

# THE NEW AGE

INCORPORATING "CREDIT POWER"

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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## NOTES OF THE WEEK.

The following is an advertisement in the Canadian Press:—

- " Friendly co-operation with farmers.
- " There is a spirit of service and co-operation about the Bank of Montreal which appeals strongly to our farmer-customers.
- " You are cordially invited to call at this Bank and discuss your financial problems with the manager."

This is issued by the Saskatoon Branch of the Bank. The correspondent who sends us the cutting suggests that it is the "first indication of the coming co-operative commonwealth." It is, of course, consistent with a more considerate banking policy in regard to agriculture; and we hope that our correspondent's interpretation turns out to be correct. All the same, the risk of the farmers being killed by kindness does not seem high. The insurance premium against having their wheat laid by a tempest of overdrafts ought to be pretty cheap even now.

The *Wall Street Journal*, of September 16, quotes the following passages from a "well-informed" English correspondent's "personal letter":—

- " Regarding the war debts: The 'Uncle Shylock' incidents were deplorable. Marlowe, the editor, and Caird, the managing director, were forced to resign, and Rothermere himself wrote a personal letter repudiating any knowledge of the attack until after it had started.
- " French opinion is not at all pro-British, and in England there is a strong feeling to-day against France. . . . The natural tendency to-day in Europe is for Germany, Great Britain and Italy to group themselves against the present Continental bloc which France is trying to form as a means of securing to her the present domination she has in European affairs. . . . Germany, as an ally with the huge fleet of aeroplanes you mention, would be very useful to us: that she will be against us is not feasible."

Sir Rowland Blades's visit to Italy lends support to this English observer's view, for he is essentially the Ambassador of the City of London. When one sees the British State, in the person of Sir Austen

Chamberlain, and the financiers of the State in the person of the Lord Mayor, both visiting Rome, one may reasonably infer that definite political conversations on policy are in the wind. Again, if Berlin is to protect London from aeroplane raids, that would account for the present apparent slackness of the Government in providing protection for London's inhabitants against enemy aircraft. The writer now looks outside Europe—

"Hoover, I think, was the first to hint at the U.S.A. going to war to guarantee her supply of raw materials, notably, rubber. Although the newspapers ridicule the possibility of England and the U.S.A. going to war, I do not altogether think that this is out of the question, but any such war would be caused entirely by the U.S.A. We should have nothing to gain and everything to lose by such a war, and we should concede everything except our national freedom and honour to avoid such a conflict. Nevertheless, if America desired it she would find a way to bring us to war, even to the extent of adopting Roosevelt tactics by fomenting a revolution in one of our West Indian possessions and then applying the Monroe Doctrine when we started to clean up! Such a thing seems feasible to me."

The writer says that in that event Britain would lose Canada, and probably her West Indian possessions, but that there would be an immense increase in Japanese power in the East. So America's naval policy would have to be to build a navy up to parity with Britain, plus Japan, for "I think," he proceeds, "there is very little question that Japan would not lose such an opportunity to come in with us."

"Our relations with Japan have always been good, and the concessions which we would be prepared to offer them for their help would be far greater than America would or could grant. Added to which the Japanese have not forgotten the American attitude to them a few years back."

The article concludes with a reminder to America that she is not a seafaring nation, and produces "only mediocre seamen." When the writer was stationed at Plymouth during the last six months of the war, he says, nearly all his spare time on American battleships there.

"The officers were fine men and some of the nicest I have ever met in my life, but there was a lack of discipline, and the cleanliness that goes with discipline, which told a sorry story compared to our own boats."

The *Investors' Chronicle* had a poster out last week (for Saturday, October 8) bearing the announcement: "U.S. Buying Canadian Banks." *The Times* prints a cable from Tokyo, dated October 3, as follows:—

"Mr. Thomas Lamont, of J. P. Morgan and Co., New York, arrived here this morning to spend a fortnight in Japan.

"His visit excites the keenest curiosity, which Mr. Lamont's own explanation, that it is made in response to an invitation from several old friends, fails to satisfy. Many suggestions are offered, one being that he has come to discuss Japan's financial and economic position privately with bankers and officials. Mr. Lamont will be received by the Emperor on Wednesday. His fortnight's programme includes visits to Osaka, Nikko, and Kyoto."

France has raised her tariff on imported American goods, and America has promptly returned the injury. *The Times* of October 6 publishes a New York cable stating that the Bank of England is considering the appointment of a special adviser in the person of Mr. Walter Stewart, of the American banking firm of Case, Pomeroy and Co., who was formerly head of the Statistical Division of the Federal Reserve Bank, Washington. If carried out, "this move" will be "in conformity with" the programme of "closer co-operation between the Bank of England and the Federal Reserve Bank of New York."

These extracts tell their own story, although a confusing story to the average onlooker. But to readers of THE NEW AGE it will only be a confused story. They know, on general grounds, the cause of the confusion—the law, as it were, of these anomalies. The political State has to administer the policy of the financial State. It has to see that capital and labour, comprehensively as producers, fulfil their obligations to the loan-financiers, and at the same time not only keep solvent as organised producers, but also live at a tolerable standard of comfort as individual consumers. The Social Credit analysis of factory accountancy in relation to bank accountancy has demonstrated the logical impossibility of the task, while the General Strike and Coal Lock-out, as well as numberless other major or minor disturbances, have practically confirmed it. There is a financial vacuum within each national State which can only be filled by tapping a similar vacuum in another. Each must strive for a favourable balance of export over import values. Each must prey upon the trade of another. The self-assumed function of the League of Nations is to regulate the exercise of the suction-power of member States, all of which are exhausted of financial credit. If only, its sponsors affected of lieve, they can combine all the national vacuum-chambers into one international chamber, the risk of implosion will be removed. But they ignore the fact that they are also combining all the national vacuum-pumps into one international pump. The monopolists of credit are organising themselves internationally faster than are the users of credit. Nobody but this journal raises the vital question: Why is it necessary for a vacuum to exist anywhere? Why is it necessary, as instances, for America to go to war to "protect" her raw materials, or for France to resist by tariffs an inflow of American goods? All these psychological impulses to resist external injury arise from an initial internal self-inflicted injury—namely, that in no country do consumers receive monetary claims commensurate with the nominal cost of their production. Yet all the missing monetary claims can be written into existence without creating any of the evils against

which the banking system claims to be safeguarding the people. It is a question of the right method of doing it: that is all; and the method is open for investigation to anyone who will give the time to study it patiently and dispassionately. The pen is indeed mightier than the sword when the refusal of a few drops of ink can plunge a world of nations into an orgy of bloodshed.

