts which initially would confuse and irritate him, but which, when watched attentively and continously for some time would gradually be recognised as a patterned reflection of the mechanical stresses and strains of our "planned" system of economics. In a profound sense the book is an exhibit of "conditioned reflexes"—of thinking, speaking, and doing things to the unseen orders of a mechanism. At the same time the characters who exhibit these reflexes are over and over again seen to be battling with the deeper uniformities of immutable natural law. Victims, all of them, from the rich man in his castle to the poor man at his gate, of the clash between human convention and natural law.

So this is a book to be bought and kept by everyone whose mind is troubled by the paradox of "Poverty amidst Plenty." That is all for the present. There will be later opportunities to deal more particularly with details.

Warning the City!

"Chancellor's Election Warning to the City." *Evening Standard* headline. About what? The answer is: *Socialism.* "If the Socialists are returned the price of securities will drop like a stone," said Mr. Chamberlain. Well, they might drop a little through selling operations by nervous nincompoops, but they wouldn't drop like a stone unless the City took active steps to drop them. What those steps could be are familiar to students of the credit system. The banks and their partners, the insurance companies, hold enough gilt-edged securities to force the price down to nothing if they chose to throw them on the market. But why punish their anti-Socialist friends in this way when the banks themselves are able to apply sanctions to an offending Socialist Government, namely, shutting off Ways and Means advances. "The Chancellor Warns the City"! Curious how the lens of party polemics turns the true picture upside down. Readers with memories will note that whatever Chancellors say to the City off duty, as when electioneering, they invariably wait for the City to talk to them when on duty.

LATE REPORT.

Social Credit in South Leeds.

Election Campaign.

The following wire reaches us from Leeds just on going to press:

"Townend's Mass Meeting Palace Cinema last night attended by enthusiastic audience 1,200. Overflow Meeting 500 listened loudspeaker in pouring rain 2½ hours outside.—Tull, Election Agent Social Credit Party."

WHAT IS SOCIAL CREDIT?

and

What is the Truth about Alberta?

The Most Honourable the Marquis of Tavistock, Mr. Norman Smith, Mr. Maurice Colbourne and others will tell you at the

ROYAL ALBERT HALL on Friday, November 29

at 8 p.m.

ADMISSION 4/-, 2/6, 1/- and 6d.

and a limited number of free seats.

Tickets may be obtained from:—Mr. K. W. Willans, Bush House, W.C.2 (Temple Bar 4287); Box Office, Royal Albert Hall (Kensington 3661); "The New Age" Office, 38, 70, High Holborn, W.C.2; "The New English Weekly" Office, 38, Cursitor Street, E.C.4; Miss Ann Page, Dorland House, Lower Regent Street, S.W.; Dr. J. C. B. Mitchell, 2, Bromley Common, Kent (Ravensbourne 2871) and Keith Prowse & Co., 159, New Bond Street and all Branches.

Meeting organised by London Social Credit Club, Blewcoat Room, Caxton Street, S.W.1. FRIDAY NIGHTS, 6—10 p.m.

The A + B Theorem

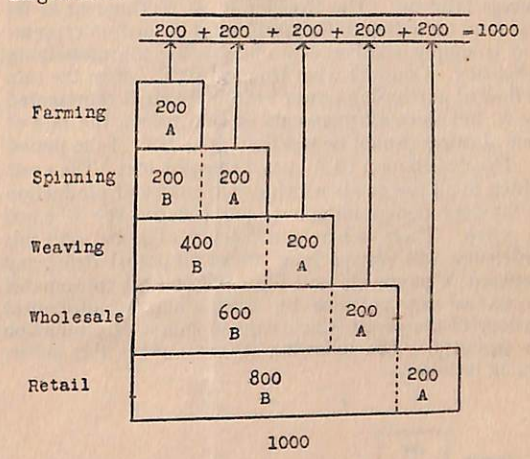
By A. W. Joseph, M.A., B.Sc., A.I.A.

II.

