

# SOCIAL CREDIT

A JOURNAL OF ECONOMIC DEMOCRACY.

The Official Organ of the Social Credit Secretariat.

Vol. I. No. 11.

FRIDAY, OCTOBER 26, 1934.

Weekly 2d.

Registered at G.P.O. as a Newspaper

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## NOTES OF THE WEEK

### THE GOLD STANDARD ILLUSION

THE Gold Standard is again in the news. Representatives of the countries that are still on it have met in Brussels "in an effort to find a way of maintaining the welfare of their people and yet maintaining the current gold value of their money."

This wording is unusually frank, for it plainly suggests that the welfare of the people and the maintenance of the Gold Standard are two contrary, if not mutually hostile things—which in fact is true.

In this country, it will be remembered, before we went off the Gold Standard, the Press put up an intensive bombardment in an attempt to keep us on it. Going off gold was represented as a major catastrophe which, if we allowed it to happen, would reduce the value of small investors' savings to that of waste paper.

But the time came when the men who were staging this ballyhoo found that we should have to go off gold willy-nilly, whereupon the papers began to tell us that going off gold might be a good thing after all. And by the time the "catastrophe" occurred the public were reading that it had "saved the country."

This obsession with gold appears all the more ludicrous when we remember that though we are off gold we are still tied to it, and forces are at work to get us back on it.

The general public are shy of giving an opinion on the Gold Standard, regarding it as a subject only for experts.

Yet ordinary intelligent people are quite capable of giving final opinions on these matters, for apart from the technical jargon that surrounds them, the principles on which they are based, as well as the effects of their working, can be judged by commonsense.

### You Might See Through the Pretence.

The reason why the money monopolists want our currency to be permanently regulated by the supply of gold is that their power rests upon it. If it were not for this pretence that gold is necessary, *our money would have to be backed with something else*, and the nation would see through the bluff and demand a rational system.

The world has for centuries been hypnotised into the belief that a certain yellow metal constitutes real wealth.

That is the monstrous illusion which has been created in people's minds, and so long as it stays there the men who control gold can also control the world.

They can hypnotise nations into believing that, although they have an enormous abundance of goods, mountains of raw material and hundreds of idle factories, all waiting to be used, they cannot feed and clothe themselves decently because they have not enough of a metal whose legitimate use is in stopping teeth.

The whole legend is based on a false standard of values. Money based on gold cannot reflect a nation's real wealth. *The real wealth of a nation lies in the nation's ability to deliver goods and services when and where they are required.* To say that it depends on a yellow metal which is laboriously dug out of the ground only to be interred again in the vaults of banks, is nonsense, and can be recognised as nonsense by anyone who has no knowledge of financial or economic theories.

### Money Should be Based on Real Wealth

The nation's money should be based, not upon gold or any other irrelevant substance, but upon that national wealth. Only by this means can the nation's money be sufficient to buy all the real wealth that the nation can produce.

Social Credit provides a means by which this can be done. By the issue of a National Dividend based on the credit of this national wealth, and a price regulating mechanism to prevent inflation, the permanent gap between total prices and total incomes which the present financial system makes inevitable would be filled. The increasing number of people whose earnings are being stopped by the displacement of human labour by machinery would have a permanent income, and all people, whether they earned or not, would be assured of economic independence—and all without a penny sacrifice by taxation.

If it is asked, "Where will the money come from?" we can reply, "Where does money come from now?"

If money can be issued by private bankers on the strength of their possession of a heap of metal, it can be issued by any Government on the credit of a nation fabulously rich in goods and services.

### FREEDOM AND GENERAL SMUTS

Very probably, large numbers of people who recognise that General Smuts is closely identified with the interests of international finance are puzzled to fit into its proper place his speech to the students as Lord Rector of St. Andrew's.

There is not, in fact, any contradiction involved in an attack upon governmental restrictions of liberty by an upholder of a tyrannous financial system. Whatever its demerits, and there are many, a powerful and efficient Empire is always a potent menace to the unchallenged hegemony of finance. The banker views with complacency the breaking up of feudal estates and advocates National disarmament and the substitution of a police force under the League of Nations, while at the same time building a Bank of England which is stronger than any castle of the Middle Ages and encouraging revolver practice amongst his employees. To split up into small and comparatively weak units the component parts of the British Empire, removes one danger from the path of the Bank of International Settlements, so long as they can be prevented by financial devices from effective co-ordination.

### DIFFICULTY THE MAIN OBJECT

That General Smuts's exhortation to democratic action should draw the unqualified praise of a *Times* leading article, bears witness to its well-sounding emptiness. If says *The Times* "to the young men who heard him . . . he cannot say, in a few simple words, what it is that they must go and do, that only shows that this creative freedom is too fine a thing to be attained by slapdash haste, by crude and clumsy action."

This is so fine a piece of irony that it matters little whether it was intentional or not. There could be no kindlier way of describing empty platitude than to say that the words are all the more beautiful because their author cannot say what they mean. *The Times* concludes its praise of this exhortation to a task that was not explained, by adding, "the work is so well worth the doing because it is so difficult . . . who wants, therefore, hard and difficult work may find it in the service of creative freedom, as uplifted by General Smuts."

This variation of "work for work's sake, no matter what it's for," may be offered as the motto for a national economic policy, the only aim of which is to keep men employed, although they have the means of being ten times better off with only half the work.

### ROOSEVELT AND THE BANKERS

Four thousand American bankers met in Washington this week to be addressed by President Roosevelt. The gathering of so many birds of that particular feather might suggest that the body-politic of the U.S.A. is shortly to become a carcase. But *The Times* is more hopeful: The bankers, it says, are hoping that since the President cannot hold back the political forces, he will "guide them into channels which will correct the economic system without handing it over to Fascists or Socialists;" and that a "sense of reality" may end rancour and permit of "co-operation without disturbing the broad outlines of the New Deal and thus inciting extreme radicalism."

So the bankers are using the bogeys of Fascism and Socialism to distract the administration from any possible tendency to take the control of the nation's credit out of the bankers' hands. They are getting nervous: As *The Times* says, "The average banker complains that a serious reduction in (his) earnings is undermining the banking system by 'unfair' employment of cheap government funds."

So might a burglar complain that an increase of the police-force "unfairly" undermines his trade. We are invited to pity the bankers if the government issues money instead of borrowing it from them. It is an admission that the chief source of the banks' revenue is derived from creating loans on the nation's credit and keeping the nation in debt. And it is a veiled threat that if the government interferes with their parasitic privileges they will sabotage the New Deal on the pretence that the administration is encouraging "extreme radicalism."

We may still hope that the President will meet the bankers' challenge by asserting the nation's right to the nation's credit. If he does, every government in the world will be encouraged to make that gesture without which there can be no economic recovery.

### EXPORTS ARE PARAMOUNT

The Federation of British Industries to the Far East, headed by Lord Barnby, is engaged in investigating the possibilities of British industrialists co-operating in the development of Manchukuo. As a result of conferences held with Japanese business men and bankers it is stated that improvement of British trade with Manchukuo will follow.

The significant feature of this Mission's activities, however, is the report of the Manchukuo News Service that if satisfactory trade arrangements are made, "substantial revision of the conclusions embodied in the Lytton Report may be expected."

This, quoted in *The Times* of October 16, may be regarded as "inspired." The Lytton Report was the result of Lord Lytton's investigations into the circumstances of Japan's annexation of Manchuria which led the League of Nations to denounce Japan as having violated the principles of the League. For this reason Great Britain has never officially recognised Manchuria.

But moral protests must give way before the needs of the export trade. We can ignore the League; we can, if necessary, endanger our friendly relations with other nations; we can withdraw and thus implicitly apologise for our condemnation of one of the most cruel and cold-blooded attacks ever made by a strong nation upon a weak one. But at all costs we must find a market in which to dump the surplus goods our own people want but cannot afford to buy. Let us be realistic.

### CAUSES, LOST AND FOUND

Champions of lost causes get a great deal of sympathy, much of which is undeserved. If a cause is lost it is generally because nobody wants it and therefore it is a foolish waste of time to try and force it on the public. The people who need attention are those who champion Found Causes—causes which are put under their noses by interested persons who know the value of red herrings. There is a large assortment of these. Their value is that they find occupation for public-spirited people who wish to abolish poverty, and whose attentions might therefore prove discomforting to those whose interest it is to maintain the main source of social and economic evils—"sound finance."

Behold, then, Dr. Barnes, Bishop of Birmingham: Courageous, sympathetic, outspoken. Such men are dangerous—find him a cause! This one will do: "Bishop Hits Out At Landholders.—Dr. Barnes' Attack.—'Soul Destroying Areas.'—Plan for Better Cities."

The red herring is savoury with age, and Dr. Barnes follows it in full cry. Congestion is caused by the "anti-social holding of land in and around great cities." It is the landlord's fault; though most of them are punished in turn when the banks foreclose and let newcomers have the property for a price.

So the Bishop would town-plan Birmingham and suburbs. The community should be allowed to buy whatever land it desired at the price last scheduled for death-duties (the Government having fixed those duties to help pay the bankers' National Debt). And the purchase money, Doctor? Oh—"Land so acquired would be paid for by land-bonds issued by the City, with Government guarantee."

Exactly. And as all bonds go the same way home, *the community would be in debt to the banks for its own land.*

### AND TALKING OF HERRINGS—

The English and Scottish Herring Catchers' Association are still holding emergency meetings to deal with the crisis in their industry. This crisis is officially attributed to "chaos in a market menaced by loss of orders through the crisis in Anglo-German financial relations."

