

The Wireless Debate.

NEW AGE

13/4/33

By C. H. Douglas.

Mr. Dennis Robertson's Wireless Questions.

On June 21 a debate was broadcast between myself and Mr. Dennis Robertson, M.A., on the subject of the Douglas Credit Theory, the title being chosen by the B.B.C., and the conditions of the debate being also laid down by them as a fifteen minutes opening by myself, a fifteen minutes reply by Mr. Robertson, a five minutes rejoinder by myself, and a five minutes closing by Mr. Robertson.

In order to deal with a complex subject of this character in the time allowed it was, of course, necessary to reduce it to its simplest possible terms, and only those matters which were essential to an understanding of the situation were included by me in the opening statement.

Mr. Robertson, however, either did not wish or was unable to answer the arguments in the simple form in which they were put forward in this statement, and devoted the critical portion of his reply to an attack upon the theory in its more elaborate, and therefore, also much more complex, form, and being, as he put it himself, "a severely practical person," concluded this reply by asking five questions on the more complex aspects of the theory, referring to them as "three," and asking for an answer in five minutes.

As there are a number of statements in Mr. Robertson's reply, to deal with which five minutes was inadequate, entirely apart from these questions, it was only possible to express complete willingness to answer them in their more complex form, and again to draw attention to the fact that the answers were in effect contained in the fundamentals which were exposed in the opening statement. Mr. Robertson's five questions were as follows:—

(1) Does he (Major Douglas), or does he not, now agree that payments by one producer to another for raw materials are an essential link in the chain that generates incomes?

(2) That the making of such payments does not therefore normally give rise to any deficiency in purchasing power?

(3) Does he or does he not still maintain that industry as a whole over considerable periods of time makes book entries for overhead charges which are enormously in excess of its disbursements for interest and dividends and for maintenance, renewal, and extension of plant?

(4) Does he or does he not hold that deficiency of purchasing power arises partly because industry as a whole is normally or progressively repaying its capital indebtedness to the banks?

(5) If this is the fact, how does banking pay?

These questions imply clearly that the answers which I should give to them would not meet with Mr. Robertson's approval. In an editorial in "The Listener" of June 28, in which the debate is fully reported, it is stated that my proposals contain a set of propositions which have not yet secured as their champions a single prominent economist of recognised standing. If by this latter statement is meant that no recognised orthodox economist of first-rate standing is in agreement with my views, then I may say at once that this is quite incorrect. I could name without difficulty six such economists, but obvious considerations prevent my doing so.

It would be absurd to suggest that the disagreement, of which on this occasion Mr. Robertson is the protagonist, is not a real and honest disagreement in some cases, and in order to understand how there can be a disagreement of so radical a character on a matter to which attention has been devoted by men of average intelligence, it is necessary to assume, I think, that there exists on the part of the orthodox economist a special way of looking at things, which appears to him to cover the facts and which is not the way, for instance, that I, and those with me look at things.

I have no doubt that this orthodox theory is one which may be called the "uniform circulation theory." Let us suppose a community consisting of ten businesses, each of which distributes £1 per week in wages to one man, and that no other factors are involved. The cost of each of these businesses would be £1 per week. £1 per week will be distributed by each of them, and provided that the product is bought in the same week, whatever they produce can be bought at cost by those who are employed by the business. If nine of the businesses produce intermediate products and the tenth alone produces consumable products, all the money will have to be collected from the public by the tenth business, i.e., £10, and paid as to £9 to the ninth business, which in turn will pay £8 to the eighth business, and so on.

If there were no other factors involved, it is quite clear that such a money system would work indefinitely. That is Mr. Robertson's theory.

But now let us suppose that each one of these businesses adds 10 per cent. to its price over and above the sum that it distributes in costs. Business No. 1 will charge business No. 2 22s. for its product. Business No. 2 will charge business No. 3 44s. for its product, and so on. Eventually the product will arrive at the tenth business priced at £11. Now it is, of course, apparent that the sum of prices *actually realised by the sale of products* is exactly equal to the amount of income applied to the purchase of that product. If the whole of the ten recipients of wages applied the whole of their earnings to buying *what they can* of the product they will be able to buy 10-11ths.

