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NOTES OF THE WEEK.

The weekly publication issued by the Anti-Socialist and Anti-Communist Union deals with "Labour and the Banks" in its number of September 28. It quotes from *The Times* of September 21:—

"The most formidable objection to Government control of the central bank is that it may be used as in the past to inflate the currency in order to cover a Budget deficit."

The Chancellor of the Exchequer is a central buying agent, acting on behalf of consumers. The taxes he collects from them are the prices he has to pay to producers. A Budget deficit means that he has charged less money than he has paid. He has re-sold goods and services to consumers at less than they cost. According to *The Times*, he could cover the deficit by inflating the currency. That means that he could let the consumers off paying the difference. The asserted "formidable objection" to this procedure cannot be a popular objection. All the world loves a discount. The objection must therefore be an expert's objection, and should be sustained on technical grounds. Neither *The Times* on this occasion, nor any newspaper on any other, states these grounds. If there is a sound reason why taxes must cover all Budget expenditure, it will be found to be also a reason why personal incomes must cover all industrial prices. For instance, if a community is drawing £100 a week in wages, salaries, and dividends, and the price of the nation's output of assimilable products and services totals also £100 a week, then the Budget can be made to balance at any figure from zero up to £100 a week according to the proportions between individual and Government purchases. But if *Price* is £120 a week and *Incomes* £80 a week, the balancing of Exchequer accounts must unbalance industrial accounts. In that case you can only have a solvent Government by having an insolvent industry. That is what is happening now; and the only escape from the dilemma is through the adoption of a financial

technique designed to enable the population to pay the price of all production as and when it enters the consumer-market.

Mr. Churchill's flying visit to Paris last week evoked a great deal of speculation in the London Press. The general reason is that representatives of the Allied Powers are going to tackle the problem of German reparations, and the first thing to be done is, of course, to see that the selected representatives are experts—that is to say, bankers or bankers' agents. America, having arrived at debt-settlements with the Allies severally, has no formal concern with their collective task of getting Germany to back the bill and help them to pay. At the same time, financial science has no political frontiers, and since Mr. Pierpont Morgan happened to be in Paris when Mr. Churchill got there, nothing was more natural than that he should privately consult with this great banker at the British Embassy. What they said is a secret, but the reason why they met can be inferred from the history of the reparation negotiations since 1918. This history is summarised in the *Monthly Review* of the Midland Bank for September-October, 1928. We will survey the summary.

In 1918 Germany was expected to pay the whole cost of the war. Under the Versailles Treaty, Germany was debited only with the damage done to persons and property as a result of the war. In May, 1921 the Reparation Commission arrived at a figure for the first time, namely 132,000 millions of gold marks. In April, 1924 the Dawes Committee laid down, for the first time, a schedule of payments. The schedule provided for Germany to pay annuities rising to a standard annuity of 2,500 million marks. But the Dawes Committee did not prescribe the number of annuities, that is to say, it did not concern itself with the question of how much should be paid in the aggregate. It did not even indicate how much of the annuities should be regarded as reparations proper, and how much as interest on the reparation debt. Consequently the decision of May, 1921, still

stands as representing the nominal amount of Germany's liability. The present task of the Allies is to produce a scheme to synthesize the findings of the Treaty-makers, the Reparations Commission, and the Dawes Commission.

At the time of the Versailles Treaty the Allies had charged the Reparation Commission with the duty of drawing up a schedule of payments designed to liquidate the entire reparation debt (whatever it might be estimated at) within thirty years from 1921. But since that time the Allies have arranged to pay their own debts to America over periods of more than sixty years. Supposing that they decide to make Germany pay sixty annuities of 2,500 million marks, amounting to 150,000 millions, this would cover Germany's total capital liability with a relatively small balance for interest. Therefore, the Allies must either double the time given to Germany to sixty years or more or else double the amount of the annuities. To do the first means amending certain clauses in the Versailles Treaty—which risks throwing the whole Treaty into the melting pot. To do the second means repudiating the Dawes Pact—which risks incurring reprisals from the high-financial powers that control European economics. Of the two sets of risks the Allies collectively would prefer the first—all of them, that is, except France. France stands out defiantly for the inviolability of the Versailles Treaty and says "Dawes be damned."