3. *Accumulation of Capital.* How is capital accumulated (by which I mean *money* capital), and where does it come from? If gold is mined and brought to this country, fresh money has entered and can be used to form capital. But there is many times the amount of capital in the country than there is gold. Where else can it come from? To a limited extent the Treasury can make money by the issue of silver coins, such as Jubilee crowns. But this is not enough. In the main the money to form capital can only come as the credit entry which balances debt to the banks. Now the distinguishing feature of capital is that it is money used primarily not for the purpose of helping the distribution of goods and services, but for obtaining a control of the means of production so that it can increase itself. To take an example of how the accumulation of capital causes a deficiency of purchasing power, consider a manufacturer who has accumulated profit which he has placed to reserve and who now wishes to extend his factory. In the first place, by accumulating his reserve he took from the public more money than he had distributed. When he builds his extension he distributes the reserve and makes good the public's inherent deficiency of money. But he has built an extension to his factory, and he will endeavour to collect the cost of the extension in the price of the goods made by the factory. This is irrespective of depreciation, which may be immediately distributed as payment for renewals. The position is similar to the one described at the end of the discussion on saving by the public. But the money cannot be collected (except at the temporary expense of somebody else) because it has never been distributed. Yet the factory has value, and should form a good basis for the expansion of capital. We have in fact the capitalist's dilemma. He is trying to accumulate capital in the form of money, which money can only be formed as the contra to a bank loan and which must therefore go into somebody's costs. But there is nothing available to meet the costs except the capital, which cannot be used for that purpose without being "eaten," the capitalist's nightmare. The discussion at this point may seem to have travelled some way from pure A + B, and yet this aspect is fundamental and must be brought to light before we can really get hold of the theorem. Now there are only two ways out of the dilemma, the Marxist way and the Social Credit way. It is subconscious appreciation of this fact which causes the vitriolic opposition to Social Credit from Communists. The Marxist way out is to disrupt the whole capitalist system (in practice this has not been found to be easy, *vide* Russia, where capitalism is creeping back). The bourgeois Social Crediter, however, sees no objection to the accumulation of capital so long as (1) the lack of buying ability caused by the accumulation of capital can be overcome, and (2) the ownership of capital can be diffused. Now these two objectives are attained by the National Dividend, the first by paying the National Dividend out of new creations of credit and the second by distributing the National Dividend equally to all. Irrespective of particular remedies, however, the A + B Theorem has reference to what is happening now; the attempt to accumulate capital with its attendant effect of causing a deficiency of purchasing power is most certainly occurring.

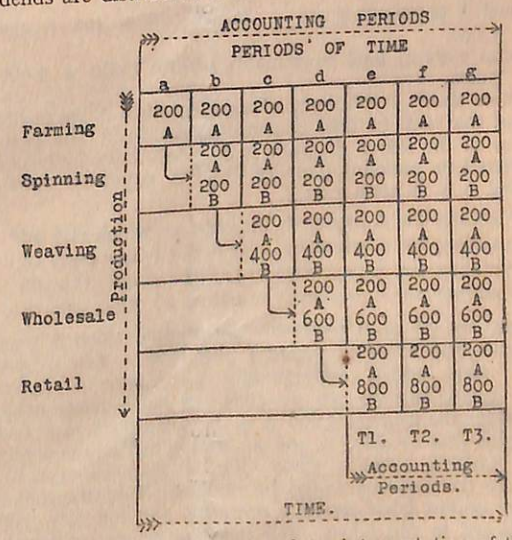
The above general discussion forms an essential background to the A + B Theorem in the form that Major Douglas presents it. I propose now to discuss the various interpretations placed upon the Theorem by Gaitskell in *What Everybody Wants to Know About Money*. Mr. Gaitskell is one of the members of the committee selected by the Labour Party to state the Labour attitude towards Social Credit, and I deal specially with his attack on Douglas Social Credit because it is probably the best criticism that has yet been made of the A + B Theorem, and because it is extensively quoted by other opponents of Social Credit.

In order to examine the theorem with reference to something concrete, Gaitskell considers the production of woollen cloth in five stages. He uses the following diagram:—



This diagram has two meanings. It may either represent the successive stages of the production and retailing of a certain amount of cloth, or it may represent different stages, occurring simultaneously in the production of five amounts of cloth. In THE NEW AGE of December 28, 1933, Adamson embodied these two meanings in the following elaboration of Gaitskell's diagram. Each period is assumed to be of equal duration and cost, and A payments are made during each stage to those engaged in industry.

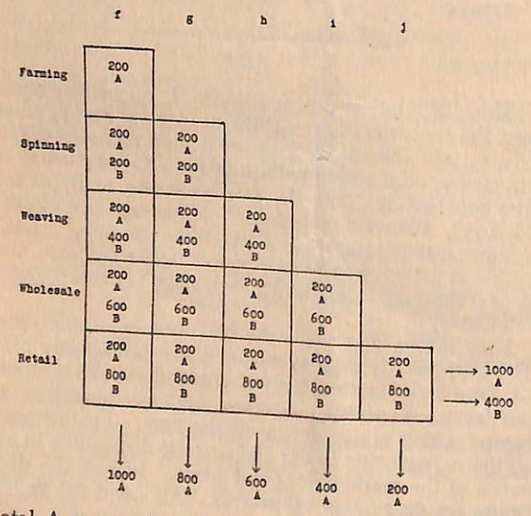
Now in the first place the diagrams are incomplete. The B costs only refer to money which has already been paid out in the earlier stages of production. They ignore the factors of saving, reserves and accumulation of capital which are going on all the time. Furthermore, all the A payments in the diagram are distributed in advance of the marketing of the goods. In real life, dividends are distributed afterwards. Although the factors



omitted are of importance in a later interpretation of the A + B Theorem, it will be convenient to ignore this now.