This is where the continuous-process-continuous-circulation theory comes in. Mr. Robertson would, no doubt, say that the amount of money in circulation is £11 and not £10, with the result that each of the ten firms concerned is distributing 10 per cent. in dividends. The sum of these 10 per cent. makes up the extra £1. This answer, of course, evades the issue and does not explain how the £10 becomes £11 or how it is possible ever to start a new business without ruining an old one. Businesses do not *begin* by distributing the money to pay their own profits. But fortunately the question is one which can be referred to fact, as apart from theory.

I have before me the balance sheet of a fairly successful industrial company, which I have picked up at random. I have no doubt that it would be easy to find a balance sheet more favourable to my case, but this will do. It is audited by the most famous firm of auditors in the world. Turning to the profit and loss account I find the following entries:—

By trading profit for the year, <i>after</i> providing for bad and doubtful debts and depreciation of plant; also income from trade and general investments and dividends from subsidiary companies	£302,085	18	9
„ balance of profit from 1931	£372,155	9	0
„ balance of profit for 1932	£291,449	16	6
Total	£663,605	5	6
As against this I find the following entries:—			
To Dividend on Cumulative Preference Shares	£55,000	0	0
„ Interim Dividend of 2½ per cent. on Ordinary Shares	61,250	0	0
„ Interest on Debenture Stock	27,675	0	0
„ Redemption of Debenture Stock	39,764	0	0
„ Balance carried to Balance Sheet	479,916	5	6
Total	£663,605	5	6

From this it will be seen that of an allocation of £302,085 18s. 9d. (which amount is really probably much increased in connection with the phrase "after providing for bad and doubtful debt and depreciation of plant), only £143,925 is redistributed, and it is highly probable that a good deal of this sum is paid to banks, who again absorb in invisible reserves a large part of it, since, although the dividends of banks are high, they are made upon a comparatively small capital, while

money paid to banks in redemption of debentures is automatically cancelled. Notice that *only one allocated component* of price, i.e., profit, is dealt with in this account.

Now the business in question is one which does not sell its product to any considerable extent direct to the public. Its receipts, therefore, come under the designation of payments from one organisation to another, and it will be seen that the debts created to it are considerably in excess of its disbursements to the public in the same period of time. Yet ultimately it is to the public alone that it must look for payment of all these debts, plus any additional profits, if it is to remain solvent. We are now, therefore, in a position to deal with Mr. Robertson's first question, and the answer to that question (No. 1) is (a) Payments by one producer to another for raw materials are not an *essential* link in the chain which generates incomes, because they can be eliminated by the amalgamation of businesses carrying on successive production processes, and because no incomes whatever are *generated* by manufacture; (b) the payments involved in transactions between one producer and another do not *distribute* incomes which are equivalent in the same period of time to the prices which are generated by the same process. And the answer to his question (No. 2) is that the making of such payments *does* normally give rise to a deficiency of purchasing power.

I should like to make it clear that there is a great deal more to be said in regard to this question of payments from one organisation to another than is said above. I have said a great deal of it elsewhere. I am endeavouring to answer Mr. Robertson's questions, qualitatively and not quantitatively, in as nearly the five minutes which I was allowed, and I have some hopes of doing it in fifty-five minutes.

(To be continued.)

“A + B” Course of Investigation.

I.—THE MECHANISTIC ASPECT.

Problem “A.” To ascertain the automatic effect when production-loans by banks to industry are required before the production they finance can be put into the consumption market.

Assumption 1. Period between issue and retirement of loan . . . 1.

Assumption 2. Period between the start and the finish of the production financed . . . 4.

Assumption 3. Loans and production proceed continuously over a period of 20.

Assumption 4. Prices are charged at cost.

Assumption 5. Operations are mechanical—there is no psychological factor—the operators are to be conceived as Robots obeying the rules of existing accounting practice.

What is the financial position at the end of the period of 20?

Exercise I. Assume one banker financing a single all-in industry run by a community on a co-operative basis.

Exercise II. Assume the same but with the all-in industry run by a single capitalist employer (and borrower).

Exercise III. Assume there to be five bankers, and industry split up into five groups, each run by a capitalist employer (and borrower).

For the sake of uniformity, let the amount of each loan be £1,000 in Exercises I. and II., and £200 in Exercise III.