That, however, is only the description of the crisis in the quaint dialect of orthodox finance-economics. Viewed biologically, it may be more simply and exactly described as a crisis caused by the fact that the female herring produces offspring more readily and generously than the banking system produces money to buy them. Tons of fish were regularly thrown back into the sea long before the German market was limited. The fact that the loss of a foreign market, which is unlikely ever to be completely regained, causes such trouble to fishers, should serve to show them that the real menace to their industry, as to all others, is the financial system which, by maintaining a permanent shortage of purchasing power at home, forces them to depend on unreliable foreign markets for the sale of their surplus.

**THE TIME FACTOR**

The Judge in a recent forged banknote case, said that he would take into consideration the youth of the prisoner and the fact there was no evidence of any notes being in fact circulated; but as a deterrent to others the accused must go to penal servitude for three years.

We gather from this that three years is a short time for people who misbehave in the matter of currency. This youth's offence was comparatively slight, but unpardonable. Apparently he attempted to inflate the currency without raising prices—a serious violation of orthodox practice, leading, as it would, to an actual increase of public purchasing power.

But if a man gets three years for that, how long ought men to have who pinch the nation's credit, issue private notes upon it, swindle the people into paying for their own stolen property, send prices up with every increase of issue, and withdraw money from circulation when people want it?

Remembering that these false notes are now in circulation and that the forgers have not youth as an excuse, give your answer to the nearest hundred years.

**SCOTT AND BLACK**

We offer our very hearty congratulations to Alderman H. Milner Black, President of the Brighton and Hove Douglas Social Credit Association, and former Mayor of Brighton, upon the triumphant achievement of his son, T. Campbell Black, who with C. W. A. Scott, was the first to reach Australia in the air race this week.

It is fitting that the son of a well-known Social Crediter should have thus assisted in establishing another precedent for speedy communication between Britain and Australia. The best reason we can imagine for lessening the distance between the two countries, is that Social Crediters in this country shall be in closer touch with those of their admirable fellow propagandists who are making Social Credit history on the other side of the world. At present the distance is far too great. May the record speed of Scott and Black soon be transmitted to postal transport!

**A WASTE OF GOOD VOTES**

The farce of the municipal elections is upon us, in which rival parties will canvass for the privilege of starving their localities of money. One is treated at this time of the year to the astonishing spectacle of earnest, public-spirited men telling the inhabitants of areas which need many millions spent on them before they are decently habitable that if they are elected they will spend as little as possible.

The Labour Party has the better appearance of sense, for it does at least promise to spend what it can get. But the effect is much the same in either case. The advocates of Municipal Reform (which means reforming the Municipality as little as it can) are largely justified in their assertion than increased expenditure by their opponents results (to quote Lord Jessel) "in a more cruel lot for the people who cannot fend for themselves." For the Labour Party (who contemptuously deny the necessity for monetising the community's credit), being as much the catspaw of Finance as any other, have no method of raising money other than taxation, the onus of which is ultimately borne by the poorest.

Both Parties—the one promising expenditure on material benefits and the other economy—thus compete for the dispensation of an amount of money so completely inadequate for the needs of the community that whichever is elected makes practically no difference to the shameful poverty of the people and the squalor and ugliness of the towns.

**What is the Credit of the L.C.C.?**

While the governments, local or national, rely for their money on taxation, there will be no sense in voting, except for the abolition of taxation itself as the first step to effective administration. No government will be able to effect any real difference to civic or national life until taxation is abolished, and all public expenditure effected by money issued freely and based on the community's credit. A community's credit, we repeat, is its capacity to provide goods and services. What, to take one area alone, is the *real wealth* of London County? No one knows except that it is so great that if it were monetised, as it could quite easily be, the L.C.C. could in a few years transform London out of recognition. It could abolish all the slums, widen all the streets, double the number of parks, provide all the

needed houses, flats, gas and electricity without the sacrifice of a halfpenny on anyone's part.

To Social Crediters, who know such things are possible, these local elections, based as they are on the acceptance by all contesting Parties of an absolute unworkable financial system, and consequently confined to issues which cannot affect the real needs of the community, are a waste of good votes. They resolve themselves into a sham fight between two parties of mice, with the bankers' cat as referee.

**THE B.B.C. AND "POVERTY IN PLENTY"**

Too close a study of out-of-date economic text-books can send a man so fast asleep that he does not notice what is happening in the world of trade.

Mr. H. D. Henderson, Fellow of All Souls, Oxford, and former joint secretary of the Economic Advisory Council, who contributed to the above series of Wireless talks last week, must have been not only asleep but dreaming of a by-gone age when he said:

"Our incomes arise from production, and the greater accordingly the quantity of goods produced, the larger in proportion will be our real incomes, and the greater in proportion will be the number of goods we can buy. Every hundred pounds' worth of goods sold to the public gives rise to £100 of income . . ."

Hats off to old age! We accord that utterance the respect due to all the classics in a dead language. Regarding, as his rude forefathers did, employment as the only source of income, and being, like his rude forefathers, asleep, he has not noticed the difference between the beginnings of the Industrial Revolution and to-day. So the following two vital factors have escaped his notice: (1) The source of money as distinct from the sources of goods; (2) The element of time in distribution of the incomes in the prices of goods purchased.

Peacefully slumbering, he has not seen the exhaustion of "savings" and their supersession by bank-created debt as the common source of money spent on production to-day. The passing of industry into financial control which has resulted, and the exercise of that control for purposes remote from the welfare of the people, was done too quietly to disturb him.

**What Orthodox Theory Ignores**

He has not seen the cycles of money issued and recalled through successive processes, the final stages of which remain as debt, for immediate cancellation out of the price of any article sold to-day. He has not enquired whether the £100 of prices has in fact £100 purchasing power ready to meet it. He ignores the fact that in final products the costs of all intermediate products appear in full, and does not pursue even in his own theory far enough to recognise that those intermediate products themselves have needed, for their own purchase, all the money distributed in respect of their own production.

He wakes up sufficiently to notice that the population is declining and the power of mechanical production increasing; and believing as he does that wages are the only possible form of income, wonders in vain how the reduced amount of wages can purchase the increased production. But having observed that this creates "difficult problems of adjustment which are likely, I fear, to arise from technical progress and make an economic world in many ways more unstable than that of pre-war days," he goes to sleep again. In the secluded peace of All Souls, Oxford, he is undisturbed by the complaints of men who have to starve in the midst of plenty because the only possible source of money to buy that plenty is the wages which "technical progress" prevents them from earning.

Do not mention a National Dividend. It might wake him up.

**DO NOT READ THIS**

Modesty forbids us to call attention to ourselves, but it can hardly escape the attention of observant readers that this journal has grown four pages larger since last week. Such sudden growth, due to careful nourishment, is often observed in the early months of the offspring of healthy parents. Recent press photographs show that the tiger cubs at Whipsnade, born about the same time, did the same thing. Fluctuations in cubic content are unavoidable in young children even with growing strength; but we may casually remark that if the same judicious diet is maintained there is no reason why the present satisfactory size should not remain to change only to still larger dimensions.

## "WHAT ARE WE TRYING TO DO?"

by C. H. DOUGLAS.

An address to the Marshall Society, delivered in Trinity College, Cambridge, on October 20, 1934.

**S**UPERFICIALLY it might appear that the spectacle provided by the appearance of a monetary heretic airing his views before the Marshall Society of Cambridge is one which would be bound to gratify all those people who place courage amongst the highest of the virtues. But I have a sufficiently vivid memory of the years spent within the sound of Great St. Mary's, and of the atmosphere which accompanies the denial of the right to play marbles upon the Senate House steps, to recall that it is possible, easy, and safe, to say almost anything upon any subject within the precincts of this University, provided that it is put forward as a personal opinion, and not as bearing any special authority.

So I will proceed at once to make my position quite safe by telling you something with which I feel sure you will all agree, and your opinion, I may say, is shared by several people in the provinces and elsewhere. I am *not* an economist. For a considerable proportion of my working life I have induced people to part with modest, and from my point of view inadequate sums of money, which, nevertheless, I found useful, by persuading them to entrust me with various engineering undertakings. So that really my position in regard to economics is that of the young lady who was asked if she would have some marmalade, and replied, "No thank you, we makes it."

Claiming, therefore, the privileges of the economically irresponsible, I should like to suggest that, looked at from the point of view of the engineer, an economist is a man who spends a great deal of time in explaining why facts do not confirm theories. And I have no doubt that an economist would retort that engineers are people who spend a good deal of time in producing conditions which no self-respecting economic theory can reasonably be asked to fit. Now while both the engineer and the economist in taking up such an attitude may be overstressing their position, I believe that it is in this difference of position that we shall find the root of a good deal of the trouble in which the world stands at the present time. Whether it is conscious or not, I do not think that there is quite the clarity of demarkation between the economist and the political economist that I should expect, let us say, from Cambridge. We seem, at the present time, to be harassed by an unexpressed political ideal masquerading under the guise of an economic system. Speaking as an engineer, I do not believe that we shall make much progress to a solution of our difficulties until we decide whether or not this is a legitimate position to take up. Perhaps you will allow me to enlarge a little upon this aspect of the matter.

### Work as the Aim of the Economic System

So far as I am aware, no orthodox economist has criticised the most interesting and probably momentous experiment of this century, which is now proceeding in the United States, on the grounds of the unsoundness of its first premise, which is unequivocally stated to be "The widespread and permanent re-employment of workers at wages sufficient to secure comfort and a decent living." I am quoting from the Report of the Committee on Finance of the First Session of the Seventy-third Congress of the United States.

This is as much as to say, I think, that the premise is axiomatic, and, from my point of view, is at once to beg the question. To say that no social or economic system has achieved its object if it does not provide a maximum of employment in materialistic industry is neither economics nor engineering; it is political idealism. It is certainly not engineering because the specific objective of engineering is to substitute and subjugate the forces of nature to the services of man, and thus do his work for him.