All the same, supposing that Mr. Churchill has succeeded in getting France to agree to terms for the modification of the Treaty time-clause, and that the new time is sixty years; then France, Britain, Italy and Belgium together will receive £7,500 millions, against which they will pay America £4,000 millions under their various debt settlements. But Britain will not share in the surplus. She declared in the Balfour Note of 1922 that she wanted reparations and debt repayments only to the amount that she had to pay America. Any surplus will be shared by the other three countries. The writer in the Midland Bank's *Review* has calculated the present value (sixty years at five per cent.) of the Dawes annuities as about £2,350 millions, and that of the four American debt settlements as £1,120 millions. He refers to some minor qualifying factors in reference to these figures, but says that they give an approximately true "impression" of the "arithmetical relations between the Dawes annuities and the principal debt payments."

But assuming that this new scheme goes through without political difficulties, there will arise some disturbing technical problems in its administration. The present Dawes schedules are subject to adjustment on two grounds: one of them being Germany's internal trade conditions and the other the burden imposed by the payments she may make. In regard to the first: if according to a prescribed set of indices, German prosperity increases, then the payments are to increase correspondingly. The indices to be used are statistics of population, railway traffic, consumption of coal, foreign trade, consumption of sugar, tobacco, beer and alcohol, and budget receipts and expenditure. So, assuming that during the long period of repayments Germany shows a steady recovery, the standard annuity of (2,500 million marks, but now, say) £125 millions may become more a basic minimum than the actual sum payable in any year. In that case the Allies would get more than the schedule-amount. Excluding Britain, they would make an extra monetary profit, because the Allies' debt-settlements with America are fixed, they are not subject to this modification. Britain, as has been said, has renounced participation in any profits at all.

The second ground of adjustment of reparation annuities (which will be described later) "signifies," in the words of the *Review*,

"Another attempt on the part of the originators of the—Dawes Scheme to go behind mere monetary expressions and to consider more exactly the actual burden imposed by the payments." (Our italics.)

This is imputing to these originators—to use terms now very familiar to readers of this journal—the realisation that *financial credit* is not the same thing as *real credit*. The *Review* lays it down that—

"The real burden of all these international debts, that is to say the cost in terms of goods and services which, in the long run must be supplied or rendered in order to effect the payments, varies in changes in the price level in the creditor country." (Our italics.)

That is to say these "monetary expressions" are meaningless in practice if unrelated to "price expressions." If a money claim can be met only by delivering goods, the core of the settlement is *Cost*. For the same reason the core of the world's economic problem is *Cost*—as Major Douglas emphasizes in one of his books.

The *Review* accordingly points out that:—

"Since the world is now, monetarily speaking, on a gold basis, this means that the burden of all international debts varies in weight according to changes in the value of gold, that is the world price level." (Our italics.)

That is; the "weight" of the burden is not expressed only by its monetary expression, but also by a general price level. Economic reality depends on financial relativity at work in a physical universe. You can put down the figures of Debt, and they mean nothing. You can put down the figures of Price, and they mean nothing. But once put down a figure expressing the division of Price into Debt, and this means something, because the quotient is in terms of Things—things to be made, things to be done by real people using physical energy.

The principles embodied in the above reflections can be illustrated fairly simply. Suppose that at the present time the world made only one thing, e.g., bread from home-grown wheat. There is only world-price of bread is 6d. per loaf. The price of one other price to be related to it, i.e., the price of gold. Now the gold-price is an arbitrarily fixed price of approximately £4 per ounce. But bankers have chosen this "Master-Price" and made it the pivot of the world's price-economy. They have done nothing to govern the course of other prices: on the contrary, it is their policy to leave these to be governed by what are called the laws of supply and demand. So, in our present illustration there is a gold-price fixed at £4 an ounce and a loaf-price which happens to be 6d. now, and may be anything higher or lower to-morrow. Now let us come to German reparations. The Versailles Treaty says that Germany is to pay "full reparations" in (say) thirty days. The Reparations Commission says that full reparations are represented by the money figure of (say) £240. The Dawes Commission says (say) the daily instalment to be paid by Germany is £4. On the other side of the account, the Allies have to pay debts to America amounting to (say) £120 in sixty days. Lastly, the Midland Bank's *Review* points out that all the daily instalments of both reparations received and debts paid have to be paid sooner or later in loaves.

Now, if the world-price of the loaf could be depended on to remain at 6d. for (say) sixty days, it is a matter of simple calculation to show that Germany has to deliver to the Allies 9,600 loaves, and they to America 4,800 loaves. But supposing some huge harvests drive the price of the loaf down to 3d., Germany will have to deliver 19,200 loaves and the

Allies 9,600 loaves. Or supposing bad harvests to double the world-price to 1s., Germany will deliver 4,800 loaves and the Allies 2,400. (We are assuming, it will be seen, that Germany's obligations are spread over sixty days and not the Versailles Treaty term of thirty days: hence the instalment of any one day would be one-sixtieth of any of the above numbers of loaves.)