The *Daily News* uttered a just criticism when it said that the Labour Party Conference spent its time last Thursday, not in discussing how the surtax on unearned incomes was to be raised, but on how it was to be spent. Utopia has always been attainable by those who could fly over psychological chasms. "Yes, that is a lovely place," says everybody, "but I'm not going to it that way." Mr. H. B. Lees Smith, M.P., when moving the surtax resolution, said that a tax of 2s. in the £ would bring in £85,000,000 a year, while other proposals in the Labour Party's scheme would bring the amount up to £100,000,000 a year. He went on to explain that "the Labour Government will have to increase taxation to carry out its promises." Well, it is about seven years since the banks felt that they "had to" increase taxation as part of the deflation policy that they imposed to carry out their promises to America. Apart from every other consideration, is it in the least likely that they, with their supreme power of doing what they consider they "have to," can have left uncollected a £100,000,000 of money unless they had come to the conclusion that the attempt was not worth making? This spectacle of Labour busily sorting over the slag-heaps of the bankers' smelting works makes one smile. When a banker walks past a penny you can depend it's a bad one. He's seen it all right, don't you worry.

Mr. Lees Smith is an optimist. After counting his chickens as we have seen, he exclaimed—"Here is the way; it is so simple; no new machinery, no new valuations are needed, and it can be included in the first Labour Budget." Quite so. Beautifully simple; efficient tax-collectors standing to attention; radiographs of taxpayers' purses hung in the gallery of the Chancellor of the Exchequer, who has only to write down the results of his inspection in his Budget. And that's all. The only difficulty in getting money out of people is apparently to know what they have got. Whether they can spare it, or whether they think they can, does not matter. It is not surprising that Mr. Herbert Morrison professed himself "mystified" by Mr. Lees Smith, and said that he was "sick of new stunts week by week." Another critic was Mr. Ernest Bevin.

"Have your surtax, have your capital levy, but you will have to go farther. There will have to be one great national effort to get out of pawn."

This may mean everything or nothing. We record it because it is a useful reminder that taxation schemes are not only not final solutions of problems, but may create new and larger ones.

On the question of how the surtax was to be spent Mr. Oswald Mosley, M.P., had something to say. The Executive's formula was as follows:—

- Liberating resources for the abolition of taxes on necessities.
- Development of the social services.
- Reduction of debt.

Mr. Mosley, moving an I.L.P. amendment, proposed that to use any part of the surtax yield for debt redemption would mean the "crippling of the Labour Government" in pressing forward its task of social amelioration. Mr. James Maxton, M.P., supported him, criticising Mr. Snowden and Mr. Graham for writing articles giving the impression

that Labour stood for a big Sinking Fund for debt redemption. Mr. Morrison urged the impracticability of binding the next Labour Chancellor by a rigid Conference decision on this matter. So the Conference ultimately passed the original resolution, which means that the Chancellor will be bound by a rigid Treasury decision instead. Mr. Mosley and Mr. Maxton were sound in their instinct. The Surtax is a tax on individuals, not on business organisations. To the extent to which the £100,000,000 is at present being spent by these individuals for consumption purposes, the net effect of using the money to extinguish debt will be to lessen the demand for goods. To the extent to which it is being invested in useful industrial enterprises, the process will shorten their supply of capital and make them more dependent on bank-loans. So that industry, as such, gets a smack in the face on both sides. Mr. Mosley's proposition to spend the whole amount on consumption has at least the immediate merit that on balance it would probably expand demand, although at the cost of depleting the fund of privately owned investment-capital. The moral of the difficulties suggested by these considerations is that no mere transfer of credit will in the end lighten economic pressure on anybody. Neither the expansion of credit, nor its more "equitable" distribution will touch the root of the conflict. Something more must be done. There must be a radical alteration in the system of accounting credit into costs and prices. By doing this, Government can fulfil its promises to its constituents—or, better, discharge its responsibilities to them—without resorting to fresh taxation.

A resolution to nationalise the mining industry was unanimously adopted by the Conference. Mr. MacDonald once more displayed the frayed argument that this industry was a "magnificent example of the failure of private enterprise." He left a vital word out. He should have said "obstructed private enterprise." Mr. Emmanuel Shinwell got on the mark more surely when he objected to the Samuel Report and pointed out that—

"It will be impossible to provide either a partial or complete solution of the problem of reforming the mining industry, whether before or after the nationalisation, unless we are prepared to apply to it a generous measure of financial assistance."

The *Daily Chronicle's* report, from which we take this extract, says that Mr. Shinwell was "prevented by the time limit from explaining what he meant." A pity, just as he began to be interesting. But the delegates were due to vote, and debates must always give way to decisions. If you do not take the tide before the flood you cannot attain your misfortune.

The Lord Chief Justice of England has been calling attention to the increasing tendency of Parliament to permit the authority of law to be given to regulations made by Government Departments, whose decisions are therefore not open to question in a court of law. These regulations have the force of statutes. This, complains Lord Hewart, is breaking down the British rule of law whereby every citizen was equal before the law and every subject of the Crown answerable, if necessary, in the King's Courts. Commenting on this, the *Post* says:—

"Civil Servants have hitherto been able to smile at the way Parliament has allowed itself to be deluded by astute members of the hierarchy of the Departments; but now that the Service is called upon to swallow its own medicine the experience is not a happy one."