I do not think I can do anything more useful in speaking to you than to urge upon you the necessity of examining, defining, and clarifying this political ideal, and allocating the responsibility for it and for the consequences which must logically proceed from its pursuit.

It has been established beyond all reasonable doubt that the present economic and industrial equipment could either

actually, or within a very short time, produce far more than the requirements of those who are engaged in operating it. If we are to pursue the ideal of keeping this equipment fully employed together with the whole working population, expansion of export markets—and not merely absolute expansion but accelerated expansion—is inevitable. Assuming that this ideal is pursued in all industrialist countries and without postulating any thing else in the form of difficulties in the financial system itself, this policy means increasing competition for a shrinking market. Do we really recognise the logical consequences of this, and do we recognise that these consequences in the form of preparation for war and increased armament are everywhere working themselves out to their catastrophic conclusion? I am not criticising the ideal, although it is not mine; I am merely asking you to bring it to your consciousness, to bring your intelligence to bear upon it, and to realise that it is not inevitable except so far as it is unrecognised.

### The Only Sane Object of Industry

The same type of argument, I think, is urgently necessary in regard to many other things which come within the sphere both of the engineer and the economist. It is difficult to apply any sane meaning to an industrial system which has not as its fundamental objective the increase in the comfort and maintenance of life. But it has to be recognised that many of these people who are most eloquent in regard to the virtues of the economic system as we operate it at the present time repudiate this objective and complain of the departure of the modern world from Puritan standards.

But I will ask you, for the moment, to assume that this premise is justified. Let us suppose that the millenium would be achieved if there was no unemployment whatever. Turn now with this in mind to the facts of the world of industry. Let me allay your fears at once, I am not going to rehearse the well-known facts of the economic paradox popularly known as "poverty amidst plenty." But it is inevitable that I should touch upon the fact that there is, at any rate, no serious shortage of goods and services, and that there is, a vast amount of unemployment, a still greater amount of extraordinarily inefficient employment, *i.e.*, time put in by individuals upon work which is either fundamentally useless or is done by very inferior methods, and that this unemployment of individuals is paralleled by an even greater unemployment of plant, machinery, and land. So that anything like one hundred per cent. employment of the available population and the available productive resources is at once going to result in either such a spate of production as no known methods of consumption outside War can possibly cope with, or else it is going to be accompanied by such a lowering of efficiency as is equivalent to a return to handicrafts. That seems to me to be a reasonably unassailable statement of the physical facts, and in spite of the obviously opposite opinion prevalent in the highest financial circles, that figures are much more important than facts, I confess from my training to hold a contrary opinion.

### Problems which Orthodox Economists Ignore

But I am going to ask you to pursue this particular line of thought a little further. I am going to ask you to suppose that, without catastrophe, first of all, the whole population has become re-employed, thus producing an enormous surplus of unusable goods. Such a surplus would be an acceleration because of the improvement of process and the increased use of power. And that, when this became evident, large numbers of persons were again dispensed with from industry, thus reducing production to the amount required for the whole of the population, but producing it with, let us say, one-fifth of the population.

I should like to ask you how this four-fifths of the population are going to get their share of the production. I am not, for the moment, going into the question as to

whether, if you taxed the remnant of the working population to the extent of eighty per cent. of its earnings, and divided this amongst the four-fifths of the so-called unemployed, this would provide *sufficient* purchasing power. I am merely asking you, as an expert body of both economists and political economists, whether a proposal of this kind strikes you as practical politics.

Perhaps you will allow me to labour this point a little. In the example I have just given, and assuming that all the costs of production were direct wage and salary payments, you would, in effect, be representing to those people who were still working that although, let us say, they earned, as they would put it "Twenty pounds a week," sixteen pounds a week was being taken off them by, say, Income Tax at 15s. in the pound, to provide what is known as a "dole" for the remainder, while urging the remainder to find work. Does a proposal of this kind strike you as being a sound psychological approach to the practical problem of distributing surplus? I ask that, because it appears to be the only solution which is countenanced by orthodoxy at the present.

#### Excess of Prices Over Purchasing Power

But while I feel sure that you will agree that the situation presents formidable problems even if presented in a form which is practically beyond controversy, its complexity is greatly enhanced and its possibilities of breakdown are immensely complicated when we consider that to take one example alone, during the ten years 1909-1918, American industry distributed 266,000 of millions of dollars in purchasing power (in salaries, dividends, pensions, war-wound indemnities, etc.) and placed on the market 390,000 of millions of dollars worth of merchandise. In other words, the collective prices of the goods for sale during that period exceeded the purchasing power available to buy them by 124,000 of millions of dollars, and it must be remembered that very large quantities of these goods were sold at a loss by the undertakings which produced them, which makes the figures appear a good deal more favourable than they really are.

Since I am in this exceptionally favourable position of being amongst a highly competent economic audience, while, myself, making no claim to be an economist, and therefore able to ask an unlimited number of questions until I am stopped, I should immensely appreciate assistance on another problem of a somewhat similar character to that to which I have just referred. If you will take the balance sheet of a large company, you will find lumped together upon the right-hand side, assets of various descriptions, some of which are in the nature of land, buildings, and tools, etc., and are commonly described as "fixed assets," and others which are in the nature of cash at bankers, debts owing, etc., which are somewhat humorously described as "liquid assets." Together these make up the company's capital. Please note that Price Values and Purchasing Power are lumped together as though they were similar. If you examine the Profit and Loss account of such a company in sufficient detail, you will find a similar division, that a portion of the profit is always at any moment represented by what are, in fact, physical assets, and the remainder by purchasing power, and when the company's accounts are audited, primarily, I think, in order that they may be taxed, Income Tax in its various forms is levied

upon these profits whether they are represented by fixed assets or by money. Fixed assets cannot, of course, be distributed to shareholders and, perforce, are transferred to the Capital Account.

Now in discussing this matter at great length with Mr. Hawtrey of the Treasury, I pointed out to him that these fixed assets were nowhere represented by money, and, secondly, that although they were not represented by money they were taxed and the tax had to be paid in money, and I confess that the only reply that I could get from Mr. Hawtrey was that he did not consider that the figures attached to the fixed assets of a company's balance sheet represented anything of practical consequence.

I sincerely hope that I am not misrepresenting him, but that was the impression I derived, and my reply to him was that if this was so I thought the manufacturers of Great Britain and elsewhere ought to be told so, as they were obviously carrying on business under a misapprehension, because they sincerely hope that all their assets are "earning" assets. I should like your opinion upon this, because I have no doubt whatever that in these facts may be found an important clue to the difficulty of carrying on business at the present day from the point of view of the entrepreneur, and that the confusion between price-values and purchasing power is widespread, and extends to quarters in which one would expect the difference to be clearly recognised.

#### What is the Principle of Taxation

Not to try your patience too highly, I should like to obtain of your kindness an opinion upon the whole question of taxation. I need not draw your attention to the change which has taken place in the conception of taxation in the past few hundred years. To take one aspect of it alone: Prior to the foundation of the Bank of England, and with it the National Debt, there was no recognition, so far as I am aware, of a tax founded upon a so-called moral principle, as, for instance, our taxes upon alcoholic beverages or upon entertainment of any description. In cases of offences against the Crown, heavy fines in land or otherwise were imposed, but it was never suggested that these were other than punitive. We now have what amounts to a continuous punitive fine on numbers of habits or pursuits. I am fined 10s. each time I buy a bottle of whisky and the fine goes to the policeman—the State. That is one aspect of the matter, and it has important practical consequences because there is no ascertainable relationship between morals and productive capacity.

A second aspect is that it seems to be taken for granted that the individual who successfully amasses a fortune by the present rules of the economic system should be heavily penalised for doing this.

Can you tell me what is the principle involved? Is it that the system is so defective that only by penalising success in it can it be made to work at all, or is it that in some mysterious way success in it constitutes a danger which should be guarded against if possible? And finally, does it strike you as an efficient proceeding that all industry requires to be at least triply policed, first of all by the Accounts Department of the modern factory, secondly by the Chartered Accountants who audit these accounts, and thirdly by the officials of the Inland Revenue who audit the accounts of the Chartered Accountants?

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## G. K's WEEKLY

Edited by

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Every Thursday

Price Sixpence.

SPECIAL 500th NUMBER, OCTOBER 11th.

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## BOOM AND SLUMP

### The Catastrophic Progress of the Present Industrial-Financial System

THE business man of sufficiently long experience looks back, no doubt with regret, to considerable periods of what he calls Good Trade. But the fact is there never has been, and under our present monetary system there never could be such a thing as good trade, in this sense of a balanced healthy functioning of the economic machine.

Our financial-industrial system knows only two states—*inflation* and *deflation*, and now that the peculiar conditions of the last century which tended to obscure this fact have ceased to exist and we have learned to detect and dread equally the effects of both *inflation* and *deflation*, our financial advisers have positively nothing else to offer us.

#### Inflation

The cause, as well as the chief feature of a period of *inflation* is capital development—the erection of plant and the installation of machinery. Since the public cannot consume industrial buildings and their contents, it follows that the wages and salaries paid out in producing them must be spent at the shops on consumable goods. This demand turns the retailer into a willing buyer from the manufacturer, who in his turn, finding demand greater than his powers to supply, proceeds to enlarge his works—particularly as he finds his bankers, impressed by his obvious prosperity, willing and eager to finance him. And so for the time the building of another factory increases yet further the demand upon the shops, and the so-called good trade continues and increases and everyone is happy.

But the important fact that we overlook, and of which, until Major Douglas pointed it out in his first book nearly fifteen years ago, we were entirely ignorant, is that the public, although they have all the money necessary to pay the actual cost of consumable goods, have none to meet *all the costs* that are being piled up by capital construction. How can they—since, under the law of supply and demand, they are forced to spend their whole income, short of what they save and invest, on the existing supply of goods?