The *Review* speaks of the value of gold in connection with price-fluctuations. This value has nothing to do with the price of gold; but refers to the loaf-buying power of one ounce of gold. With the loaf at 6d., an ounce of gold could buy 160 loaves; at 3d., 320 loaves; at 1s., 80 loaves. This explains the following passage from the *Review*:—

"If the value of gold goes up, or, in other words, if the general world level of commodity prices falls, then the burden of debt payments fixed in terms of money becomes heavier. If commodity prices rise debt burdens are correspondingly lightened."

We come now to the "second ground of adjustment" prescribed by the Dawes Commission. In terms of our illustration it is this: if the world-price of the loaf falls in any day, Germany's scheduled money-payment for that day will be scaled down correspondingly—and vice versa. If the loaf falls to 3d. Germany pays, not the scheduled £4, but £2 on that day. If it rises to 1s. Germany pays £8. Thus the Commissioners' policy is to stabilize the rate of Germany's deliveries at about 160 loaves a day, and not to exact any particular sum of money. This is a realist, and therefore wise, way of dealing with the problem. It has regard for the fact that whatever the moral obligation of the German Government to "pay money" may be, the German people have a physical obligation to keep alive on the retained portion of their loaf-production. Germany's own consumption requirements on a certain scale are rightly seen to be an inevitable first charge on potential reparations, if there are ever to be any actual reparations at all.

In this relation it is important to note the fact that there has been no similar adjustment allowed for in America's debt-settlements with the Allies. Whichever way the world-price goes the debt-instalments agreed to will remain fixed. Hence the Allies are committed to a gamble in respect of the "real burden" of their debts, while Germany is not. It becomes an important practical question, therefore, to decide in what direction prices will move. On this point the *Review* is illuminating.

"The future in this respect is impossible to foresee. Most authorities, however, anticipating a relative scarcity of gold, consider a fall in the price level over a prolonged period to be more likely than a rise. If this opinion is borne out and a pronounced decline does in fact take place, then reparation receipts will be scaled down in terms of money, while the debt payments will be unaffected. Thus the monetary margin between reparation receipts and debt payments will be narrowed. At the same time, the real burden of debt payments will become heavier, while that of reparation payments will be unchanged. Accordingly, in such conditions the allied debtors are likely to suffer substantial loss; the United States will enjoy a gain; and Germany's position will be substantially unaffected, except to the extent that the adjustments in the schedule of payments lag behind the ten per cent. movement in the value of gold.

These various points indicate the complexity of the subject to be considered by the new committee of experts and show how difficult it will be to arrive at a generally

* The Midland Bank's *Review* says the same thing in bankers' jargon: "Under the Dawes plan, should the value of gold vary by ten per cent. or more compared with 1928, then both the standard annuity and any supplementary payments due to a rise in the prosperity index [i.e., on the first ground of adjustment] are subject to a corresponding adjustment."

acceptable settlement, particularly seeing that inter-allied debts are not officially to be a subject of the discussions. Even apart from all these points, however, there is the great, overshadowing practical consideration of Germany's capacity to transfer payments—a consideration which may, either shortly or eventually, enforce a reconsideration of the standard Dawes annuities, leading to a downward revision." (Our italics.)

The "most authorities" referred to are the orthodox gold-standardists. They assume that a "relative scarcity" of gold must necessarily drive down the price-level. It certainly will if they keep fixed their present ratio of loanable credit to hoarded bullion: but the necessity will not be a law of nature as they pretend but a law of their own making. Therefore, all the consequences of a low price-level enumerated in the above paragraph, if they happen, will happen because the world-confederation of Central Banks makes them happen. Some hint of the process is revealed in the concluding section of the article in the *Review*. The writer warns his public not to confuse Germany's present policy of importing gold with her capacity to fulfil her schedule payments. It is true that the Reichsbank's gold-hoard has increased by £22 millions since March 30 and is now nearly £115 millions, but a large part of the importation represents "borrowing abroad."

"Germany, like other countries . . . is building up a large, and probably superfluous, gold stock. . . All this tends to intensify the demands upon the world's supplies of monetary gold, and thus exerts unremitting pressure on the world price level."