The reference is to the Trade Unions Act which, among other things, empowers the Treasury to make such rules and regulations as it considers fit to carry out the general intentions of the Act. Another instance was the suppression of elected vol-

untary Boards of Guardians by nominated salaried agents of the Ministry of Health. The tendency to Departmental government is natural, because it is convenient. The whole difficulty with legislation is not in passing it, but in administering it when passed. A "general intention" on the part of Parliament in regard to some Act or other does not obviate the necessity for its practical implementation. We have just discussed this problem in the case of Labour's proposed Surtax, which is typical of legislation generally in that it is coercive. Under the existing restrictive financial régime Parliament's enacted "intentions," being subservient thereto, are hardly ever found in the event to coincide with the electorate's intentions. Therefore, Government Departments encounter resistance against, instead of co-operation with, their administration. Such resistance will, of course, show itself in a diversity of unexpected forms, often suddenly, and at most awkward times. So the Departments are forced to seek methods of quick improvisation. As one illustration of their difficulties we can instance the old Supertax legislation. When Parliament originally "intended" the tax to be collected, it did not foresee what the Supertax-payers would do to avoid paying, and omitted to instruct the Inland Revenue officials how to circumvent their ingenuity. The result was that private partners began to leave the bulk of their profits in their business, and if they wanted to spend extra money they would draw it from their reserves as loans—loans to themselves as relatively poor individuals otherwise subject to Supertax, from themselves as an affluent business organisation not subject to the tax. The tax officials could do nothing to stop them until Mr. Churchill dealt with the "scandal" in his most recent Finance Act. Similar illustrations could be multiplied indefinitely. They all have their rise in the fact that people mostly resist the laws "they" have passed.

Now take an opposite case—or very nearly opposite. Parliament's intention, in criminal legislation, has always been to discourage murder. So has been the electorate's. The consequence is before our eyes to-day. As soon as it became known that Dick and Harry who thought he could help virtuously joined up at Scotland Yard. No need here for the Department to improvise laws to make citizens come and relate what they had seen, or offer suggestions likely to assist the permanent officials in carrying out their duties. But people will do more than that. In the Liverpool shooting affray, civilian after civilian sprang to intercept the escaping delinquent in spite of his firing at them. The moral of these two contrasting situations is plain. People will co-operate in the administration of legislation of which, *having understood its purport and realised its practical incidence*, they positively and generally approve. It is the outstanding argument for Social Credit that, when enacted by a Parliament which "intends" it to take effect, the people of this country will administer it, even more enthusiastically than will the paid administrators themselves. Meanwhile, so long as the nation lives under a policy of deprivation administered on coercive principles, the efficiency of Government cannot be maintained in any other way than by the delegation of Parliamentary prerogatives to Departments. The Lord Chief Justice's strictures are well-timed, but they will effect nothing by being canvassed simply on the plane of jurisprudence. It is not a dear ride from the Law Courts to the Bank of England. . . . Mr. Norman— ("Lord Hewart—Mr. Norman. . . Mr. Norman—Lord Hewart. You gentlemen have something to say to each other.")

## The United States and the British Empire.

By C. H. Douglas.

III.

Extract from *The Times*, October 6, 1927.

New York, October 5.—According to the local newspapers, the Bank of England is considering the appointment, as special adviser, of Mr. Walter Stewart, of the banking firm of Case, Pomeroy and Co., here, who was formerly head of the Statistical Division of the Federal Reserve Bank in Washington. It is added that the move, if carried out, would be in conformity with the programme of closer co-operation between the Bank of England and the Federal Reserve Bank of New York.—Reuter.

These articles will have failed in their objective if they do not present an outline of the causes which do, in fact, culminate in war, and some estimate of the irrelevancy of some of the arguments intended to suggest the hope of continued peace. It is suggested that the first motive which actuates nations is not dissimilar from the first motive which actuated primeval man—a desire for economic security. It is further suggested that, owing to the control of the economic system by the financial system, economic security under existing conditions involves forced exports, and forced exports must be supported by Financial Policy. Moreover, because of the advance and improvement in the technique of production, and the increasing application of power to industrial purposes, this necessity for forced exports becomes greater as the capacity for production increases, and that this capacity is probably greater in the United States than elsewhere. It is not suggested that those in control of the financial system desire war. On the contrary, war is the greatest danger with which the financial system is faced, and there is little doubt that an "imposed" World Peace is the main object of High Finance and a danger to the human race greater than any war. But it is suggested that those in control of the financial system are determined that its existing features, and, in particular, the control which it gives to banks and other financial institutions over the processes of modern civilisation, shall not be substantially modified. A reconciliation of all the foregoing premises automatically indicates a World Dictatorship as the solution.

The ultimate arbiter of human destiny is force. It is possible to qualify this statement by saying that to retain the control of preponderating force without consideration of other things of a more or less moral nature is difficult, but such qualifications do not affect the main issue. Now, the financial system seems to be paramount over the destinies of human endeavour just so long as sheer physical force cannot be brought to bear upon it and those who control it, or so long as sheer physical force can, by bribery in one form or another, be retained in its interests. We have therefore to consider what indications, if any, there are of an endeavour to unify the control of finance and the control of ultimate physical force. I think there are a number of such indications.

It is quite possible that, even yet, the control of the seas is the last word in ultimate physical force. The attack upon the British Empire prior to 1914 admittedly had its focus in Germany (whose emergence as a world power probably originated with the Frankfort Jews), and there is very little doubt that the building up of the German navy and the hardly concealed determination of forces, acting through German channels, to wrest the control of the seas from the British navy, did more to harden British opinion, and ultimately to insure the defeat of Germany, than any other single military or political factor. *Delenda est Germania*. Since the conclusion of the European War, the attack upon British sea-power has proceeded through ostensibly American channels and has been consistent and unremitting, although conducted by different and quite

probably much more effective methods, and New York has contemporaneously become the arbiter of world financial policy mainly through the same financial houses as in Frankfort. The trade depression which has been imposed upon Great Britain itself, together with the onerous terms of the Anglo-American debt settlement, have rendered economy in expenditure for naval purposes imperative. Side by side with this, a steady demand for disarmament, the practical outcome of which has been a reduction of British naval strength, has culminated in an open declaration that the U.S. intends to have a Navy second to none irrespective of the existence or otherwise of strategic necessity. In a recent issue of an American periodical of wide circulation it was naively admitted that the naval disarmament conferences "were an attempt on the part of the United States to share in the naval supremacy of Great Britain."

It is a matter of common knowledge that unrest in Ireland has been financed very largely from the United States, and it has been suggested that the inability to obtain stable and peaceable conditions in Ireland even subsequent to the granting of domestic autonomy far in excess of that claimed by the original Home Rulers, has been due to the retention by Great Britain of certain naval bases which are imperative to the security of the British Isles. Irish financial affairs have been dealt with by a commission presided over by an American, Mr. Parker Willis. A water power scheme of immense potential value for the production of munitions of war has been hurried forward in the Irish Free State, and the contracts for it let to a German firm, while the Severn Barrage scheme, which on ordinary business principles, and taken in consideration with the unemployment in this country, offers considerably greater commercial justification, has not been proceeded with. In another place I have commented upon the attempt to render the power supply of Great Britain much more vulnerable by its concentration and situation upon the sea coast.