Note. Assumptions 1 to 5 govern all three exercises.

Suggestion. Consider a community of 100 people (with natural resources for production) as if shut up in an enclosure, with the banker outside. By Assumptions 1 and 5 the borrower(s) from the banker(s) must *bring the full £1,000 (or £200) back to the banker(s) at the expiry of every period of 1.* This means that the money circulating in the enclosure is constant at £1,000 (either a single loan, as in Exercises I. and II., or five loans of £200 as in Exercise III.).

Conclusions and queries arising out of these Exercises will constitute the material for further Exercises. J. G.

The Wireless Debate.

NEWAGE II.

20/4/33 By C. H. Douglas.

Mr. Dennis Robertson's Wireless Questions.

When we approach Mr. Robertson's question No. 3, we obtain, I think, evidence of his failure to understand the nature of the modern multi-stage production system. This question reads "Does he (Major Douglas) or does he not, still maintain that industry as a whole over considerable periods of time, makes book entries for overhead charges which are enormously in excess of its disbursements for interest and dividends, and for maintenance, renewal, and extension of plant?"

It is obvious from the form of this question, I think, that Mr. Robertson is not aware of any difference between cumulative disbursements of money, and successive disbursements, and receipts of a smaller sum of money, or to put the matter another way, he would appear to believe that every time an industrial undertaking buys a new machine it at once charges the total cost of that machine in the price of something which it is making in the *same period of time*. Now I have no doubt that every manufacturer would like to do this, the net result of which, on his accounts, would be that his real assets in his balance sheet would be written down to nil, and he would require to make no charges for the use of his plant. But if Mr. Robertson supposes that such a course is possible over any wide range of production, then I can only suggest that he devotes a little time to a discussion of the matter with some representative Manufacturing or Agricultural association. What the manufacturer does, *if he can*, is to charge off the machinery as quickly as possible, but as he does not charge it off at the same rate at which it is paid for, it ought to be clear that the sum of these deferred charges is carried over from one period into a successive period, and is not represented by disbursements in that period. The large and increasing number of hire-purchase schemes are based on this situation. The answer to Mr. Robertson's question No. 3, therefore, is that over the *same period of time* industry as a whole *does* make book entries for overhead charges which are in excess of its disbursements for interest and dividends and for maintenance, renewal, and extension of plant.

Question No. 4. "Does he (Major Douglas) or does he not, hold that deficiency of purchasing power arises partly because industry as a whole is normally or progressively repaying its capital indebtedness to the banks?" The qualitative answer to this question appears to me to be so simple that I am surprised that Mr. Robertson should ask it. If we imagine production to be carried on by one organisation, and the money which is the equivalent of the price of that production, to be created by a second organisation (e.g., a bank), and this money creating organisation lends its money to the goods-creating organisation, it is obvious that the repayment to the money-creating organisation of the sum in question will leave a body of goods unrepresented by purchasing power. If this body of goods has reached its final destination—the ultimate consumer, it is *arguable* that the repayment and destruction of the money is correct in principle, although it would be more accurate to say that the money should only go out of existence at the same rate as that at which the goods physically disappear.

But since the great majority of goods produced in a country such as Great Britain are, at the present time, capital goods, they are not sold direct to the ultimate consumer, but are sold to an intermediary who again resells them, through the agency of machine charges, to the ultimate consumer. The repayment of a bank loan which relates to such capital goods, before the capital goods have been completely written off, so that no further charges are made to the public for the use of

them, *does* create a deficiency of purchasing power, and the answer to Mr. Robertson's fourth question, therefore, is that a deficiency of purchasing power *does* arise partly because industry as a whole is repaying its capital indebtedness to the banks at a faster rate than the capital goods to which it refers are being charged off through the collection of their full value from the public.

Mr. Robertson's final question is (5) "If this is the fact, how does banking pay?" I could explain this subject at some length, but as I find it difficult to believe that Mr. Robertson can be serious in asking such a question, I will merely refer him to the "Encyclopædia Britannica," fourteenth edition, in which he will find the statement "Banks lend money by creating the means of payment out of nothing." The answer to Mr. Robertson's fifth question, therefore, is that banks pay by creating the means of payment.