The reference to "Germany" is misleading. Writers on finance, when referring to international high-financial transactions, should be careful to preserve the distinction between a country as such and the central bank which bears its name. The Parliament, or even the Cabinet, of a country is not responsible for the acts of its central bank. The basic principle acclaimed by every banker, and formally endorsed by the League of Nations, is that the central bank must be independent of political control. So "Germany" is not hoarding gold. That this superficially pedantic discrimination of ours is essentially vital should be seen by reference to the implications of the rest of the above quotation. It seems to suggest that the German Government is trying to drive down the price level in order to reduce reparation payments. This tends to exacerbate European animosities. The act of one central bank is the act of them all. They constitute a Government and a country of their own. If only their buildings, staffs and Governors could be transferred to a small island of their own, the absurdity of allowing them their present power of domination would be realised. There it would stand, a little speck of an island; on the one hand producing nothing but pieces of paper and exporting them for gold and food; and on the other hand ordering the world what to do with the paper. The world would doubtless find a use for it.

The writer in the *Review* escapes all but a glancing touch of the above criticism, because he is careful to emphasize, later in his article, that the import of gold into Germany is "apparently being undertaken purely on private initiative." In other words it is a transaction of bankers, not statesmen. And since transactions of this nature are inspired by international banking policy, and such policy is predominantly conditioned by American banking interests, the conclusion presents itself that Wall Street is at the bottom of the "German" gold hoarding, and intends the consequences likely to follow. And there is a reason for the intention. While Germany was being subjected to the post-war inflation of the mark a few ounces of gold would buy a German factory. America, possessing an enormous superfluity of gold,

was able to acquire German industrial property for almost nothing. To the extent to which she did so she identified herself with what we may call German interests. So to-day Europe as a whole is confronted by the circumstance that in the forthcoming financial agreements America is the Allies' creditor for debts, and their debtor for reparations. The precise extent to which "German" productive plant is in America's possession or control is not easily ascertainable. But assuming, for the sake of a clear analysis of tendencies, that America held all of it, America would deliver all the goods represented by the reparations figure, and would take delivery of those represented by the combined debt agreements of the Allies. We have already seen that the ratio of the reparations to the debts is 2 : 1. Therefore, on balance, American-controlled producers—whether acting in America or Germany—would secure a net increase of export trade equivalent to about one-half of the present amount of the reparations. To express the conclusion in the terms of our illustration, America would deliver 160 loaves a day to the Allies, and would receive eighty from them—a net American export increase of eighty loaves.

Our readers will already be guessing what is now to follow. It is entirely a matter for the Allies, if they be so willed, to make such a situation profitable to them, or, if they be not so willed, to let it become ruinous. In the first alternative, their initial task is to lead the current of their respective central-bank policies into a circuit entirely independent of America—a circuit which they might afterwards extend to cover the Continent of Europe. But at the same time they would have to alter their scheme of power-distribution. At present the effect of the orthodox scheme is just the same as if when any electrically-equipped concern received goods made by another similar concern these goods caused a mysterious leakage of power. The engineers would not waste a second in discovering the explanation. So the Allies' statesmen—whose duty it has always been to be the power-engineers of the credit-system—must investigate the economic conundrum why the receipt of goods into a country springs a leak in its credit power. The immediate cause is simple enough. The receipt of power-products from outside lessens the call on power from inside. But that is not going far enough. What is the cause of the cause? What is there in the absorption of foreign products that slackens the absorption of home products? If the home population were satiated the answer would present itself: but their needs are a multiple of the quantity of goods they are able to buy. So the explanation must be sought elsewhere, and it need not be sought far, for it is declared and demonstrated in the Social Credit analysis.

Some events of the week are symptomatic of the growing tension. Mr. Samuel Samuel, M.P., publicly attacked America at the 1912 Club in the City on October 16, accusing her of intriguing against British interests in China and accusing her of unnecessarily inflated naval ambitions. Mr. Samuel is a very rich Conservative, belongs to a banking-house bearing his name, is a magnate in the Shell Oil group, and a director of Lloyds Bank. On the same day Reuter reported that Russia had placed a £1,000,000 contract with the International General Electric Company in America, with prospects of adding another million to it. David Low's cartoon on the "killing" of the Naval Pact was published in the *New York American* in its cabled form, which was afterwards reproduced in the *Evening Standard*. The American financial world was said to be disturbed at the news of Mr. Benjamin Strong's illness, and has probably been shocked by