Control of Canadian affairs from Washington, both overt and covert, has increased since 1918 to an extent which is probably not realised in this country. In 1919 I was informed in Washington that the next Prime Minister in Ottawa would be Mr. Mackenzie King. In 1923, on casually remarking on this in Ottawa, I was met with the surprised reply, "Well, we certainly could not have told you that in Ottawa." During the great Winnipeg strike, members of the Wall Street and Pine Street financial groups were in constant and personal communication with Ottawa, and certainly took a very much more lively interest in it than was taken, for instance, in London.

A reference to the advertising pages of any American periodical will enable the interested to notice that the price of the article advertised is almost invariably followed by the remark "price higher in Canada," and there is constant agitation, in which Canadian manufacturers do not share, against the existence of any tariff between Canada and the United States. Without entering into the troubled waters of fiscal discussion, it must be quite obvious that no native industry in a country of ten million inhabitants could stand against the immense weight of competition which could be brought to bear upon it by a country of one hundred and ten million inhabitants lying at its door, if unprotected by a tariff of some description.

During the past ten years in particular, the United States has developed what can only be described as a world publicity campaign on a scale which has no precedent. Every modern device capable of being used to this end has been employed. The American magazine, American films, broadcasting, and American plays, have reached the ends of the earth,

and, unquestionably, have not done this entirely on their intrinsic merits, although in many respects these merits are unquestionable. They have achieved their rapid success by systematic financing, more particularly from Jewish sources. In general, where the Englishman appears in either the American film, magazine story, or on the American stage, he appears as a cross between a congenital idiot and a decadent crook, and it is common knowledge that the political effect of American films, in particular in the East, has been seriously damaging to British prestige, and incidentally the prestige of the white race in general.

The American Navy has made parades of strength in Australia and New Zealand ports, not, however, always with the happiest results.

In order to assess the importance of these and other indications of world policy, directed against the British Empire and Great Britain in particular, it is necessary to step outside the bounds of what is commonly called patriotism and to consider what is the ultimate meaning of such a policy in the first place, and, secondly, whether such a policy, if in itself a good one (i.e., in the general interest) seems to be in the right hands in regard to its executive aspect. I think it is very probable that these two questions are in reality only one. That is to say, that in matters of this magnitude it is in the nature of things that a policy and those pursuing it are fundamentally sympathetic and can, in fact, not properly be considered apart.

The policy is easy enough to define; it is a policy of world hegemony, and it does not differ in any way, other than the technique of its pursuit, from that responsible for the downfall of Germany. It is interesting and it is probably not unimportant to notice that the post-war period has been signalised in the United States by the emergence of a type of individual bearing many resemblances to the Prussian of pre-war days. The Prussian was no more truly representative of the pre-war German than his American prototype is of the general population of America, but it was the Prussian who typified the German in the outside world, just as it is the arrogant and self-satisfied American who is in Europe rapidly coming to typify the United States.

This policy of world hegemony carries with it certain fundamental corollaries. It involves the setting up of an ultimate and omnipotent centralised authority. It involves the abolition, in everything but name, of the sovereign geographical State. It is, to put it quite shortly, the apotheosis of Jehovah upon earth.

Now it is quite obvious that the scheme of Nationality, if it may be so called, can be very easily made to appear to be the cause of many ills which afflict humanity, such as war, and there has been for hundreds of years a steady campaign for the abolition of State barriers in favour of internationalism—a campaign which in recent times has come to be associated with Socialism, which is one reason to suspect Socialism. It does not seem to penetrate the minds of the advocates of this sort of internationalism that there is no difference, except in degree, between the abolition of national personality and the abolition of individual personality. There is no reason which can be expressed logically which will justify you from making any difference in treatment between Mr. James Robinson and Mr. John Smith if you refuse to recognise any difference between Great Britain and, let us say, France. This is, of course, the common cant of internationalism—that there is no difference between M. Jacques Bonhomme and Mr. John Bull or any of their other national equivalents. Still less is there any difference between Mr. Robinson or Mr. Smith. It is exactly from there that the whole tremendous fallacy starts. Not only is there a difference between Mr. Smith and Mr. Robinson, but the

whole tendency of human development is the accentuation of this difference and ultimately to make Mr. Smith or Mr. Robinson an unique creation, and therefore indispensable, and a law unto himself. It is not, of course, intended for one moment to suggest that humanity has progressed very far along this road; in fact it is unfortunately true that for practical purposes at the present time most Mr. John Smiths are largely indistinguishable from their next-door neighbour, Mr. Robinson, and every effort is made to keep them that way, but I think that the general trend is plainly towards differentiation. And it is no more reconcilable with the hegemonistic theory of world policy than would be the prescription of a uniform diet for the Australian aborigine and the London clubman.

So much for the policy itself. It is relevant to inquire at this stage what is the anterior motive actuating those who are engaged in promoting it? Without doubt, Fear. Fear of what? I think, fear of the discovery and overthrow of the Financial System. A World Dictatorship is the triumph of Fear. To name its antithesis might sound sentimental.

(To be continued.)

"The New York Stock Exchange has decided to open its lists for foreign shares. . . . No applications are before the Exchange at present, but 75 Corporations, mostly British, are expected shortly to take advantage of the new opening. Stock in countries not on a gold basis will not be admitted. This at present bars French, Italian and Japanese companies, while admitting British, German, Belgian, and Dutch."—*Daily News*, October 10.

"The Bank of France will now continue to buy gold, but it will do so on the basis of its understanding with the London bank, and its operations will not necessarily upset the British policies, because Governor Norman is known to desire the hardening of London open market money rates with a view to sustaining the sterling rate. The recriminations against the Bank of France which continue in the English Press are certainly not inspired by the Bank of England. That institution is now entirely assured that the French bank will do nothing that might cause it difficulties. It will, in fact, act in conjunction with the Bank of England."—*New York Times*, June 12, 1927.