It has been demonstrated within the past few months that it is possible to conduct a debate on these important subjects without recrimination, and to the real enlightenment of everyone concerned. I am sorry that in the last five minutes, at least, of Mr. Robertson's criticism, as well as in certain written comments on my views, he has not felt it desirable to maintain the standard to which I have referred, and, in consequence, his concluding remarks appear to me and many of his hearers, to be undiluted clap-trap. To compare a state of affairs in which, by common consent, there is a physical abundance existing alongside wide spread poverty, with a state of affairs in which a medical expert is faced with the problem of eliminating disease, may conceivably be good yellow journalism, but it is certainly not argument, or even analogy. No one has ever suggested, to my knowledge, that there is any physical difficulty in immensely increasing the present output of goods and services as well as preventing the existing waste of many that are so produced, although every child is aware that the elimination of disease is not immediately practicable. Even Mr. Robertson's own arguments merely suggest that something would happen to the *money* system as a result of this immense increase of production, which he calls "taking up the slack."

I am conscious of the handicaps under which Mr. Robertson, and others in his position, work, in dealing with questions of this description, but before using phrases such as "bogus money" and "fundamental muddle," I think he ought to realise that it is the existing system and the experts associated with it, of whom he is one, who are on their defence, and that no suggestions have so far been put forward from official sources, which in any way traverse the arguments which I advanced to him, and which he has not met.

(Concluded.)

"THE TIMES" ON "WORK."

"It is indeed a most consoling reflection that there is no labour so unpleasant in itself but people can be coaxed into doing a little of it, at any rate if it is dressed up as a game or competition. It is told of the inventor Edison that he lured his guests to fill the water tanks in his house, making them pass through turnstiles which barred their paths at various points and were extremely stiff to turn. He had to explain the stiffness, lest his reputation for efficiency should suffer. But his turnstiles only had to be so stiff because his guests were limited in number and each had to make a noticeable contribution. If a man could but tap the energies of the general public, there is no one on the globe who would grudge him a few sweeps of the arm and leg, and these accumulated presents of energy would be a valuable income. The owners of Amusement Parks and Fun Fairs instead of finding their profits in rents, too often from miserable Hoop-La and Coconut people, who invite the public to play with inadequate hoops and too light balls, should give their minds to draining away and transmitting into utilisable form the cataract of human energy that is being so cheerfully and profusely poured out in the quest of pleasure by people who are keeping no account of their physical output, and would be quite good-natured about it even if they discovered what was afoot."—July 11, fourth (humorous) leading article.

Major Douglas, includes any *mechanism for getting Purchasing Power into the hands of consumers.*"

We are assured that not only is this essential requisite assured by Social Credit, but that in its accomplishment all the possibilities of a genuine culture are contained. From the workers the demand is rising, and upon them it must depend for impulsion, but "worker" includes all those of our author's utopia—"Pioneers," Organisers, Craftsmen, Engineers, and Interpreters, upon whose united action we depend. With the passing of aristocracy into plutocracy, all the people are melted into classless unity, and the very evil pressure of financial helplessness suffered by all, is making that unity a living reality. In that living reality is being generated the New Age against which even the world tyranny cannot finally prevail. But not one ardent soul can be spared from its race against time and inertia.

The cloth editions of "The Great God Waste" contain several very finely drawn cartoons symbolical of "Specialisation," "Peace," "Lead Rations," and other aspects of the author's criticism of the existing regime. Everyone should keep this book beside him; it comprises the gist of many volumes and the fire of an alert mind which fuses its multifarious contents into a total effect.

W. T. SYMONS.

The Green Shirts.

NOTES FROM THE GENERAL SECRETARY.

The first street meeting in Warrington took place on July 3. This meeting, held in the poorest quarter of the town, was well supported by the 1st Widnes Section, who came over specially to co-operate with other Green Shirts. There were three speakers: Green Shirt Harper, Section Leader Thomson of Widnes, and the Head Man, John Hargrave, who had travelled North to attend this meeting and to speak in Blackburn the next day. Other meetings in Warrington are being arranged.