his death. Seeing that it was he more than any man alive who set the train of events which now threaten a conflagration in Paris, with what consequences no one can forecast, his disappearance from the scene must be viewed as a major calamity by American financial interests. So much so that they might hold the operation to which he succumbed as an illegal operation. However, he has gone; and as it is stated in an obituary that he never made a speech, never wrote an article, and never granted an interview, the markets know neither what he wanted to do nor what policy his successor will inherit. The proverb says that silence is golden: presumably that is why the priests of the gold-standard are dumb. Mr. Parker Gilbert, the administrator of reparations payments, has been making a tour of visits to the European Chancellors on matters concerning the composition of the prospective bankers' committee in Paris. Mr. Frank Hodges has been preaching Norman-Angellism in Coventry Cathedral, his text being that war in industry pays no more than military war, forgetting the deeper truth that manufacturing nations go to war for economic recuperation—to tone themselves up for a following resumption of peace, when it is the bankers' turn to recuperate. Why opposite events should stimulate the health of industry and the health of its bankers is apparently too academic a subject for Mr. Hodges to intrude into an address on "uplift." To complete this small survey, a London flour miller warns the public through a *Daily Chronicle* representative that in spite of the overflowing harvests the price of bread will not go below 8d. in a hurry. Wheat prices are already "bed rock"—presumably he means the bed of the wheat-pools. And here at home he says that the farmers "would sooner grind their grain and use it for cattle consumption than sell it at any lower figure"; and that it "would pay them to do so." He explains that the price of flour is "actually a minor factor in price," and proceeds:—

"Distribution is a far more important matter. There is no doubt that this year the world has produced more wheat than it needs, but it is old-fashioned economics to imagine that a glut of anything these days necessarily means a collapse of prices."

Although controversies are getting more intense, they show a tendency to converge on more vital issues than they did. Misconceptions still abound, but the subjects misconceived are worth making mistakes about. It is something gained that they are not now being ignored. We cannot, for instance, hear too much from our friend the flour-miller with his *plus-ça-change* doctrine that the higher the production the *samer* the price. He is the twin of the banker, who tells us that the more money he lets out the less it will buy. It is good policy for credit reformers to talk prices loudly. They live in a generation when everybody loves to solve puzzles in cross-words, and therefore ought to like solving puzzles in cross-purposes. The Production-Money-Price puzzle is a beauty. Set it. They will learn more from fogging out their own answer than you will convey by giving it to them.

"It is noticeable that following every recent minor depression the employment trend has failed to return to its former levels, even though production has rallied and even exceeded the previous levels. Fewer workers are taken back when trade picks up. In lean periods business finds a way of continuing on man-power, with the result that there is a steady flow of surplus labour into a growing stagnant pool of unemployment."—*The Commercial and Financial Chronicle*, September 22.

The M.M. Club will meet on Wednesday, November 7, at 5 p.m. Discussion at 6.15.

Social Credit in Vacuo.

AN ADDENDUM.

By W. T. Symons.

I should perhaps contribute a word in response to Major Douglas's very interesting criticism, in your issue of October 4, of the first part of my article "Social Credit in Vacuo."

The second part of the article was centred, curiously enough, in making, from Dr. Adler's psychology, almost exactly the point to which Major Douglas drew special attention from other sources; the physical basis of much that has been deemed by psycho-analysts to be entirely psychic in origin.

The possibility, however, that many illnesses imagined to be psychic can, in fact, be cured by medical means and especially by manipulative surgery, is balanced by the fact that application of the suitable medical or osteopathic treatment often fails, or leads only to the disability being replaced by another, until or unless the patient's psychic troubles are also cleared up. The interdependence seems to be general.

This needs no elaboration. But my excuse for entering again into the discussion is that I wish to clarify the issue by distinguishing between Dr. Adler's psychology and that of his contemporaries, especially Dr. Freud. It is not appropriate to quote Dr. Freud in this discussion. The Freudian basis is different from the Adlerian, in that Freud is extremely abstract whilst Adler is concrete and realistic.

It is necessary to recognise the difference between the system of psycho-synthesis called Comparative Individual Psychology and psycho-analysis of the Freudian school, for precisely the same reason that it is necessary to recognise the difference between the financial revolution proposed by Major Douglas, and the various schemes of amelioration under the financial system, associated with the numerous critics of banking practice who do not challenge the technical principle of financial policy; that all costs must be recovered in prices. The difference is radical. In Major Douglas's formula for price regulation a new method is introduced, totally dissimilar to all his contemporaries in the sphere of financial reform; and because of the new principle behind the method a quite different superstructure arises.