In plain English, during periods of so-called good trade a nation is simply being forced into that universally-condemned practice known as “*living on capital*,” that is, spending the credits (money) issued to it for capital development on its day to day living. It makes no difference that individually and as a whole we may be a nation of honest, thrifty souls, our existing methods of cost-accountancy force us into just that way of life against which all moralists, from our mothers and family solicitors to our bank managers (especially bank managers), spend their time warning us—in a word, anticipating next year's income.

That can hardly be called a healthy functioning of the economic system, and yet it represents truly the symptoms and features of what we know as good trade. And as certainly as does the unheeding spendthrift come to the bankruptcy court, so in the case of a nation does the slump follow the boom. How does the slump begin?

#### Deflation

Good Trade, or *inflation*, to give it its proper name, is induced by credits (money) loaned by the banks to Industry for capital development and spent on consumable goods. Now Major Douglas has shown that for its continuance, not only must the banks continuously re-lend all credits (monies) paid back to them, but the loans must be increased, because the costs of the capital construction that is going on are gradually emerging in the price of consumable goods in the shops—in other words, prices are rising, as they always must and do while there is “*good trade*.” So you see it takes an almost pathetically childlike and blind faith in the future on the part both of industry who accepts, and the banks who proffer these ever-increasing loans, to continue the precarious business for very long.

Leaving out of the picture the effects of the operation of the gold standard, which for precision and niceness may be likened to the movements of an elephant in a chicken-run, and deliberate action by the banks—as in 1921, to take one instance—it requires only the slightest pause, on the part of the banks to lend money to industry and industry to distribute it to the public, to reduce consumption so that the production of consumable goods, resulting from instal-

lation of plant and machinery, overtakes demand. There is a hesitancy on the part of buyers, and a halt in the hitherto steady rise of prices, and in the hush that precedes the storm, prudent souls here and there can be seen writing down their stocks, perhaps not very greatly, but with the idea of unloading. Soon everyone is doing it.

Now all these stocks represent costs already incurred and owing to the Banks. If they cannot be covered by sales, they must come out of reserves and profits. And there you have the picture just at the time of the turning of the tide.

#### No Rest for the Weary

The rational conclusion to come to at this point would be that we had produced sufficient plant and machinery—perhaps a trifle too much—and that the time has come when we might safely rest from capital development for a while, and enjoy the consumable fruits of our previous activities. Whether we put it to ourselves like that or not, capital production does slow down perforce. But unfortunately our peculiar industrial-financial system is not designed to give us the fruits of our labours or anything else, but only profits (if any) and wages and salaries. With the slow-down of capital production there is immediately a considerable reduction in the available purchasing-power (income) of the community, and in consequence an increase in the difficulty of selling goods. And so there follows a further writing-down of stocks everywhere. Things begin to look serious.

One would suppose that at this juncture the banks, which we are assured are the handmaidens of industry, would rally round, and through the agency of the gold standard or some other of the bewildering devices of which they have such store, stave off the quite irrational catastrophe that seems to be impending. But the supposition is wrong—just as that other supposition about enjoying the fruits of our industry was wrong. It is not a wise thing to attempt to apply logic or reason to the operation of the existing monetary system.

What is wanted above everything else at this critical juncture is a respite—above all, avoidance of any precipitate action on the part of lenders. But it is just such respite that is never given by finance. Perhaps in the nature of things, it is impossible. Bankers, alas, are human and subject to cold feet like the rest of us. Already industry as a whole shows a considerable reduction in profits, which have been absorbed in the original writing down of stocks, and this means a reduction in security for loans; so that banking prudence (which in the main spells social imprudence) at this moment of crisis counsels the non-renewal of overdrafts and the calling in of loans. The handmaiden stiffens her upper lip and takes a firm stand.

#### Like the Gaderene Swine

And now the fat is really in the fire. There follows an orgy of price-cutting and selling—in the security and property markets, in the wholesale and retail trades. There are dismissals, closings-down and a further destruction of real assets—real wealth—in a hopeless attempt to liquidate the inflated money value of previously incurred debts.

It must be remembered that a high price for goods is the predominant feature of an *inflationary* (boom) period. And the higher the price of goods, the lower the actual value of money, so that the last phase of such a period is financed by loans of money of a very low purchasing-value—the pound was not worth ten shillings in the shops in 1920. But with every reduction in the price of goods, as stocks begin to be written-down, the value of money goes up, so that all book-debts increase by exactly that amount, although they present the same bland appearance as before. It is a grand world for lenders, but for no one else.

#### The Turn of the Tide

The question arises, how has society recovered from trade depression in the past as undoubtedly she has done again and again? It has come about in many ways. On occasions the discovery of deposits of an extremely malleable, yellow metal in distant parts of the globe have done the trick. And

(Continued on page 127).

## Social Credit in Holland

Public Lectures by the Dean of Canterbury.

THE series of addresses on Social Credit delivered by the Dean of Canterbury at Amsterdam, The Hague, Apeldoorn and Groningen has been an outstanding success. The audiences were good, and at Amsterdam and The Hague in particular the questions asked after the address showed the greatest interest.

The visit, officially under the auspices of the English Association, an organisation for the furtherance of English culture and letters in Holland, had been arranged by Mr. Loeb, the secretary and founder of the N.E.G. (Dutch New Economics Group).

One of the members writes: "For the small body of Dutch Social Creditors, who have been slowly but steadily increasing these past twelve months, the appeal and influence of this visit has been beyond the wildest expectations. For the spirit of Holland is still as intensely religious, serious and even Calvinistic as when three hundred years ago they resisted the Spanish conquest. The world's modern conquerors—the Money Power—may be less easy to recognise; but once realisation comes, and especially when it is presented as "The Nation's opportunity and the Church's duty in this age of plenty," there is little doubt that Holland will be in the forefront of the fight for modern freedom. Alone perhaps of the Continental countries, Holland is in many ways and for many reasons ripe for the Douglas message and certainly no ambassador of those 'glad tidings' could have been more acceptable or carried more influence than Dr. Hewlett Johnson, Dean of Canterbury."

The meeting which drew the greatest amount of attention from the Dutch press was a special meeting of clergymen, held at Amsterdam. The fullest report was that of *Het Volk*, a popular Socialist paper comparable to the *Daily Herald*, which in spite of somewhat facetious comments, published a fair account covering two columns of the Dean's remarks, with photographs of the Dean and Dr. Van Hoogenhuize, an important leader of the Dutch Reformed Church.

### The Nation's Opportunity and the Church's Duty

In his address, the Dean related how he had formerly been an engineer, and during the war, as the assistant of Sir Drummond Frazer, he had come into knowledge of the banking world.

After a description of the destruction of wealth and the neglect of modern mechanical productive power, the Dean

said that money, which was intended for the purpose of facilitating the exchange of goods, was certainly not doing so. The reason lay in the fact that it was a private monopoly. The present situation might be compared to one in which an empty train departed while the passengers stood hustling before the booking office, and could not go by the train because there were not enough tickets. And at present a third party was allowed to manufacture those tickets and to trade in them.

Explaining the Douglas theory, the Dean said that society must recover the right to create its own money. Production of goods and provision of purchasing power must keep pace with each other. The stream of goods and the stream of money must flow at the same rate.

At present, with farmers and industrialists alike groaning under the mortgage debt and seeing no escape, there was only one remedy, which the Church must proclaim as she did in the middle ages—they must bring back into honour once again, the principle of the "Just Price."

### A National Ledger Account

The Douglas proposals demanded control over the production of money. The State, in the name of the Community, must establish, as it were, a National Ledger, but produce a true balance. At present there was no true balance between production and consumption. Suppose the relation between production and consumption to be 5 : 4; then the price of goods must be reduced by a quarter, and by the use of the nation's credit the seller would have restored to him what he had lost in his sale price.

One country was already applying the principle to a limited extent for exports—Japan. This country was able to export goods at far below cost—not by paying starvation wages, but by the partial use of what was in essence Social Credit applied to production. And in this respect it was worth noting that Minister—President Osaki allowed the works of Major Douglas to be translated into Japanese.

What Japan was doing partially, England and Holland could do completely. They had the means: here were the machines, and here the knowledge. They had the possibilities and the goodwill. The ineffectual functioning of the money machine alone was bringing all the benefits of modern progress to naught, and leading Europe inexorably towards economic and military war. It was the Church's duty to lead in saving the world from this ruin by means which were now obvious and to hand.

### BOOM AND SLUMP *continued from page 126.*

again there is a considerable school of economists who see the influence of sun-spots at work. (See Professor Stanley Jevons, University College of South Wales, in the *Daily Mail* of October 23, 1933).

But a most frequent cause has probably been the natural, the almost crass buoyancy of human nature, which has asserted itself after a sufficiently long period of gloom and tragedy, and when enough capital values have been destroyed through bankruptcies and forced sales, and by rationalisation or the drastic writing-down of such industrial securities as are not held by high finance. We are creatures of reaction. After a time the mind to lend and the mind to borrow has returned to the banker and the industrialist—cold feet have gradually warmed up. Obsolete factories must be built up again, so there was a renewal of capital construction, and the credit created and loaned for this found its way into the shops and stimulated retail demand. The wheels of industry began to turn, creakingly at first, but gradually faster and faster as more and more credit was issued by the banks. Until finally the cumbrous machine starts up the same old incline again—with the same old drop at the further end.

### "The Next Boom."

The truth about the "next trade boom" is that it looks remarkably as if there never was to be another. According to trade cycles statistics it is overdue now, and our inspired press has anticipated its birth again and again in the last few years, like an anxious midwife. There have been attempts to induce it artificially; reflation, as it is called, or

sometimes, the raising of commodity prices—President Roosevelt's effort in the United States is the outstanding example—but they have been ineffectual.