On July 4 Mr. Hargrave spoke to an open-air meeting of over 200 unemployed Blackburn men at 10.30 in the morning. Owing to the intense heat the men assembled in the shade of some trees just below a grassy bank in the grounds of the Friends' Meeting House. The meeting was well supported by members of the 1st Blackburn Section, and by other Green Shirts and Associates; some having come from as far away as Matlock, in Derbyshire. The address, illustrated by blackboard diagrams, was divided into three main parts:—

- i. The Problem of Poverty in the Midst of Plenty.
- ii. The Social Credit Solution to that Problem.
- iii. The Problem of How to Apply Social Credit.

Throughout the address, which lasted about an hour, the attention of the audience was riveted upon the subject. Speaking in uniform, in a clear voice that could be heard everywhere without difficulty, Mr. Hargrave developed the logic of Social Credit teaching, point by point. Except for the vibrant tone of voice that seemed to carry a quiet determination, there was no appeal to the emotions. Yet, from time to time, there ran through this assembly of 200 or more unemployed men, a deep murmur of emotional response. They were moved, one felt, not by having their emotions stirred up, but by having their ideas sorted and re-assembled. The greatest response came, naturally, towards the last part of the address, when the speaker dealt with the problem of how to apply Social Credit.

One Green Shirt said: "Ah, well, of course I knew more or less what the main lines of the lecture would be—it was question-time that took me by surprise. The way he replied to questions was masterly. I wouldn't have missed that for anything—and every man in the audience felt the same."

THE NEW AGE

INCORPORATING "CREDIT POWER."

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NOTES OF THE WEEK.

The Broadcast Debate.

The chief importance about the Debate on Social Credit broadcast on the London Regional on June 21 is the fact that a debate on Social Credit has been broadcast at all. Douglas's theory and scheme, which have been in the air for so long, have now been put over on the air. At least, the public have had the opportunity of hearing what is the broad nature of Douglas's diagnosis and what are the broad implications of his remedy. Those who listened now know that there is a Douglas Theorem and Scheme, that the author is alive (or was on June 21), and can be communicated with, and that in any case there are books available in which he has explained his theories. Thus has ended the "boycott" phase in the rise of the Social Credit Movement—to be followed, let us hope, by the quashing of the sentence of death hanging over THE NEW AGE.

We were glad to notice how well Major Douglas's remarks came through, both as regards articulation and tone. It is hard for those who have seen and heard him at public meetings and in private conversations to judge what concept of his personality has been formed by wireless-listeners hearing him for the first time; but we think it safe to say that something of the sureness and serenity which characterise him so conspicuously must have been communicated to those who were listening in attentively. Professor Denis Robertson afforded a contrast in style which was most appropriate to the fundamental conflict of principles underlying the debate. He spoke with a light, cultured voice and, to our mind, the effect was much like a musical performance consisting of a bass theme accompanied by a tenor obbligato. There was nothing of that heavy discordant clash of themes such as are to be heard, for example, in the "Transformation" scene in *Parsifal* where Wagner hurls his percussion and wind instruments into battle with each other like armoured knights in medieval times, conveying the impression as of a relentless struggle on a profound issue. The reason was that Professor Robertson used different weapons from those of Major Douglas, and for a purpose differ-

ent from that of Major Douglas. For whereas Major Douglas stated his case in the low tones of practical conviction Professor Robertson stated his in the light tones of academic incredulity. Had they both been speaking simultaneously the effect would have been parallel to that of the statement of a central musical theme, and its re-statements in other keys, proceeding through a series of variations on it. The listener might miss the notes, and lose the rhythm, of the theme here and there when the variations enveloped it over-thickly, but at the end would come away with the theme in his ears, and remember it long after he had forgotten its accompaniment.

The reason is, of course, that whereas on Douglas's side there was the deliberate purposive object of securing support for his remedy, there was no such motive power behind Professor Robertson's reasoning. He was not fighting his own battle, and he spoke as one to whom it was of no personal pleasure or profit to prove Douglas wrong. Again, in a debate on this subject professors of economics as a whole body are tremendously handicapped by their training. For the whole edifice of their knowledge is erected on a foundation of financial principles which, having been laid down as axioms, were never investigated. That is to say, no professor of economics was ever taught on what facts and reasoning (or encouraged to seek them) the principles in question were founded. So it comes about that when at last the question of their soundness is thrown open to argument the economist's special knowledge is worthless, and he has to start at scratch with the layman in pursuit of the true answer. It is the same with administrative financial specialists: The manager of a bank, for instance, starts level with the manageress of a tea-shop—his experience has no more relevance or utility than hers, even if so much. The issue is one which may be correctly described as sub-economic and sub-financial. To change the image, it lies outside the visible range of colours in the spectrum of past research and experience.