"The recent conferences of leaders of the central banks of England, France, Germany, and the United States held in this country have not resulted in any specific outlining of programme for future activities, according to leading banking opinion. However, it is felt that the conferences may have far-reaching effects on the developments of international trade and finance. It appears that a very definite understanding was reached, that co-operation among the various nations in attacking such problems as gold distribution and discount rates would be helpful. It is felt the banking and Government circles that the results of the recent conferences could not have been reached if the meetings had been given publicity. In all probability there will be more meetings of the bankers in the future."—*Barron's Weekly*, July 18, 1927.

"Why does the great employer desire the control of immense working capital? What he wants is power. It is the one reward which our democracy can offer. The man who can dictate the use of the immense cash surplus of the United States Steel Corporation, and the conduct of that great concern, wields a power which kings might well envy."—*Wall Street Journal*.

"Informally the Federal Reserve Bank frequently has bought sterling bills in New York and London to aid the Bank of England in keeping up sterling credit accounts. The Bank of England has opened up numerous credit accounts for smaller European issue banks towards which it is friendly disposed. They have now just agreed on a \$20,000,000 credit to the Bank of England. . . . Mr. Strong and Mr. Norman have used their individual and joint persuasion on both France and Italy to stabilise at once, rather than prolong inflation and deflation. Early this year issue bank heads held a conference, about which nothing was published, at Calais, with a view to inducing France to return to the straight and narrow path."—*Wall Street Journal*, July 20, 1927.

## Current Political Economy.

Although "no specific examination of the action of stimulus" in economic life, "abstracted from its particular manifestations," has been made, Sir Josiah Stamp does not profess to be able within the limits of the Rede Lecture for 1927\* to make it. He "can merely tinkle a bell to call the wits together." In the interests of greater exactness in thought and in the use of terms on which thought depends, the first part of Sir Josiah's lecture is a worthy addition to that lucidity of expression with which students of his other works are gratefully familiar. Following this inquiry into the implications of the terms comes a series of facts and conclusions summarising what is known of the after-effects of stimulants—which Sir Josiah does not distinguish from stimuli—in fields other than economic, in, for example, agriculture, physiology, and psychology. In the only section of the lecture which is of political importance, namely, the last, Sir Josiah, in addition to being far from clear, is so inconclusive that he cannot be said to have done more than open the subject.

The first thing to be done is to give a shape to the term *stimulus*. If, to take Sir Josiah's illustration, a goat tethered in a field by a twenty-foot rope can obtain complete satisfaction within its area of mobility one does not stimulate it by replacing the twenty-foot by a forty-foot rope. To stimulate the goat one must increase its incentive, whereas in conditions given incentive remains the same, that is, to obtain complete satisfaction. Only the scope of the goat is increased. A fertiliser, therefore, is a stimulant to the earth, and not of necessity an increaser of scope; the fertiliser may be administered to excess, and thus, while rendering the piece of ground highly productive this year, exhaust it to so high a degree as to prove in the end uneconomical.

The goal at which Sir Josiah is aiming is already visible in the distance.

"It is now well-known that inflation is an important stimulus to business enterprise, because the equilibrium of division of the product is temporarily deranged in favour of the business owner, especially if he is working on loan-capital."

Deploping the fact that the communal disaster wrought by a falling price-level is still too little understood, and recognising that inflation is a stimulant that has to be administered in increasing doses to produce its effect, Sir Josiah concludes that some control of the price-level through monetary policy is necessary. It may further be safely inferred that his choice among policies is for some method of stabilisation. The goat, shall we say, must not have an elastic rope.

"This, moreover, is quite a different policy from that advocated by those who would continually create purchasing power, and in advance of production, as an artificial hire which could be indefinitely repeated without disadvantageous reaction."

The policy advocated by this journal is certainly not accurately summarised in the foregoing quotation, so that we are certainly not of "those." We are nevertheless hopeful that "those" may be Sir Josiah's tactful effort to refer to us without being indelicate. It seems necessary, therefore, that a few main lines should be indicated on the questions which Sir Josiah has placed himself by using *stimulus* and *stimulant* indiscriminately becomes evident. A stimulant may or may not be necessary; a stimulus is necessary, and it must be adequate. Sir Josiah Stamp assumed in his reference to "the

\* "On Stimulus in Economic Life." By Sir Josiah Stamp. (Cambridge University Press. 3s.)

equilibrium of the division of the product of industry" that the present price-system does effectively—if not justly—succeed in distributing the product of industry. Quite apart from the work of this journal economists whose publications show little sign of perplexing novelty beyond their analyses of the price-system have seriously questioned whether it should be so readily taken for granted that the product can be distributed so long as the principle of recovering total cost in price is rigidly maintained. An economist of Sir Josiah Stamp's standing ought scarcely to write nowadays as though he were unaware of this spreading challenge to the fundamental basis of the existing system of price-calculation. We in our turn deplore that this aspect of credit and price-fixing is as yet so little understood.

It is in defiance of this that stabilisation is proposed. Hence stimulus and stimulant appear to the advocate of stabilisation synonymous, whereas in fact the stimulant of inflation is the antithesis of the narcotic of deflation, whose administration for seven years has resulted in seven years of famine. The object of those who would, in certain circumstances, issue purchasing-power in advance of production, is to accommodate the stimulus of production to the scope. They might not even shrink from giving a stimulant as an antidote to a paralysing narcotic; but having done so, they would not suppose the problem entirely solved. The whole accumulated capital of production whose cost is regularly included in the price of the product cannot be paid for by consumers out of the immediate costs distributed; the consumer has no equivalent additional fund out of which to meet that capital cost; and unless his purchasing power is re-inforced, therefore, to the appropriate extent, the goods cannot be sold to him. Consumers are asked when buying the flour to pay for the mill, but without the creation of a special fund out of which to do so, their purchasing power is simply insufficient. True, these facts concern only a flowing money system where credit is rhythmically breathed out and in, but that, although it puffs and blows so inefficiently, is the sort of money system we have to deal with in practice.

Translated into familiar terminology, the scope of production is productive capacity, and the stimulus is demand. Under the present method of including all overheads—that is, the nominal cost of the plant before wages, salaries, and dividends begin to be issued—it is inconceivable that demand can equate to production whether production be expanded or contracted. In the wheel representing demand there is a broken cog, which causes slipping and even a stoppage. Granted that a rising-price level is a stimulant (not a stimulus) to production, stabilisation as a policy of monetary control is a system of administering stimulants and narcotics in alternate series, without reference to scope. Whenever prices threatened to rise, credit would have to be contracted, and the resultant contraction of incomes would act as a narcotic. Whenever prices threatened to fall, an expansion of credit would have to encourage the production of the goods not in demand; that would be a stimulant.