The new principle underlying the formula is that the *whole* of the community's powers which arise from association shall be communally and continuously enjoyed by the community equally, without any discrimination of persons whatever. All other schemes of financial reform accord still to finance the initiative and therefore the limitation. The principle of control by finance over physical realities is not altered by the modifications that are suggested by them.

The new principle discovered in psychology by Dr. Adler is, that man is a totality, conditioned by the organic, which sets the pattern of his striving. Consequently, discovery of his goal is assisted by consideration of all the physical factors—bodily position in the family, social position, etc. Psycho-analysis—the term to which Freud alone is strictly entitled—ignores the organic and finds explanation in psychic states in the most abstract sense, as Major Douglas points out. For Adler, the conscious life needs to find a true correlative expression to organic striving. When it cannot do so, neurosis ensues, i.e., conflict with the external life and society.

Treatment may fail unless physical conditions are changed. But change of physical conditions without treatment does not cure, because the man's organism is not changed, and he simply repeats his neurotic compensation in a new environment. Hence treatment is, ideally, both physical and mental.

The method is synthetic and not analytic. It rests upon a revolutionary understanding of the nature of courage and discouragement. All courage is social courage; all discouragement is shown in some kind and degree of social avoidance. The only way to overcome his discouragement seems to the neurotic to lie in removing others out of his way or bringing them down into subjection to him. The transformation of the goal into an intelligible objective reveals other people as potential co-operators instead of rivals, and reveals to the individual soul a place which cannot be usurped but can only be left vacant if it is not filled by *him*.

My theme is that the economic system, which proposes to put under every man's feet the assurance of his share in the common wealth, is doing superbly what osteopathy or medicine may in individual cases do for a human body. But that the human soul needs enlightenment as well as bodily security, and that Individual Psychology gives that enlightenment from the very basis of man as a *totality*, which every one knows himself to be.

To remove the monstrous terror imposed by economic insecurity is indeed the most pressing necessity in the outer world; but the sadistic desire to make physical life unnecessarily difficult for men is dressed up as economic law, and the same desire in the spiritual realm is dressed up as morals. Both desires need to be abandoned if the new civilisation we envisage is to be brought about and maintained.

RAILWAY FINANCE.

Startling changes, of a nature hardly realised by the public, are taking place in regard to the magnificent railway system of the country. Hope has succeeded to hope, with the return of normal conditions, expanding re-venue would restore to railway securities the cast-iron steadiness of pre-war days. All these hopes have thus far proved vain. In the five years that have elapsed since amalgamation took place, the selling price of railway stock has diminished by £167,762,000, or nearly 20 per cent. The par value of the 25,000 miles of railway controlled by the Big Four is £1,088,142,000. The market price by the time amalgamation was complete in 1923 was £887,649,000. The price to-day is £719,887,000.

The fall has been chiefly in the Ordinary and Preference shares.

In 1923 railway receipts were just under £206,000,000. Last year they were £5,000,000 less. For the first six months of this year receipts were £93,500,000. If returns for the second half of the year be estimated on the same scale, we get a drop of £19,000,000 as compared with 1923.

Railway shareholders must not be regarded as an army of rich men who can suffer loss without hardship. On the contrary, they include large numbers whose stock represents their life's savings. Innumerable organisations, like trade unions, insurance and other public companies, and philanthropic associations, hold large railway investments derived in the main from the thrift of humble people. Furthermore, trustees have always looked upon the railway as a safe deposit, embedded, as it were, in granite, for the money confided to them. The railway problem, however, stands for something much more important than private interests, enormous as these are. In war and peace the railways are a vital part of our existence. In war they are the foundations of social and business life, indispensable to our well-being in a thousand and one ways, by night and by day, from year's end to year's end. As the slump in our heavy industries is largely the cause of the decline, a recovery would naturally improve matters. The Government's derating scheme, shaped with a special eye to the difficulties of the railways, may therefore act both as a direct and indirect tonic. The matter, however, is too urgent for anything in the nature of Micawberism. The following questions demand prompt investigation and plain answers: What measure of improvement in trade would be necessary to put the railways in a sound position? Is there a reasonable expectation of such improvement? If not, where does the remedy lie? The answers are of tremendous consequence to the country generally, not least to the million workers and their millions of dependents who are contributing £2,000,000 from their wages towards the balancing of the companies' accounts.—*News of the World*.