Both financial and economic experts, when called upon at short notice to come out of the dim light of the settled traditions and convictions presiding over their specialised daily functions, are at a disadvantage. They blink in the bright light; and it is only by taking time to accustom themselves to the new conditions that they are able to distinguish forms and judge perspectives

with the same ease as, let us say, a dustman or a washer-woman. This is no disparagement of their natural intelligence; they would probably see more than others given an equally extended opportunity with others; but their daily work keeps them in the twilight.

For this reason the Money Monopoly treats them unfairly by inviting them to undertake the defence of existing financial policy. They have never been taught why it is sound; and therefore they are without resort to any means of countering a reasoned challenge but the negative one of expressing incredulity in a more or less plausible fashion. Unfortunately their status as specialists leads to the infection of the mass of the public with doubts.

Listeners will remember that Major Douglas kept his remarks free from narrow technical issues, while Professor Robertson devoted a substantial part of his to their discussion. We think Professor Robertson's policy was wrong from his own point of view, because nobody who had not studied the Social Credit analysis could have seen what he was driving at, and even those who could see would not have derived definite enlightenment in such a short space of time as the debate allowed. Major Douglas, on the other hand, made good use of his time, for he posed the issue broadly and intelligibly, and presented its various aspects in such a way as to relate them to the collateral evidences of contemporary experience. He emphasised three things: The fact and import of the private control of money; the nature of the money-controllers' policy; and the objective phenomena accompanying their pursuit of it. "Do the things which you all see happening to-day fit in with my theory about the cause?" That, in effect, was the dominant note of his address as we interpreted it. And if his listeners henceforth remember no more than that question, Major Douglas's work will have been worth while.

We noticed that Professor Robertson made use of what has come to be a stereotyped expression in criticisms of Social Credit, namely, that "production is continuous," the suggestion being that Douglas has overlooked this "continuity." Not only has Douglas not overlooked it but his reasoning is based on it. But the idea of continuity is capable of being construed in more than one way. Some ways are misleading, and can even be so used as to insinuate as an assumption the proposition which the critic proposes to prove.

Neither Douglas nor any of his critics can possibly overlook the fact of "continuity" when the word is used to refer to the existence of parallel chains of production along which raw materials are converted stage by stage into finished products, and to the fact that while products are being bought at the end of the process others are moving forward to replace them. We analysed all this sort of thing recently in an article entitled "The 'A' Theorem" (THE NEW AGE, March 25, 1933). The word "continuity" is used in connection with the argument that at any given time the total price of consumable goods is recoverable not only from the people who have drawn incomes for the last stage of their completion, but also from people simultaneously drawing incomes for earlier stages of other production. But critics who point this out leave it an open question whether this happens because production is continuous, or whether production is continuous because this happens.

Instead of using the word "continuous," it would be better to argue round the word "simultaneous," pointing out that production for future consumption is proceeding at the same time as production for immediate consumption. This would relate the idea of simultaneity to industrial organisation and activity, leaving the idea of continuity to be related to what is, in fact, the source and the condition of continuity, namely financial policy. It lies in the will of the money monopoly whether there shall be continuity or not, and even whether there shall be any production at all. Money makes the mare go—and if you hear people constantly repeating the statement that the mare's progression is

continuous you are likely to get the confused notion that the going of the mare makes the money which makes her go—namely, that the initiative in economic activity lies outside the banking community, who simply take care of the financial wealth *created by* private enterprise and dispense it *according to the will* of the private owners of that wealth—a pair of thwacking lies on which the Money Monopolists base their pretensions. This explains what we meant just now when we said of the doctors of "continuity" that they were in effect assuming the truth of their own proposition in the process of answering Douglas's counter-proposition.