N.

"What is the explanation of the money puzzle to which Sir Josiah Stamp has drawn attention. The puzzle is this: Great Britain's commercial and financial relations with other countries do not at present indicate a surplus due to us from abroad. Yet the figures of the London Money Market's transactions show that we are lending to countries overseas about £100,000,000 a year. Where is the money we lend coming from? Sir Josiah said: 'The live key to the deadlock seems to be a financial one.'"—The City Editor of the *Daily News*, October 8.

## Drama.

Paul I. (Merejkovsky). Court.

Sloane Productions, Ltd., promise an international season at the Court Theatre, and thus redeem London from the shame of thinking never what Huddersfield thought yesterday. The programme does not announce the works that are to follow Paul I.; it is hardly necessary that it should, since this play itself proves that the spirit of artistic adventure has been re-born. Should anyone consider this insufficient demonstration, the re-appearance of the name of Komisarjevsky as producer will clinch the matter. The play is not a series of cameos, or "poses in motion," such as have nowadays come to be regarded in this country as historical drama. Although its action stretches over only the last two months of the life of Paul I., and records the events of that period with almost the objectivity of a gazette, it strikes a proportion among the components of the State—the Czar and his family, the military governor, the army, and the people—that makes it an artistic and dramatic whole.

The play has dramatic quality, however, which cannot be mentioned apart from the objectivity of its events. While everything is enacted and nothing explained, the piece reveals the universal rhythm between high and low, greatness and meanness, sanity and insanity, in so many ways that one hesitates to say whether the author was altogether unconscious of what he was doing. The result is that the events of the play compel the witness to ask himself the same questions as the universe itself propounds; to ask himself the meaning of monarchy, the meaning of revolt, of life itself. For the whole of politics is compressed into this play, in which, be it said, there is no taking of sides. All the participants are men and women whose humanity rather than office or function dominates their lives.

Paul I. swings between grandiosity and sentimental humility; between meting out the harshest of discipline and skulking in his bed, between sentencing half a regiment to be flogged and dispensing pardons all-round. Aware that his most trusted officers and friends are conspiring against his life, he knows that he deserves both worse and better. He wants to be emperor of all the Russias—and at the same time to retire to the blissful, unresponsible existence of a citizen and a lover. From instant to instant, therefore, he fluctuates from loving his wife and sons—and Russia, to hating everybody. He will kiss his elder son's portrait as a father—and fling it to the ground as one destined to be dethroned. The excessive rhythm of aims and moods affects his family as a whole. His heir, the Grand Duke Alexander, reading Rousseau and Voltaire, dreams in the arms of his beloved wife of the peace which rulers of Russia can enjoy no more than their subjects; and looks not forward to a new Russia, but back to the days of his grandmother. No wonder that although his father was clearly unfit to rule, Alexander could take no active step to remove him; the way to bliss leads into the past; killing the parents would be destroying the way.

There is a man at court, however, who knows what has to be done, and who is determined that it shall be done, whoever may have to be made the means. General Count Pahlen sets about removing the lunatic Czar as though he were the agent of some force more powerful than earthly institutions or emperors. In fact, there is a philosophical irony in that the saner the Czar, the less powerful he is. When

he can reason he is merely the tool of a clever man—whose cleverness arises from the singleness of his purpose, Count Pahlen practically enlists the Czar against himself by affirming, when the conspiracy must obviously come out, that he has placed himself at the head of it to keep it under control, and at the right moment to destroy it. He divides father and family, and takes hold of the army, so astutely that the plot to remove the emperor cannot fail. Pahlen is the true vehicle of the force that governs Russia; emperors and courts are simply gloves for the hands of his mind.

When the Grand Duke Alexander would choose to fill the rôle of quiescent spectator it is Pahlen who compels him to be a participant in the affair. When the officers of the army would forget their purpose in a drunken revel it is he again who moves them to their end. Not constitutions, nor watchwords such as liberty, are the spring that drives the machine, but the one determined man who knows his mind. After the assassination has been carried out, and the weeping heir would flee from his fate, it is Pahlen again who gives the matter-of-fact announcement that the Czar has died of apoplexy, and ensures that the King's Government shall go on by compelling the new Czar Alexander to show himself before the people and speak as Pahlen directs him.

The cast, of course, is numerous, but it is good all-round. There has been no laxity on the part of the producer with the small parts here. To so great a degree are the players one team, and the play of first importance, that one hesitates to draw attention to individual performances, since one can do so only at the expense of injustice to the rest. Charles Laughton's Pahlen and George Hayes's Paul, however, were of very fine quality, the latter portraying the topsy-turvy moods and personality of the emperor with mastery. The play contains only three women—Dorothy Green and Dorothy Cheston as the empress and consoler respectively of the Czar, and Lydia Sherwood as the wife of Alexander. All three had the great merit of not in the least blurring the fact that the work is a man's play, so much so that the women characters mainly serve the purpose of reflecting for the nature of the men they consort with. The characterising force of the author is concentrated on men in relation to their duties.

In the hands of Komisarjevsky the theatre is a growing institution. His sense of what the play is entitled to enables him to develop the theatre without getting entangled in the author versus producer controversies. His setting for the first act of this play—a private drawing-room in the Castle of St. Michael, 1801—adds reality to the events which take place. Some of his lighting experiments in the last act struck one as unworthy; for example, the lighting of the Czar's face when he emerged from his bedroom just before assassination. These gave the act an unnecessarily melodramatic emphasis. The production of the brief second act, necessary in the play to justify the characterisation of Pahlen, however, was magnificent. In the officers' quarters at Petersburg the new Russia is planned during interludes from drunkenness, singing and quarrelling. Each impotent revolutionary has a separate bee in his bonnet. Each is in the affair from a different motive. Atheism, liberty, good government, a constitution, not one but has its devotee. Here Komisarjevsky has action and speech going on in two or three parts of the stage at once. He strives for an effect which he realises fully. What each individual says is at times of less importance than the general impression of a ratio which isism and design are commingled in a ratio which makes the whole episode dramatically convincing as well as a beautiful stage-picture. The disorder of the meeting was ordered perfectly.