Grimm and the Fairies.

Last week Mr. Douglas Chandler wrote, in a letter to this journal:—

"Mr. Mairet and Mr. Symons together give a more than adequate answer to Mr. John Grimm, if his contention was that psycho-analysts are, wittingly or unwittingly, playing the bankers' game."

I noted his opinion. Three days later I came across a story. It was this:—

A chauffeur recently got smashed up in a street collision. Upon physical recovery he developed psychological trouble. It was diagnosed as hysteria. He could not work at his job. So he put in a claim under the Workmen's Compensation Act. It was heard by Judge Turner at Westminster County Court on October 19. All the psycho-medico experts were there to testify against the claim. Judge Turner, after bearing patiently with a lot of their learned cackle on the nature of hysteria, thought it was time to see a horse. Interrupting one of them, Dr. J. C. Sturt, he asked:

"Would you care to have this man as a chauffeur?"

Dr. Sturt, after a pause, replied:—

"I should prefer one of different temperament. One could only satisfy oneself by employing him over a long period."

This jolted the defence somewhat. But a higher law of "compensation" came into play, and the experts reacted gallantly; until presently Dr. W. J. Adie, physician to the Hospital for Nervous Diseases, Queen Square, was delivering himself of the following:—

"Hysterical attacks are always well-timed. It is an accomplishment; a gift, not a disability. The patient, without exception, has always something to gain by the hysterical attack. It is not malingering. Hysteria is brought about by suggestion, and is curable by suggestion."

All this was instructive and impressive, but time was slipping away—besides which a law court is not a chapel of contemplation but a place of judgment. So Judge Turner led out another horse. He remarked:

"Before the accident this man was never liable to these suggestions."

That did it. Judgment for claimant: "29s. a week for total incapacity." The insurance branch of the banking system has now got to pay up.

Discussion is invited.

JOHN GRIMM.

The Screen Play.

"Verdun."

One of the most notable film events of the year is the public presentation of Léon Poirier's "Verdun" (Marble Arch Pavilion). This is the latest and easily the best of all the war films to date. It represents the real thing as closely as the censorship in most Christian countries would allow the reality of war to be shown. Most of the horror, the physical and mental agony, the corruption, the filth, the stench of warfare as waged by civilised man is not there, but the appalling futility of 1914-1918 is ever present. Futility is, indeed, the ethical keynote of Verdun. Ten million men fought, seven hundred thousand lost their lives, and over a third of the dead have to this day no recorded burial place, in order that a barbarian dynasty might make an unsuccessful bid for world domination. And to what end? The head of the dynasty is now a ridiculous

old man who poses for Press photographers while chopping wood, and the vaults of the American banks are gorged with gold. All this may appear completely irrelevant to the purpose of the critic, but in such a film the ethical reaction is of some importance. Many other war films have been nothing but interesting and well-produced essays in historical reconstruction, which gave the impression of manœuvres rather than of reality. "Verdun," apart from being a great film, is a great sermon. It is a more powerful argument for peace than all the speeches of all the pacifists; it is capable of having more effect, if shown sufficiently widely, than all the well-meaning efforts of Leagues of Nations and Disarmament Conferences. It is one of the outstanding examples of the power given to the film director to excel simultaneously as an artist and a preacher. If you have never seen a film, and have never wished to, go and see "Verdun."

"The Atonement of Gösta Berling."

There is nearly always an element of excitement in the programme of the Avenue Pavilion, since one never knows how Mr. Leslie Ogilvie's revivals will "wear." His latest, "The Atonement of Gösta Berling," is one of the classic masterpieces of the Swedish school, and is, I believe, the oldest film in point of production date to be shown at this theatre. Save for certain details, such as the burning of the Manor House, which appears somewhat crude in the light of present-day technique, this sombre adaptation of the melancholy story by Selma Lagerlöf wears extremely well. The hand of Calvin is heavy over the characters, most of whom are unduly preoccupied with their souls, or the souls of their daughters. On the face of it, the casting out in the snow of a young girl for the heinous offence of kissing a young man during private theatricals seems not only excessive punishment, but reminiscent of the crudest of Victorian melodrama. But it has here the stamp of truth; the producer has caught the moral atmosphere of the period, and he was ably assisted by an unusually excellent cast. As a work of art "Gösta Berling" is notable, but I came away with a feeling of thankfulness that I had not been born in the Sweden of a century ago.

DAVID OCKHAM.

Art Notes.