If we look at Adamson's diagram, we observe that in periods *a, b, c, d*, A payments amounting to 2,000 are distributed. It is not until period *e* that the final consumable goods costing 1,000 come on the market. Now what happens to the 2,000 distributed in advance of production? Does it form a fund which can be drawn upon

to make good any deficiency of money which may subsequently arise? The answer is no. It is absorbed in past savings, reserves and accumulations of capital, and in normal circumstances is not available as purchasing power of the consuming public. From the period *e* onwards, therefore, the diagram has in it a deficiency of money and it is not surprising that this deficiency may emerge later on. The Douglas A + B Theorem in its first (and according to Gaitskell, most absurd) interpretation is simply another way of exposing the underlying deficiency. Consider what Douglas says, " 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." Take period *f*. The distribution of A payments is 1,000. The costs added to all the goods which are in course of production in the same period are 200 + 400 + 600 +800 + 1,000 = 3,000. There is here a deficiency of 2,000, and this deficiency will emerge later on as an actual deficiency between A payments and the costs of final consumable goods as can be seen by tracing out the subsequent history of the goods which were in course of production in period *f*. The following diagram gives this subsequent history:—



Total A payments 1,000 + 800 + 600 + 400 + 200 = 3,000.

Total costs of final consumable articles 1,000 + 4,000 = 5,000.

which shows a deficiency of 2,000 between A payments and the costs of final consumable articles. The position in the above diagram is obtained from that considered in period *f* (namely, total A payments 1,000, total A + B costs 3,000).

by adding 800 A payments in period *g* } which also add
by adding 600 A payments in period *h* } into costs of
by adding 400 A payments in period *i* } final consum-
by adding 200 A payments in period *j* } able articles.

Thus we get as A payments the original 1,000 A payments distributed in period *f* plus (800 + 600 + 400 + 200) added subsequently = 1,000 + 2,000 = 3,000, and we get as costs of final consumable articles the original 3,000 A + B costs added in period *f* plus (800 + 600 + 400 + 200) added subsequently = 3,000 + 2,000 = 5,000. The diagram above is exactly the same as would be obtained if fresh production ceased from period *g* onwards, and industry were allowed to run down. But it is not necessary to consider that this happens because any fresh production started in period *g*, and thereafter, is self-liquidating in the ideal conditions depicted in the diagram, i.e., the A payments distributed by this fresh production total up to the costs of the final product. The issue of these new A payments will, of course, precede that of the final consumable articles, and it is these new A payments which make good the deficiency inherent in preceding production.

It may be argued that Douglas proves too much. If the A + B costs in period *f* are 3,000, whilst the A payments are 1,000, then exactly the same is true of period *g*. Hence after period *g* there is a deficiency of 4,000, which cannot be justified either as being inherent in the diagram or as emerging later on if we consider the subsequent history of the production carried on in periods *f* and *g*. There is, however, a flaw in this argument. Between periods *f* and *g* certain costs of period *f* are liquidated in period *g*. Thus 200 passes from the spinner to the farmer, i.e., the spinning B cost of period *g* wipes out the farming A cost of period *f*. Likewise the 400 weaving B cost of period *g* disposes of the spinning A + B costs of period *f*, and so on. Hence costs amounting to 200 + 400 + 600 + 800 = 2,000 of period *f* are met in period *g*, and hence the deficiencies of periods *f* and *g* combined are only (3,000 — 1,000) + (3,000 — 1,000) — 2,000 = 2,000 as before. (Of course in the real world as opposed to the ideal world of the diagram the deficiency at a later period may be greater than that at an earlier period by virtue of new saving, reserves and accumulation of capital.) The clue to the difficulty now being discussed is that the deficiency shown by subtracting the A payments distributed in a period from the A + B costs added to production in that period measures the total deficiency up to that period inherent in the industrial system. The deficiencies shown in any two periods cannot be added together, for the A + B Theorem applied to a later period merely restates the position as at an earlier period, plus any fresh sources of deficiency which may have occurred in the interim.*

(To be continued.)

*This article in its complete form is available as a booklet entitled *The A + B Theorem* at the office of THE NEW AGE, 70, High Holborn, London, W.C.1, price 6d., plus postage, ½d. Lower prices for quantities.

LETTER TO THE EDITOR.

BUSINESS IS BUSINESS! [ED.]

Sir,—I have received, besides a bill, two copies of your paper, one printing an advertisement of . . . by . . ., the other " reviewing " this unique and vital work; and I wish to say that I would not dream of contributing one penny to a periodical run on such amoral lines and which has such barbarians for contributors as the all-British conservative uncomprehending nitwit author of that paragraph.

Moreover, apart from leaving your account unreckoned with, I shall do my best to dissuade all I come across from subscribing to your magazine.

(Signed) . . . .

If the work in question is " unique and vital," I accept the adjectives applied to myself as truly complimentary. It is surely not an easy thing for a " nitwit " to provoke a scholar and a gentleman like your correspondent, into such a flow as the first half-punctuated sentence. I feel sure he would have slapped me quite hard had I been present when he read my barbaric paragraph. He is not unique, himself, in dodging his advertisement bill, be he never so " catty."

H. E. B.

Public Meetings.

These meetings are organised by the London Social Credit Club.

At the Blewcoat Room, Caxton-street, Westminster.

November 15, 7.45 p.m.—Publicity Night for Albert Hall Meeting.

November 22, 7.45 p.m.—Election Results. Mr. Arthur Brenton.

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