PAUL BANKS

## The Fugue of Freedom: A PRESENT-DAY PARADOX.

### II.

It is a curious fact that (relative) liberty in political discussion appears always to be counterbalanced by a corresponding grandmotherly governmental moral rigorism, and *vice versa*. So in this country, for instance, "liberty of prophesying" on matters political has hitherto been vouchsafed to every Simon Tappetit possessing the brazen face and lungs that are requisite for that fatuous diversion. The Hyde Park Forum is, of its kind, unique: heresy, treason and sedition, false doctrine, privy conspiracy and rebellion enough for any reasonable revolutionist or gutter-rat is ventilated daily therein! And one thinks of the terrible fate of Oscar Wilde, and of Vizetelly imprisoned for years for translating Zola, and of George Moore, reduced to publishing his works privately, and of the long procession of great literary artists, from Byron, Shelley, and Keats downwards, who have been treated by Anglo-Saxonism as pariahs and outcasts. In countries like Germany and France political discussion of this kind is, by comparison, severely restricted.\* But the expression of Art and Science at any rate is free, and great writers are not charged with blasphemy and immorality, and pushed into the felon's dock, for daring to write and publish books containing some particles of truth and wisdom concerning life and its meanings and manifestations. (It must also in fairness be remembered that there exists, in all these lands, a quantity of valuable magazines and periodicals *d'avant-garde*, wherein political matters are frankly and freely discussed by persons who are competent to deal with such matters.) However, we may leave it to the casuists to determine whether—if censorship of any kind be necessary—it may not in the long run be wiser to muzzle Folly rather than Genius.

Our American Brethren-in-Democracy seem to have got themselves into a sad pickle as regards this question of Freedom; for the statue of Liberty, overlooking the harbour of New York, has become a monument to Murder. In the homeland of Big Business and Babbitt and Billy Sunday and the Ku Klux Klan and Pussyfoot, liberty's decay has reference, first and last, to the great gods Belly and Booze.

All the "liberalism" of the respectable American to-day confines itself to making alcohol the first necessity of a gentleman, and broadmindedness the first requisite of a lady. What does it matter that a brace of Dago Tolstoyans are, after six years' torture, electrocuted in Massachusetts under circumstances that must make Torquemada gnash his teeth in Hell with envy?† Or that the aged saints of orthodoxy, lavishly financed by manufacturers who forget the practices of their middle age in the theology of their infancy, are everywhere introducing Bills for the outlawing of biology, and the refutation of Darwinism by legislation? What does it matter that freedom to think is lost, if freedom to drink is found? *Primum est bibere: deinde philosophari.*

\* Here is an instance from post-war, Social-Democratic, Republican Germany. In 1925, a butcher-boy at Erfurt was imprisoned and fined for "insulting" the new-fangled Republic Tricolour ("Reichsbanner") by speaking of its colours as "Black, Red and Mustard" instead of "Gold"! The case was reported in the *Saalfelder Kreisblatt* for March 22 of that year. Incredible as it may seem, numbers of people were prosecuted all over Germany for this "crime."

† All who are in doubt as to the true issues involved in this famous (or infamous) judicial murder should read "The Case of Sacco and Vanzetti," by Professor Felix Frankfurter (pub.: Little, Brown and Co., New York). Professor Frankfurter is a skilled lawyer, at one time associated with the U.S. Government, and now at Harvard University.

Perhaps they are right. Civilisation without wine is impossible. . . .

Civilisation without restraint is also impossible. But there can be no restraint where there is no liberty. It is not law that takes our freedom from us; it is the innocuous desuetude of our minds. Standardised education, and the increasing power of mass-suggestion in an increasing mass, rob us of personality and character and independent thought: as crowds grow, individuals disappear. Ease of communication facilitates imitation. Rapidly we all become alike; visibly we joy in becoming as much as possible alike—in our dress, our manners, and our morals; in the interior decoration of our homes, our hotels, and our minds.

And our rebellion—our moral freedom? Perhaps that, too, is a form of imitation.

SAMUEL F. DARWIN FOX.

## Balkan Excursions.

By Wilfrid Hindle.

### III.—GOING EAST.

As far as Zagreb we were still in the Alps, Colour and movement everywhere, with only a blazing sun to lend a sting to the thought of travelling east. Then from Zagreb to Belgrade stretched a vast, unending plain. Mile after mile of hot and dusty fields; fertile, indeed—they supplied the Austrian army during the war—but about as interesting as a voyage in mid-Atlantic. Even the stations seemed to have been planted there solely to relieve the monotony. There were no smiling villages near, as in Slovenia. Only an occasional ox-cart or Ford car waiting outside; more rarely a house of dirty white in the distance. There were peasants in the fields, as drably clothed as their surroundings. Life seemed dead. As we left Vinkovci a man in uniform got into the train. From the revolver set at his hip I judged him to be a policeman. I had heard of the Serbian police. Under Pashitch they had a reputation almost equalling that of the Fascisti. Rumour said there had been changes since. This man, at any rate, seemed friendly. He addressed me in fluent Serbian. I countered smilingly in less fluent Russian. A shade of exasperation in his voice, he replied again in Serbian. Our fruitless badinage might have continued, had it not been for a man beside me who, sensing my difficulty, endeavoured to explain to me in German. That was the fifteenth time that day I had been addressed in German. I had no dislike of Germans, but I was an Englishman, and said so, with some heat, in French. There arose a babel of conflicting tongues, which made me feel that I was once more in the Dôme. Through it all I distinguished but one word: *passé*. Eager hands snatched it from me, and with a parting smile the policeman was gone. I half rose to dash after him. But the *genius loci* had long since caught me, and with a muttered "nichevo" I sank back into my seat. My German interpreter with tempting to soothe my remnant of anxiety with sweet words about the Commissariat of Police, I decided to sleep.