It would really seem that what is known as the trade cycle is dead. And if this is so, then the chief cause is undoubtedly the terrific volume of the output of labour-saving and mass-producing machines, which, together with the ever-increasing unemployment it creates, has become more than any capital-construction programme can cope with. In which case it is obvious that two things only are left capable of ever again starting up or fully engaging the wheels of industry, and they are war or—the issue of credits that are not bank loans, for consumption (as opposed to production). In spite of the considerable difference in the vistas opened up by these alternatives, they have one thing in common, that the chief feature of both is consumption.

The alternatives then lie between the application of mass-consumption to mass-production through the agency either of War or Social Credit. In one or other of these alternatives our present civilisation is either to lose itself or find itself. Which it is to be, is the immediate and only practical question to-day.

"What comfort can Sir Stafford Cripps draw from an economic system which in the course of a few years has converted plenty into dearth?" A letter to *The Times*.

It is referring to the Russian system, not to ours. We have not yet reached dearth. We are doing our best, by "adjusting supply to effective demand." But it takes time.

# The Case for the National Dividend

## IV.

### The Inventor

**D**ISCOVERERS and inventors are prone to work and live in considerable difficulties, and the more important the subject matter they deal with, the greater those difficulties are likely to be.

Many of them start with the handicap of being more unfitted than most people are to struggle with the problem of getting an adequate income; the twist of mind which turns them to notice and then try to solve problems of mechanics, physics, psychology, medicine and so on, often makes them rather indifferent and incompetent in the routine of business and industry, and sometimes "difficult to get on with" to other people. They have also the hard task of forcing their ideas on the professional and commercial groups which they most closely concern. They are also often held up in their actual research and experiments by lack of money for bare living, and oftener by lack of enough to pay for apparatus and materials. That the legend of the poverty-stricken inventor is not merely a matter of history is shown, for example, by the experiences of one of the chief pioneers of television, who seems just to have escaped starving to death.

Besides those whose hopes or impulses are so strong as to drive them forward in spite of the probability that they will lose money through their pursuits, there are probably quite as large a number of people who would make valuable contributions to the world's endowment of knowledge and ideas, if they did not hold back for fear that they and their families would suffer heavily if they gave rein to their talents. And there are even larger numbers who would experiment with ideas they have, if only they were better off in incomes and resources, and so could afford the necessary expenses.

All these three classes would be encouraged by the National Dividend. It would give them a background from which to pursue their fruitful activities. No matter how thoroughly university, professional, and commercial organizations profess to look after research, we can confidently expect that their limited scope, their vested interests, and their all-too-human resistance to new ideas which are really new, will combine to check the fullest play to human ingenuity and genius.

The amateur and the unorthodox are perhaps the two sorts of discoverer from whom we can expect most. A great deal of improvements in microscopy and photography are due to the amateur, not the professional. Many of the most striking inventions have been made by people with no professional connection with the exploitation of the industries those inventions concerned. Many outstanding discoveries in biology and other sciences were the work of people who were regarded as crazy by the established practitioners. And as the world still presents many problems to be solved, even though its production problem is solved to all intents and purposes, it is in the national and the human interest to encourage every one who can contribute to their solution. The growing ends of human intelligence still require tending and the provision of economic security is the first measure to be taken.

### The Artist

Artists, whether musicians, painters, sculptors or writers, are even more kittle-cattle than inventors. One can only speculate on what conditions are needed to produce an outflow of great art, and I, for one, would not prophesy a great period of culture as a result of Social Credit. Nor would I prophesy the contrary.

But there is no shadow of doubt that many an artist of the first water has been crippled, thwarted, or prematurely cut off by the pressure of economic distress. Nor can it be doubted that one condition of great art has been the existence of a leisured and prosperous audience for the artist. One has only to think of the part played by certain wealthy patrons now, and of the parts played in the past by such people as the Austrian aristocrats who supported the rather difficult (not to say republican) Beethoven, to see that wealth, though it does not produce art, is a helpful midwife.

With economic security, in the artist and his audience, the former can pursue his activity more wholeheartedly, and the latter follow it with less distraction. A National Dividend would also remove some temptation from a considerable number of people who write books badly or sing songs worse, but continue to do so in the hope of making some money out of it. It would encourage those who have a vocation for artistic activity; it would hardly dissuade those whose aim it is to get applause and attention for themselves; but it would reduce the number of those who know they have no vocation but, for incomes' sake, pretend they have. And let us hope it would strengthen the conscience of reviewers and critics.

### The Spirit of Adventure

The general effect of the Dividend on the two classes of pioneers of culture which I have indicated under Inventor and Artist would be to make them more enterprising and adventurous, because it would largely or wholly remove that economic insecurity which now tends to make most of them cautious beyond their natures.

The same effect would be found on the population at large. Many people lead the lives they do, not because they do not want to change nor because they would be any the less competent in a new way of life or a new environment, but simply and solely because they think it better not to risk an entire collapse of their income. They would be willing to risk much, but not all. Hence we find many a man in a profession or occupation which he does not suit and does not like, where his qualities are half wasted and he may even be doing more harm than good.

A foundation of economic security would mean that many such would change, to the advantage in most cases both of themselves and the industry and the community at large. It is one of the myths to be found in school history books that the English as a nation have always been peculiarly adventurous. The National Dividend might make it a reality.

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## THE RISE OF MONEY POWER IN ENGLAND

### "The Shutting Up of the Exchequer."

THE goldsmiths of London became bankers in the 17th century. Being mainly Puritan in politics and religion, they used their wealth to finance Parliament against Charles I., in the Civil War. But they agreed no better with Cromwell during the Protectorate. At one period he was driven to negotiate with the Jews of Amsterdam to admit members of their nation to England in return for loans, but the plan fell through. After his death they willingly advanced money to Charles II. to disband the dreaded Republican armies, which had dominated even the City of London.

The new king was irksome of Parliamentary control, and borrowed heavily from the bankers. As soon as he made war on Holland, then the leading maritime and financial power, he alienated both the Puritans and the "City." The lack of money and equipment, which led to the British naval defeat in 1666, was largely due to this. He soon trimmed his sails to the bankers' breeze, and entered into an alliance with Holland, against France, a country which was standing out against the new finance power.

### Secret Diplomacy

But in 1670, under pressure from Louis XIV., he concluded the Secret Treaty of Dover with that Monarch. By this he bound himself to re-establish the Roman Catholic religion in England, and to aid Louis in smashing Holland, in return for large subsidies.

Then Charles asked the Commons for a vote of £800,000 to fit out the Navy to cope with the growing power of France. Inexcusable as was this duplicity, one must remember that the king's opponents at home were just as unscrupulous, and were also in the pay of Louis.

### A Compulsory Conversion

It was during the war with Holland which followed that Charles took the step of "shutting up the Exchequer." About eight of the Bankers of London had lent him £1,300,000. The chief creditor was Sir Robert Vyner, who had made a loan of £416,000, Charles declared he would pay neither interest nor capital for twelve months.

While most of this was undoubtedly created credit, goldsmiths' notes, the cash which formed its basis had been deposited with the bankers by customers. These were now informed that they could draw no deposits. They brought actions against the bankers for repayment.

It is believed that the Earl of Shaftesbury was the originator of the idea of "shutting up the Exchequer," and the bankers approached him as Chief of the Treasury Board to stop their creditors' actions. He advised them to appeal to Lord Keeper Bridgeman for an injunction. Both Shaftesbury and the King sent messages to Bridgeman backing up the bankers. The king wrote that "he deemed himself bound in honour to shelter the bankers whose money he had locked up in the Exchequer from the pursuit of their creditors."

### A Lord Keeper Dismissed

But when the pleadings were heard no precedent could be quoted, nor principle cited, to support it. Bridgeman to gain time, delayed judgment. Shaftesbury went to the King and swore that Lord Keeper Bridgeman was an old dotard, and that he, Shaftesbury, was more fitted to have the position of Lord Chancellor. The king treated this as a joke, but finally agreed, sent to Bridgeman for the Great Seal, and gave it to Shaftesbury.

But even he, ignorant of the law as he was, could not find outright for the bankers. So he compromised by declaring the injunction was granted unless cause was shown why it should not be at a distant date, which he constantly postponed until he was out of office.

### The First Bankers' Chancellor

On his deprivation of the Great Seal in 1673, he proceeded in triumph to the Royal Exchange and was well received by the merchants and bankers as the leader of the opposition to the Crown.

Charles ultimately granted interest at six per cent. to his creditors and this was paid until his death. Modern historians take the view that the "shutting up" was nothing

more than a compulsory conversion of a loan which had been raised at exorbitant rates (some say thirty per cent.), to the legal rate of interest.

But it is undoubtedly true that the Bankers were strong enough to have a Lord Keeper of the Great Seal sacked in their interests. That Shaftesbury, the originator of the project, should have used its results to secure high legal office in the country for himself, a layman, and later become the leader of the opposition, is a tribute to the skill and cunning of the most astute politician of that day.

### The Case of Lord Chancellor Somers

No interest was paid by James II., a fact which probably curtailed that monarch's reign. With the accession of William III. and the triumph of "Dutch Finance," the bankers again got busy. In 1689 they presented a petition to the "Barons of the Exchequer" praying for the payment of arrears. After a legal argument lasting two years, the Barons agreed that payment should be made.

The Attorney-General opposed. The case dragged on until 1697, when the Court of Exchequer Chamber upheld the judgment of the Barons of the Exchequer, except Chief Justice Treby. Lord Chancellor Somers was of Treby's opinion, but before giving judgment he made a laborious examination of all authorities cited in the case.