So, if we must have a label at all, let it be "simultaneity," in which case Douglas, his critics, and the public will find themselves on a common ground of agreement, namely, that at any given time when customers appear in the consumption market with incomes to spend which represent the goods on sale there, other customers simultaneously appear whose incomes do not represent those goods or any fraction of them, but who compete with the first group to buy them.

It is upon this fact that the bankers rely when they assert that monetary expansion causes inflation of prices. That is so because the disbursement of the new money does not immediately increase the quantity of goods in the consumption market, but does immediately increase the quantity of money brought there to buy those goods. Both groups of customers have to buy simultaneously and instantly what they want, and this compulsion causes the collective price of the goods to rise to equivalence with the collective income they bring there to spend.

The issue between Major Douglas and his critics lies in the fact that the latter hold there to be no effective way of checking this rise against the consumer, or of compensating him for it afterwards, and that neither course is necessary—that somehow or other some principle of automatic compensation will work itself out in the system. Presumably it's continuity as does it!

Professor Robertson's banter about Douglas being a "dreamer" was, as he himself remarked, "taken in good part" by Douglas. And there is good reason why; for he has been a most successful dreamer. In 1919 he was warned in a dream that the millions and millions of money which all classes of the public possessed in their own right were going to be taken away from them. Simultaneously the bankers, who never sleep, were exhorting this same public to prepare to make more money still out of the impending world-boom: they saw, with their eyes wide open, myriads of buyers just over the horizon approaching with orders for goods to replace the waste and destruction caused by the war. "Hang on to what you've made at all costs" was Douglas's warning. "Invest all you've made in factories and plant at all costs" was the bankers' advice. Yes; and what happened? Not a soul or an order came into sight, and the bamboozled captains of industry were left staring into the void from the watchtowers of their idle factories, shivering in the threadbare remnants of their once-so-warm banking-accounts, for all the world like those old ladies one reads about sometimes who have stripped themselves of their possessions and gone up a mountain in their nightgowns to welcome the Second Advent.

Take another warning which Major Douglas dreamed at the time of the Washington Conference. "If financial policy continues to be enforced on its present principles, then prepare for another world-war." Such, in effect, was his prophecy. "Nonsense," was the import of what the wakeful financiers said: "War is now 'unthinkable.'"

The two major assurances which the bankers gave to the world if they were left to manage things, namely Financial Prosperity and Economic Security, have been answered by a situation of Financial Poverty and Economic Insecurity. To those neutral observers who, as the majority will, acquit the bankers of deliberate mendacity, this direct falsification of their prophecies must seem to connote misjudgment on funda-

mentals. The character of the world's affliction is the same in every part of it, notwithstanding the multitudinous disparities between races, tongues, currencies, habits, beliefs, industrial and social organisations, political and fiscal systems, religious and philosophical beliefs, extents of territory, characters of natural resources, densities of populations, and so on. That physically self-sufficient continent, the United States of America, is in as bad a way as a physically dependent area like the United Kingdom. Does this not constitute the strongest presumption that the cause of the trouble is single and fundamental, and that it lurks in a place hitherto universally unsuspected? If that be granted, Douglas's "dream" must be regarded as antecedently credible in spite of the incredulity, or rather, *because* of the incredulity, which it first evokes among those accustomed to the theory and practice of solving superficial problems in superficial ways. It is not enough to-day for critics to plead their inability to accept Douglas's diagnosis as a sufficient reason for dismissing his remedy. They must propound an alternative diagnosis possessing the same fundamental character and universal implications as his. Let them find one, even if they should have to go to sleep to think of it.

The Keynes Plan.

We have received from a correspondent in South Africa a copy of the printed agenda submitted to a public meeting representing the Cape Town Chamber of Commerce, Cape Chamber of Industries, Cape League of Nations Union, and the Cape Town Business Club, on May 26 last. The agenda consisted of the formulation of "The Keynes Plan" and a description of the benefits which might be expected of it. The meeting was called to discuss the Plan. This is it.

The Keynes Plan is briefly but substantially that an international agreement be arrived at whereby notes are issued under the control of the Bank of International Settlements (or some specially constituted body). These notes, in terms of the Agreement, would be regarded in all respects as having the equivalent value of gold, and would be shared between the countries according to an agreed basis—for example, in proportion to the gold reserves held by each country at some date when conditions were more normal. Each Government would pass the necessary legislation providing that these gold notes would be acceptable as the equivalent of gold.