I was awakened by a stir in the carriage. The train was going over a bridge, and looking out of the window I saw below me the broad Sava, alive with boats of every kind, from primitive Arab-looking punts to white-painted paddle-steamers. On the farther side white houses rose from the waterside to the topmost point of the cathedral, justifying the name of Belgrade—the White City. There was none of the orderly array of some Italian towns. Hovel and palace were jumbled together in a way which seemed not of the West. On the left bank of the

Sava lay men of a wonderful mahogany brown, taking full advantage of the semi-tropical sun. The station, but for the carriages of the Compagnie des Wagons-Lits, and the long trains labelled "Stamboul," "Sofia," "Bucuresti," might have been that of a provincial town. Outside was a wide open square, cobbled streets leading out of it. In a row stood two or three Fords, a peasant's cart, and an old horse carriage such as I had never thought to see again. But the driver looked no more trustworthy than his carriage. Sadly I chose a Ford. The driver understood no Russian, but (with pride) he spoke German. Silently cursing, I vowed to buy myself horn-rimmed spectacles. I got out pencil and paper, and wrote in bad Cyrillic. Did he know that place I asked, showing him. He lied fluently. "Of course. Who in Belgrade does not know Zeleni Venac?" He must have lied. How else could he, with his open, childlike face, have taken me on such a tour of Belgrade? As a driver he was unequivocally good. There are pot-holes in every street in Belgrade; and as we went along most of the streets I spent half the time flying into the air. But not once did he make me feel in danger. Now and again he would stop to inquire the way—or maybe just to pass the time of day. I could not tell which, and cared little, being content to look at the strange life around me. When his conscience had allowed him to run up a two-figure bill, we stopped at my destination, a five-minute walk from the station. Too limp and shaken to argue, but puzzled over the supposed advantages of a high exchange, I paid him silently. He went away with a happy smile on his child-like face, which inexplicably made me think of the young lady of Niger, who smiled as she rode on a tiger.

## Chatelaines and Cooks.

By "Old and Crusted."

"We are reasoning animals. We can form syllogisms, as thus:—

Nothing is better than a virtuous life;  
Bread and cheese is better than nothing;

*Argal*: Bread and cheese is better than a virtuous life.  
Reason is the special gift of mankind. Even women do not reason, and it is on this account that both the higher and lower instincts are usually stronger in women than in men.

"If I were a millionaire I would endow a Ladies' College, to be conducted on a principle entirely new. Girls should be taught English literature and English cookery; they should be introduced to Shakespeare and the undercut of the sirloin."  
—(Mortimer Collins. *Pen Sketches by a Vanished Hand*. circa 1870.)

When a man has married a wife, he finds out whether Her knees and elbows are only glewed together.  
—(Blake. *Fragments*.)

Amongst the numerous readjustments rendered inevitable by the shrinkage in the provision of "work," due to the distribution of profits on founders' shares in the "Consumers Cultural Heritage Disbursement Corporation, Unlimited," not the least important will be the revision of our educational curricula—especially in girls' schools—that is if the shareholders are to make the best use of their steadily improving incomes. I repeat—especially girls—because, without the fostering call and benevolent discipline of the "angel in the house," man's life is but a grubby business, and the possession of a little superfluous cash merely an excuse for getting into trouble.

It would, indeed, be the crowning calamity if the dawn of the Age of Plenty found our chatelaines and maidens all unprepared. There are, alas, signs that they do not realise the importance of the part they will be called upon to play in the new dispensation. How will they manage the increased purchasing power at their disposal, and deal with a scarcity of cooks that may be even more pronounced

than it is to-day? At present the pick of the women are greater adepts at making sixpence do the work of a shilling, than in giving a "fiver" a chance of showing what it can do. They either waste it or save it, and which is the greater evil is a matter of opinion. As for cooking—well, the outlook is disturbing, to say the least of it.

Now these vaticinations are the outcome of experiences common to thousands of middle-class *ménages* between Cape Wrath and the Lizard.

Finding it impossible to secure the services of a cook with any pretences to the name, at a figure that would not play havoc with the family finance, "Herself" decided to resort once more to the expedient of training a village maiden for the post—and with the usual result. The lure of the great city proves too much for these little lassies, so one after another they depart, "to better themselves," leaving behind a trail of broken crockery, burnt pans, and a certain rise in the domestic temperature not conducive to harmony amongst the rest of the staff. The latest experiment, a cheery sloe-eyed damsel of fifteen, and a most promising pupil, lasted exactly a month, when she passed on to a sphere of greater utility after handing in the following document:—

Dear Mrs. —,

Having secured for Gladys Iris another situation involving larger wages and more facilities, I shall be greatly obliged if you will kindly accept this as a formal notice for Gladys Iris to leave your employ a week hence, Thursday inclusive, and to accept also my sincere apologies for taking her away from you after so short a stay.

I am sure you will not stand in the way of Gladys Iris's advancement, and, in so thinking, I will deem it a great favour if you can furnish Gladys Iris with any reference which you might think would be of future benefit to her.

I beg to remain, yours sincerely,  
Mrs. E. L.—

Since the receipt of this convincing proof of the high standard of education attained in rural districts, the office of cook has been in commission; it is now an *ad hoc* body with power to add; and any stray visitor who can toss an omelet is promptly co-opted, willy-nilly.

So much for the daughters of the sons of toil. Now for the polished corners of the bourgeois temple.

One memorable day this summer my household launched a massed attack (they called it going for a picnic) on a well-known public school, where the youngest member of my family, along with some three hundred other potential mothers and chatelaines, are being prepared at considerable expense for the station in life wherein it may please Providence to place them. Most of them, by the way, have very decided views on this question of station, and are quite prepared to relieve Providence of all responsibility in the matter.

As is usually the case, this school has a "domestic side" which provides instruction in cookery along with the impartation of information regarding food values, vitamins, etc.; but it does not appear that devotion to this branch of learning is enthusiastically encouraged. According to one "pert Miss," "only the stupid ones take up cooking," the brighter spirits being reserved for higher things. It is to be assumed, however, that some of the dullards go on to Domestic Science Colleges, which would account for the appearance of advertisements such as this:—

"Lady cook-housekeeper, trained, experienced catering, and buying, able to supervise charwomen and teach plain cooking; minimum salary, £160; higher to woman holding B.Sc. degree in household and social science."

Posts of this type, we are told, "may be attained



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### The Social Credit Movement.

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

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

The adoption of this scheme would result in an unprecedented improvement in the standard of living of the population by the absorption at home of the present unsaleable output, and would, therefore, eliminate the dangerous struggle for foreign markets. Unlike other suggested remedies, these proposals do not call for financial sacrifice on the part of any section of the community, while, on the other hand, they widen the scope for individual enterprise.

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