The appeal turned upon the question whether the petition of the Bankers to the Barons of the Exchequer was the proper course to take. Finally Somers decided that it was not. He delivered a written judgment, "one of the most elaborate ever delivered in Westminster Hall," in which he stated:—"We must judge of property according to the rules which the law has fixed, and can make no new ones, nor invent new remedies, however compassionate the case may appear, or however popular it may seem to attempt it."

The argument went on to state that the Barons of the Exchequer could not order the Lord Treasurer to make any payments, for they were subservient to him. The only remedy was a Petition of Right to the Sovereign, who would refer it to the "Keeper of His Conscience" who would pronounce judgment without any legal process, and procure justice to the petitioners if they were entitled to it.

A further argument then followed as to whether, since this was a special court in which the Lord Chancellor and the Lord Treasurer had called the other judges to assist them, the majority opinion should prevail, or that of the Lord Chancellor. The judges declared by seven votes to three that the Lord Chancellor's opinion should prevail over the majority. Somers said he agreed and declared against the Bankers.

### More Secret Diplomacy

In 1700 a writ of error was brought in the House of Lords against Somers' findings. At that time all the Lords could vote on appeals. The Bankers used their influence (as Whigs) to sway the vote to their side. So the judgment was reversed and the Bankers won. They received interest at three per cent. on the amount claimed, which by this time had risen to £3,000,000. Subsequently the principal was consolidated with the National Debt.

Shortly after the Lords reversed the judgment Somers was dismissed. He had opposed the Whig majority, and though a Tory administration now took office he was dismissed and later impeached. The last of the fourteen articles of the impeachment was "for judicial delinquency, especially in the Bankers' Case."

Thus ended the Bankers' Case, which had occupied the Courts through a period of twenty-eight years and had resulted in the dismissal of two Lord Chancellors. Money had become a Power and was demanding not only its pound of flesh but also the heads of its opponents.

FRED TAIT.

For the time being many find some sort of occupation in the semi-military patriotic—or Nazi—organizations; but this is an abnormal state of affairs, which moreover dissipates good money . . . —*The Times*.

Money, we suppose, which would be less dissipated if it stayed at home doing nothing, rather than going out with those fast young men.

## TOWARDS SOCIAL CREDIT

### The Historic Shortage of Money

LET us regard the total of our industrial production as a pool, filled by streams of goods from factories and workshops, the outlet being the purchasing power of the consumer. If the money of the consumer fails to empty the pool as fast as it is being filled up, then, unless the pool is allowed to overflow and its contents to be wasted, the inflow of goods must be checked, or the outlet must be increased.

That is precisely the problem of modern Industry: the purchaser-consumer has not enough money.

What then is money? Where does it come from? How does the purchaser-consumer get it? Why has he insufficient to draw upon the pool up to the limit of his satisfaction or the limit of the capacity of the converging streams to fill the pool, whichever may first occur.

Money in the form of stamped metal seems to have been an invention of that very important period in human history, about 700 to 600 B.C. The rapidity with which the use of money spread over the world from China to the British Isles is evidence of the extensive character of the commerce of that time. From then till now the issue of metallic money has been a jealously guarded prerogative of the State or its ruling authority. The City States of Greece guarded it as a proof of independence. But there came a change, with the expansion of oceanic commerce in Western Europe in the sixteenth and seventeenth centuries, when the need for money, both for circulation and development purposes, far exceeded the supply of precious metal available.

#### The Shortage of Metal

All the discussions of metallic currency during the last hundred years boil down to that simple fact. As a result of this shortage, the use of paper or written documents of various kinds came steadily into use as money; they were an essentially new development. Not that such substitutes for metal had never been used before in the distant past, for history records the leather money of Carthage, and one at least of the Tartar Emperors made extensive use of Treasury Notes written on tree bark—doubtless something like papyrus—throughout his immense empire. That anyone tampering with this money would probably have been flayed alive may serve as a reminder of the importance a conscientious ruler attached to this prerogative.

In modern times the need for money has been immensely increased by the Industrial Revolution. The mines of Mexico and Peru, and the later production of gold and other precious metals in California, Australia, South Africa and innumerable smaller sources of supply, never met the requirements of the world's monetary system as developed by banking finance. And even the ingenious device of

limiting bank credit in an agreed ratio to the bank holdings of gold, has in the end broken down through the possibility of the supplies of the metal being cornered, and its price being so manipulated that vast speculation takes place upon the margins of difference between gold metal and prices quoted in terms of gold.

Gold as metal currency is a thing of the past. The matter has been accurately summed up in the phrase: "At one time money was something valuable; to-day it is paper and ink." Lower value metal currency, of silver or bronze, is merely a matter of convenience; its quantity is a negligible part of total money, and may be disregarded in our discussion.

#### From Gold to Paper and Ink

With the scarcity and ultimate withdrawal of gold from circulation by the financial system, the requirements of Industry are met by paper money, and production is undertaken in the main by loans against security given, subject to the payment of interest, and repayment as and when required by the lender. Cheques, by which money is distributed, are a simple form of money having a limited circulation, and, unlike metal currency, destroyed when their purpose, the transfer of credit from one designated individual to another, is served. The banks extend credit to industry which makes use of that credit through cheques and notes, and a part is distributed through its personnel as payment for services in the form of wages, and salaries, to management as profits, and to shareholders as dividends. And a considerable part is used to defray past costs in the form of plant and raw material, and to create reserves for the future.

These distributions are part of the purchasing power by which the community draws out of the pool of production. Every item in the pool has its price, representing at least the whole of its costs, whether disbursed as current purchasing power, paid to discharge old debt, or reserved for future expenditure. For the withdrawals from the pool to equal the inflow, the purchasing power distributed must equal the total of these prices.

It cannot do so, because it has to meet that part of the price which includes money that is put to reserves and is therefore not in circulation, as well as money paid to discharge old debts and therefore cancelled out of existence. This is the *real* hindrance to the proper functioning of the industrial system. It is the gap between incomes and prices. The fact is of first importance, and it was upon this observation that Major C. H. Douglas founded his economic proposals. Stated as a formula they are epitomised in the famous A + B theorem—a stumbling block to many, not least to the orthodox economist.

"CASTLE ROCK."

## The One Sane Man

I RECENTLY read a novel, under the above title, about a man who, troubled by a sick world, attempted a reformation. The methods by which he attempted it were irrational and need not concern us. But the title was significant, for it recalled the appearance of "The One Sane Man," in 1918, when the debt-created prosperity prevented men and women from realising that the conditions were artificial and that they would be called upon to pay for their temporary prosperity by the merciless drive of Economy.

When public men, with few exceptions, were urging the masses to "produce more" Major C. H. Douglas wrote:—

"Economic questions are of paramount importance, because the economic system is the great weapon of the will to power. It will be obvious that if the economic problem could be reduced to a position of minor importance—in other words, if the productive power of machinery could be made effective in reducing to a very small fraction of the total man-hours available, the man-hours required for adapting the world's natural resources to the highest requirements of humanity—the 'deflation' of the problem would, to a very considerable extent, be

accomplished . . . . But it should be clearly recognised that waste is not less waste because a money value is attached to it, and that the machinery of remuneration must be modified profoundly *since the sum of the wages, salaries and dividends, distributed in respect of the world's production will buy an ever decreasing fraction of it.*" (My italics).

This fact, ignored, boycotted, suppressed, has now impressed itself on the minds of an ever increasing circle of supporters intent on averting the peril—for the conditions are perilous and the public has no sense of peril.

The conditions encourage the activities of men and movements aiming at the complete subordination of the individual to a power not understood. The innocent victims of these agencies believe that a world disease can only be cured by world regimentation and universal planning, but the cure is not commensurate with the remedy. By the merely technical device of a modified accountancy procedure, Douglas proposes to end poverty, degradation and war, and promote, as Emerson says, "the grandeur of ends brought about by simple means."

(Continued on page 131).

## SOCIAL CREDIT MOTIFS

### III. The Dethronement of Abstractionism

" . . . the dethronement of abstractionism. That is the issue which is posed by the Doctrine of the Incarnation."

"Those who wish to preserve Society can do no worse service to their cause, than to depict their idol as an unchangeable organisation whose claims are to be regarded as superior to those of the human spirit."

" . . . It seems perfectly certain that either a pyramidal organisation, having at its apex supreme power and at its base complete subjection . . . or a more complete decentralisation of initiative than this civilisation has ever known (will come about). The issue transcends in importance all others: the development of the human race will be radically different as it is decided one way or another."

Human affairs can move in one of two directions: either towards personal freedom, or towards an increased restraint upon liberty. But whereas movement in the one direction flows from a realistic observation that men are setting themselves free by use of solar energy, and that their spirit craves the freedom their genius has achieved; movement in the other direction meets the natural resistance of men and of material facts. It can only overcome this resistance by use of some powerful instrument.

The time-honoured instrument of human subjection is abstractionism. Man is beguiled into denying his spontaneous being, by the inducement of some picture of virtue to be attained, or some vision of evil to be avoided. The divine, incarnate spirit which is man, yields to this pressure. For man comes but slowly to recognition of his own dignity and responsibility.

Either direction in our corporate life may be pursued with benevolent intent; but authority exercised in restricting liberty has to make a greater display of virtue. Short of naked force, its power is derived from inducing acceptance of the assumption that the will it exercises is "higher" than the will of the individual. Upon this depends its sanction.

All the forces of restraint have to be massed under the banners of "Moral Law," "Economic Law," "Sound Finance," to overcome the objective facts, and prevent the natural release of men from the "kingdom of necessity." The objective necessity for co-operation in every act of life is mocked by the imposed necessity of the abstractions from which we suffer.

#### Weapons of Authority

Abstractions are the weapons of Authority. And authority utilises them to induce innocent men to abandon the dictates of their own hearts, or to compel their acquiescence in alien purposes. The reward of submission is livelihood; the punishment for resistance is starvation.