The notes would be returnable:

(a) By any particular Government desiring at any time to return those issued to it.

(b) If the International Bank decided in its discretion that it was desirable to withdraw them, but this power could only be exercised in the event of prices of primary products rising above a certain level.

The benefits include:—

Relief from taxation.

Revival of trade.

Expansion of social services.

A passage is added which commences as follows:

"The effect of thus *injecting increased currency* in this manner at the *consumers' end* of the problem, in contradiction to ordinary methods of inflation, which increase currency at the producers' end would . . ." (Our italics.)

The effects are, briefly,

"Resuscitation" of the markets of the world.

Rise in standard of living.

Increase in volume of cash transactions compared with credit transactions, thus "quicken[ing] the velocity of commerce."

Eliminate the need for "large external markets"—"*one of the principal causes of war.*" (Our italics.)

The author of the document explains the last item in the list by pointing out that the new currency would enable

countries "temporarily" off gold to return nevertheless to a common standard of value with the rest of the world.

This all chimes in with Mr. Keynes's well-known observation that credit-expansion could proceed indefinitely so long as the central banks of the world kept in step. Evidently the Bank for International Settlements is to keep them in step. It will be seen from the phrases that we have italicised that here is a bankers' ramp put forward as a fulfilment of the Social-Credit objective by an improvement on the Social-Credit technique! We are all to have *consumer credit*, which will *raise our standard of living*, internalise the present national drive for markets overseas, and thus *abate the risk of war*. All that Douglas proposes, in fact, provided that Finance disposes!

As our readers know, we are not opposed in principle to letting banks administer financial policy, but we are opposed to their being arbiters of the policy to be administered. We know, in this case, that the policy is worthless because of the means by which they propose to carry it out. Douglas has, as it were, guided the people to an unsuspected stream of water and said: "You're thirsty: here's water: and here's a pail." Good. Thirst—pail—water. They get the idea. Along comes the banker and says: "Here! I'll help you: I'm accustomed to this job. I know how thirsty you are; and I am only too anxious to serve you." The majority of the public say: "He's got experience; and he speaks fair; so let him take charge." So he does. He takes the pail, and says: "Now while I am getting ready you all concentrate your minds on the evil of Thirst, and the goodness of Water." They do. And while they're concentrating on these ideas he perforates the bottom of the bucket. The consequence is that for all the water they'll get they might just as well use a butterfly-net.

"Ah!" say a lot of credit-reformers to-day: "do let us get together: there are so many points of agreement: we realise we're thirsty—that is a great advance—and we know that water's the thing—so we are all going in the same direction—let us keep open minds on our differences—don't let us be too narrow about such trivialities as receptacles and such things: let us have good will, and all the rest follows." Well, there's a world of difference between a will and a swill—and the bankers know it.

There is a moral here especially for Douglas supporters. Just at this time when the Press is opening its columns to Thirst Prophets and Water Prophets, and in some instances itself selling Thirst and Water in its leading articles, it behoves those who understand the purpose of a watertight Bucket to sell the Bucket and nothing but the Bucket. Any Water-drawing scheme which does not provide for the use of a bucket, and, even so, does not give guarantees that the bucket has a sound bottom, is a swindle, no matter whether the people who sell the scheme know it or not. Controversies are being got up on three questions, all of them irrelevant to the crucial issue: namely

1. What is the right basis of credit?
2. What is the right quantity of credit?
3. Who shall control credit?

These can be restated as follows:—

1. What shall the bucket be made of?
2. What size shall we make it?
3. Who shall draw up the water?

The bulk of credit-reformers occupy themselves with these questions, and are disposed to organise themselves on the basis of a common agreement on answers to these three points. But so, too, are the bankers and the Press. *The Times*, which has been tentatively suggesting a gold bucket, has more recently published an anonymous article advocating a bucket made of a gold-silver alloy. (See its issue of June 12, p. 13, article: "Sound Money." . . . "A Challenge from a Bimetallist.") The author, by the way, ingeniously tries to make out that the opposition to Bimetallism at the time of Bryan in the United States was not based on oppo-