Authority based upon abstractions inevitably becomes tyrannical, for its secret basis is fear of the incalculable creature—man. Authority descends by degrees, from the helpful direction of activities which clearly enhance human dignity, to the imposition of conditions under which the spirit in man is merely broken to the purpose of maintaining the authority. But so deeply does fear still enthrall the victims as well as the tyrants in the awakening giant, the "Great Man"—as Douglas describes society, of which each man in his social aspect forms a part—that the in-

dividual submits to tyranny which oppresses him, because he fears even more the responsibility which freedom brings.

For the other aspect of dethronement of abstractionism is the acceptance of responsibility. Freedom and responsibility are inseparable. And faith in the inherent virtue of man is exhibited in willingness to extend the bounds of personal liberty to the utmost limits, by reducing the functions of authority to operations expressing the common will of the governed.

The only way to safeguard human dignity permanently is therefore to limit authority—and all authority resides ultimately in the Monopoly of Credit—strictly to a functional position, in which control over man is a genuine expression of cause and effect. Authority must be restrained from dispensing rewards and punishments in the economic sphere under the guise of natural law.

Social Credit provides the mechanism by which the abstractions, in whose names we are enslaved to-day, may be superseded. It establishes recognition of men's gigantic achievements in the real world as the centre and guiding principle of social organisation; distribution of product throughout the community is the first essential action. This we can well understand as a natural development in human affairs when we consider the historical situation in which it is propounded.

#### The False God—Book-keeping

Protestantism enunciated the conception of personal responsibility in the relation between man and God. Capitalism perverted that conception into irresponsibility between man and man. Finance has carried that perversion to fantastic heights of irresponsibility between man and man, by setting up the strangest of all false gods, the perfect Abstraction, over all the real things of the modern world. That false god is Book-keeping.

It is so simple! Money, the symbol of real wealth was needed as industrialism developed, for purchase of materials and equipment, and the provision of livelihood for those engaged in production. This provision was necessary until the product could be sold and the prior charges met. But those who provided the money, regarded it as a "thing," and commenced to trade in it. They brought about complete dependence upon their "product." Laws were passed forbidding payment in kind. States were induced to forego their natural right of money creation; induced to borrow where they should create and lend. And against every creation by the money monopoly an entry of repayment was required to balance the books. The labour of succeeding generations for unmeasured years is pawned to this futile and impossible repayment, whilst the present generations perish for lack of the mere tokens of wealth.

By virtue of this Abstraction a pyramid of gigantic power has risen, arrogating to itself all the virtues, and enforcing obedience in the names of economy, industry, thrift, honesty, all perverted to the service of the symbol of wealth and the denial of the reality. That supreme claim to human subjection must be overthrown; the direction towards freedom established. "The issue" writes Douglas, "transcends in importance all others: the development of the human race will be radically different as it is decided one way or another."

DEMOS.

THE ONE SANE MAN *continued from p.130*

"G.B.S." said years ago that ten years of cheap reading had changed the English people from the most stolid in Europe to one of the most hysterical. While not agreeing wholly with this, one may admit that the world's Press does select and cultivate emotions and faculties that tend towards the individual's loss of personal initiative and power. It is vitally necessary that this power be restored. The slavish attachment of people to charitable institutions; the tenacious hold on public attention of mediocre brains; the enormous energy and enthusiasm directed along channels increasingly ineffective as remedies, necessitates a campaign to determine by what right the bounty of nature is withheld from the consumers of the world.

A number of persons are mainly concerned with the cultivation and gradual augmentation of moral good in the world. While respecting their motives, I believe that we should resist all movements associated with cant; and by cant I mean not hypocrisy, but the treatment of phrases as though they were realities.

The realities of the situation were made clear in 1919. The facts are known, and there is no more bitter possession than a fact which men in power will not see. The final test of anything, including the optimism of the orthodox political economist and the pessimism of the starved multitude, is FACT, and the acceptance of the proposal of One Sane Man in 1919 opens a world of beauty for the present heirs of past endeavours.

E. J. PANKHURST.

## PRESS REPORTS OF BEDLAM

### How "Sound" Finance deals with the World's Food Supply

THE following collection of press reports affords a clear demonstration of the sheer lunacy of the way in which the economic experts deal with what *The Times* (April 28, 1934) calls "Burdensome Surpluses"—meaning the abundance of food which the people of the world need but cannot afford to buy.

Better wheat prospects. Other favourable features include reduction during 1932 of about 100 million bushels in world stocks, the failure of the Russian crop, the poor start of the United States winter crop, and the probable curtailment of the new Canadian acreage.—*Daily Express*, January 12, 1933.

U.S.A. Reconstruction Finance Corporation announces £10,000,000 loan to China to enable Chinese to eat bread which Americans are unable to afford to eat!—*Daily Express*, June 5, 1933.

Canadian Premiers support wheat restriction.—*Times*, June 10, 1933.

Nations discuss how to deal with surplus wheat.—*Evening Standard*, June 16, 1933.

French Chamber consider Bill to assist farmers by reduction of wheat harvest.—*Financial News*, June 26, 1933.

Nature comes to assistance of President Roosevelt. U.S. Department of Agriculture predicts smallest crop for 30 years. Reasons include unfavourable weather and financial difficulties of farmers.—*Daily Express*, July 12, 1933.

U.S.A. Wheat Ultimatum To World. America to subsidise exports unless wheat restriction is agreed to. (In effect this means if we don't agree to bake less bread the Yanks will pay us to take what they can't afford to eat!)—*Daily Express*, August 16, 1933.

Chicago Grain Crisis. Heavy Slump on Market. Smallest crop for thirty years. President Roosevelt and his advisers concerned.—*Daily Express*, August 17, 1933.

Bumper harvest—30,000 people in want.—*Evening News*, September 20, 1933.

French Cabinet authorise fine on farmers who increase acreage under wheat.—*Times*, October 16, 1933.

Smaller Indian wheat crop welcomed.—*Times*, May 12, 1934.

Drought welcomed.—*Sunday Pictorial*, June 3, 1934.

Drought rockets wheat prices. Smallest crop for 30 years. 216 million bushels lost. Grain famine rumours. Chicago Wheat Pit in turmoil of excitement.—*Daily Express*, July 12, 1934.

U.S.A. restriction plan reported successful in reducing wheat acreage from over 40 million acres to under 30 million acres.—*Evening Standard*, June 26, 1934.

Mr. Wallace, U.S.A. Minister for Agriculture, states that farmers will be allowed to cultivate full acreage of wheat only provided they feed 15 per cent. to cattle.—*Times*, July 31, 1934.

U.S.A. Secretary for Agriculture claims drought as the "ally" of Agricultural Adjustment Administration in reducing all crops except cotton.—*Times*, July 31, 1934.

U.S.A. destroying one million cattle because "they can't be fed on account of drought."—*Daily Express*, August 3, 1934.

U.S.A. may have to slaughter five million cattle "owing to drought."—*Daily Express*, August 9, 1934.

U.S.A. puts its shirt on the drought. Crop havoc yields fortunes. 1,500 deaths in heat.—*Daily Express*, August 9, 1934.

Drought is good for our harvest. Bumper yields. Britain reaps rich crops.—*Daily Express*, August 9, 1934.

Britons grow rich on drought. Drought provides profits.—*Daily Express*, August 11, 1934.

Millionaires made by drought. "Two lone wolves wax fat on wheat." (Actually this means "wheat shortage").—*Daily Express*, August 11, 1934.

Anticipated further deterioration owing to drought not materialised. Increased crop causes disappointment.—*Daily Mail*, August 13, 1934.

Rain frightens drought crop gamblers.—*Daily Herald*, August 13, 1934.

French Minister of Agriculture calls on all bakers to give up weekly holiday, bake more, and so induce the people to eat more bread in order to get rid of surplus wheat.—*Evening News*, August 29, 1934.

It is to be hoped that the above facts taken from our daily papers will satisfy all but Social Creditors and other cranks, that no bread is better than half a loaf!

T. H. STORY.

### BANKMEN AND SOCIAL CREDIT.

For years past Social Creditors have been proclaiming that the banker quite unwittingly, has been acting as a "fence;" that he is the purveyor of a stolen commodity, the nation's credit, which he sells as "Bank Credit."

Yet those respectable citizens, bankers, bank managers, bank clerks and others seem quite unperturbed. Their official organs, *The Journal of the Institute of Bankers*, and *The Bank Officer*, pass over this revelation almost in silence. In Australia it is otherwise. Battle has been joined, the controversy rages. Here perhaps the Social Creditor must shout still louder, if his voice is to be heard.

But can bankmen plead ignorance at this stage? Quite recently a circular, re-assuring in tone and adumbrating the brutal truth, was dispatched to every branch bank in this country. A considerable number of them by this time must know that Social Credit is directly opposed to the credit theory they are called on to put into practice.

As practical men, they may say theory is no concern of theirs. All the same, bankmen have been forced to submit to very considerable cuts in salary scales, and further cuts in some cases have still to be faced this autumn. Most bankmen want the highest salary they can get. When balance sheets show diminished profits, the directorates can justify their economies, and the bankmen's protests are of little or no avail.

Dimly they are aware that something is wrong somewhere, that all sorts of restrictive measures limit the production of goods, that goods have been ruthlessly destroyed to bolster up the falling markets, that Poverty in the midst of Plenty is the ghastly paradox of this age.

How much longer are bankmen going to slumber in this *Götterdämmerung*? How much longer can they afford to do so?

If they have faith in the system that has produced the paradox, they should proclaim it. They should invade our meetings and attempt to demolish our arguments. We should welcome the intrusion and thrive on vigorous criticism (and, incidentally, make many useful converts).

N. MESHED.

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## Correspondence

TO THE EDITOR OF SOCIAL CREDIT.

Dear Sir,—The extension of advertisements in your journal may be the nucleus of a Social Credit experiment extending in at least two directions:

1. Increasing the general interest in the paper,
2. Opening up of the discussion of a Social Credit experiment.

Beginning with the former, the Secretariat draws attention, although not in the usual form of paid-for advertisements, to the fact that it is prepared to supply portraits, ties and printed documents to readers in exchange for legal tender, and also two commercial firms run by Social Creditors, offers commercially of their special productions payable presumably ultimately in cash, either on reasonable credit terms, or in exchange for bills or on hire purchase or deferred terms of payment.

If all suppliers in the movement would follow this lead, the paper would become at once of greatly increased interest, because we should be presented with a bird's-eye view of the actual producing interests of the whole, and rapidly growing group. We should be able to visualise how soon the movement might become an economic entity, capable of supplying the bulk of its own requirements.

Some years ago quite a small group of people formed what was known as "The New Commerce Guild," offering their goods and services to fellow members without cash payments, but transactions being simply debited or credited in the books of the Guild.

Somewhat later I approached Major Douglas as to whether a group of Quaker industrialists could successfully form a Social Credit Combine or Trust. Major Douglas considered that if a horizontal trust of sufficient breadth could be formed so as to cover, as far as possible the production of the basic needs of life, and with a total real capital worth some millions of pounds, such a scheme might have every hope of success, but only if able to adopt some form of its own ticket system for purposes of distribution.

I would suggest, sir, that your columns should be opened for a discussion of this question.

Yours faithfully,  
J. E. TUKE.

1, Lincoln's Inn Fields, W.C.2.

### An Unscientific System

TO THE EDITOR OF SOCIAL CREDIT,

Sir,—May I draw attention to an error in Daran's article under the above title?

In the second and third sections of this article a three-stage production cycle is described, token figures being given for the value of the product in each stage, the profit being ten per cent. at each stage. The total cost of production for the three stages is given as £370. This I think should read £360, the total of profits being £80 and not £70, as stated.

The alteration of the figures does not in any way invalidate Daran's argument that profits added to costs of production have never been issued in the course of that production, and therefore must create a "fictitious deficiency" of purchasing power.

Yours faithfully, F. BILGER.

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"Kindly send a few copies (all you can) of 'Economics for Everybody' for distribution. 25 cents enclosed."—J. C. Wilson, Montreal, Canada.

"Please send supply of 'Economics for Everybody' for free distribution (all you can). \$2 enclosed."—(The same, a month later).

"Kindly send another 40 of 'Economics for Everybody. It is much appreciated. \$2 enclosed."—(The same, another month later).

**NOTICES OF DOUGLAS SOCIAL CREDIT MEETINGS**

Notices of Social Credit Meetings will be accepted for this column. Six lines 1s., seven to twelve lines 2s.

**The London Social Credit Club**  
Blewcoat Room, Caxton Street, S.W.

Oct. 26th, 7.45 p.m.—National Planning. By Mr. Brenton, of the *New Age*.

Nov. 2nd, 7.45 p.m.—Social Credit Position in Scotland. By Mr. R. M. Black.

Visitors are welcome. A short explanation of Social Credit is given at the beginning of every meeting. Hon. Sec. Dr. Mitchell, 2, Bromley Common, Kent.

**North-East Area Douglas Social Credit Group**

Nov. 3rd, 7.15 for 7.30 p.m.—Annual Dinner at the County Hotel, Neville St., Newcastle. Guest of the evening: A. L. Gibson, Esq., of Sheffield. Tickets 3s. 6d. Dress optional. All communications regarding tickets should be addressed to R. P. Pearson, 32 Crowland Avenue, Newcastle-on-Tyne.

**Accommodation**

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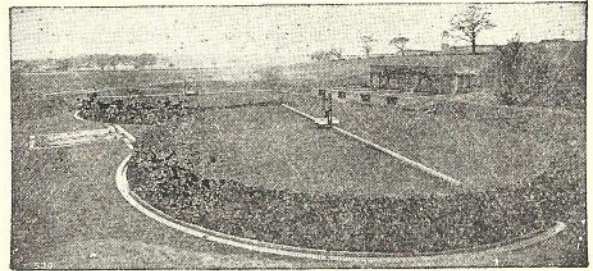
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## THE UMBRELLA FRONT

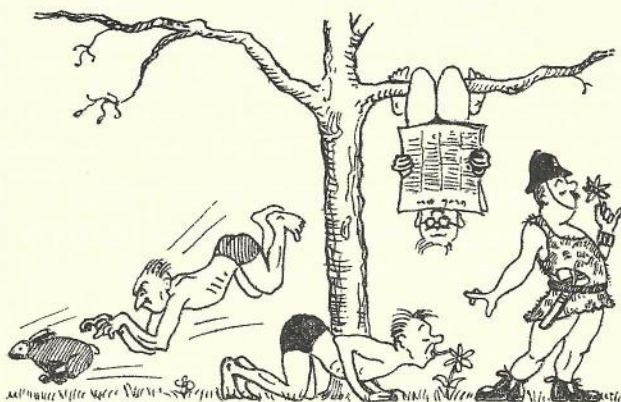
**T**HE German people are going without umbrellas. So the umbrella manufacturers of Germany have decided to form an Umbrella Front to revive the trade.

A Front means a militant advance guard for some great Cause. If the cause is Socialism you form a red front. If it is the Primrose League it is a yellow front. If it the cotton trade it is a shirt front. If it is a small cause it is only a dickey. If it —

Editor: Get on with it.

Just as you say. Well, the German umbrella trade is in a bad way. About 150,000 persons are out of work from it and the umbrella is said to be going out of fashion to a remarkable extent. The hat trade ought to be glad but I don't suppose it is. The Youth Movement is knocking it anyway.

The general discarding of umbrellas and sunshades is attributed to "the rapid development of sports and physical



*The ultimate object of our banking system is the  
SIMPLE LIFE*

culture as well as military and semi-military culture" (the only three cultures left in the country). The Nazis are at present trying to get the Germans back to the heroic age of Teutonic tradition and generally making them more Viking and blonde-beastly, and they doubtless think you can't Vike properly with a gamp. Neither can you. I went Stone-Age once in Brighton and felt a fool with an umbrella.

I suppose the German professors have been looking up the old sagas and found that Siegfried left his umbrella behind when he went on his journey to the Rhine and that Brunhilde wouldn't let her Valkyries carry sunshades when they took dead heroes for a ride. It is also stated that in spite of the urgent requests of his wife, Attila the Hun refused to take his umbrella when he swooped down upon Europe, because he said its wind resistance would reduce the speed of his swoop.

Printer: Hey!

Sorry, I mean the speed of his swoop. Anyhow, no true Nazi would be seen dead under an umbrella, which I think is a pity. Incidentally I deny that umbrellas are inconsistent with manly strength, beauty, courage and what not, as I don't why should I spoil a 15s. 9d. hat and the old school tie. Furthermore, they are not inconsistent with military prowess, for during the Napoleonic wars British officers frequently carried parasols when in uniform, thereby proving, for all you know, that parasols are as essential to our greatness as the playing fields of Eton.

It will not be easy for the Germans to decide whether to revive the umbrella trade or not. I would point out, however, that in reviving the umbrella, the manufacturers need not necessarily violate the heroic Nazi principle of getting the hair wet, or "Nazihaargenässenpflicht" as it is called (I hope).

The Germans enjoy the same economic system as ourselves, and as you know, our system is based on the principle that The Purpose of Production is Anything but Consumption. The very last thing any nation should do,

if it wants a balanced Budget and a sound banking system, is to use, let alone buy, the goods it produces. The purpose of a nation's industrial system is to send everything it makes abroad, on the principle that it depends for its existence on its export trade, and that the more you make and the less you buy the better off you are.

So it would be quite sound, economically, for the Germans to make more umbrellas than ever and still go on with their heroic hat-spoiling. They can use the umbrella for export only, thereby avoiding its danger as a hero-softener, and at the same time expediting the emasculation of Germany's foes by encouraging them to carry umbrellas (Hoch!).

Quite apart, however, from the particular needs of the German people and German trade, on which I am quite competent to give an opinion but in which I cannot, as an Englishman, allow myself to be interested, there are larger and more fundamental issues involved in the question of the umbrella trade.

I have a theory that the umbrella is destined to play an important part in the nation's future, assuming that orthodox economic principles remain inviolate.

Formerly the umbrella was a symbol of power and authority. The sacred white elephant of India had a white umbrella, not to keep the rain off, which he didn't mind, but to show he was sacred. Now it is a symbol of comfort and luxury, symbolising man's conquest of natural elements.

The umbrella makes man more dependent on an artificial environment. If he goes on using them to keep the rain off, ultimately, by the law of the survival of the whastit, he may grow an umbrella out of the top of his head.

If that happens we shan't have to worry about the umbrella because it would be natural, and part of the simple life. We should not try to do without it unless we had an umbrella-ache, in which case we should have it



*The Umbrella will solve the housing problem.*

extracted and a false one put in. But we need not go into that here.

Now, it is clear that if we are to maintain our financial stability we cannot allow people to depend on artificial aids to physical comfort. We can't afford it. The object of a sound banking system is to make us do without as many things as possible, by steadily keeping the national income well below the total prices of the nation's goods and thus achieving stability on the principle that we are but strangers here, heaven is our home.

The ideal to which the bankers are leading us ever on and up is, therefore, the Simple Life. Now the umbrella, as I have said, is a luxury. But though it keeps the rain off, it does not keep it off very well. It is a luxury only so long as you have an additional roof elsewhere.

But it is clear that the banking system is leading us to a point in our rough island story where we shall no longer be able to afford houses. Then the umbrella will come into its own: it will both solve the housing problem and save the pound.

Forward, then, to the Umbrella Front.

YAFFLE.