Arts and Crafts Bureau.

Nobody could accuse Mr. Joseph de Czirjek of undue modesty, considering that he marks what is apparently an accidental portrait of Princess Mary, though he calls it "Expectation" (28), at a figure of £120, and half-a-dozen others at a £100, including a shocking daub representing a hunchback playing on a broken-backed bass fiddle. If the moon were made of green cheese, this enterprising Hungarian might stand a chance of finding the right kind of mug. But it is not: and he hasn't. Yet he has a kind of *talent du trottoir*, which every now and then expands into unexpected strength and pleasing freshness. But those swans in his "Castle of German Knights" (10) were never seen except on a pavement. I like his idea of "Mountains (*sic!*) on the Seashore at Scheveningen" (17). If the picture itself were not interesting, which it is, the geography would be. And his English seems to have gone wrong again in No. 23, which he calls "Sunset on the Sea at The Hague." Doubtless his "sea" means "lake." And possibly his prices have been translated too freely from the original Magyar.

L. S.

Views and Reviews.

EQUAL INCOMES.

By Alan Porter.

Mr. Bernard Shaw has avoided all drama in his "Intelligent Woman's Guide."* He has little to say. He moves at a snail's pace. He writes in a monotone, monotonously. No doubt there was something wrong in the inception of his book. An intelligent woman would surely prefer a plain "Anybody's Guide": it is derogatory to write for her as if she were a species by herself. In any case, the book is overgrown and superficial and dull.

It is a pity. If Mr. Shaw had compressed his five hundred pages into a manifesto, had contented himself with demanding an "Equal Distribution of the National Income," he would have accomplished far more. He would have raised all the issues his present book raises. He would have pointed to the miserable inadequacy of our present system. He would have scored beautifully against the man who thinks that money can be used as a measure of individual value in the community. And he would have thrown something of a bomb among his fellow-Socialists. Such a doctrine, implacably urged, could act as a keen test of sincerity.

As soon as he departs from his remedy and engages in analysis, Mr. Shaw begins to show himself all too sadly uncritical. "The most sacred economic duty of a Government," he writes, "is to keep the value of money steady." No quotation could more thoroughly prove how little consideration he has given to economics. It is obvious that the economic duty of a Government is to enable *need* to fill itself, without hindrance, through production and distribution. Money is by no means an absolute, and a Government which tried to make it an absolute would be neglecting its whole economic function.

Consumption is the first principle, the motive power, of the economic cycle. There is no purpose in production except as a response to the demand of consumption. There is no purpose in distribution except to ease the interflow between production and consumption, "to make the products of industry available for consumption." Mr. Shaw treats money as if it should be the method of dictating how much of the country's production should be consumed; and in consequence is wholly at fault in his analysis of the provenance of money.

In short, he has never examined where his "national income" is to come from. This, again, perverts his insight into the possibilities of increasing the national income. His doctrine, naturally enough, is "more work": a doctrine which has its uses, but is out of place in an economic analysis. It is as if we met a man running hard in the wrong direction, and, to put him right, advised him to run harder. If he had subjected our economic structure to any rigorous examination, he would have seen, perhaps to his astonishment, that a vast amount of work is already wasted. He would have come to suspect that the national income could be increased with no increase of work at all. This is a very hard truth for such a Puritan as Mr. Shaw; and, no doubt, if he saw it, he would be Mr. Shaw no longer.

But the more positive side of Mr. Shaw's argument should be explored. His remedy for the evils of civilisation is, in the first place, that all services which are to the common advantage of all individuals—streets, railways, milk, bread, and all minimum necessities of life—should be provided free for everyone, by the State. To these public services should be added all those which can reasonably form, or be held to form, the basis of a bargain between citizens:

* "The Intelligent Woman's Guide to Socialism and Capitalism." By Bernard Shaw. (Constable. 15s.)

those, for example, who like music may be held to have made a bargain with those who prefer lawn tennis, and each party may have its satisfactions free. There is, moreover, a "surreptitious communism" necessary in the case of science and learning. Governments are obliged to endow cultural and scientific institutions; and leave those members of the community who do not suspect their value to suppose that they are provided gratuitously by nature.

In addition to these public services, he proposes that each individual should receive an equal share of the State's surplus income. Here a clear social issue rises. Public services, if they are to be equal in consequence to each individual, are bound to be unequal in quantity. One man may need a costly drug or operation to give him an equal standard of service with his fellows. If we grant the provision of public services in this sense—equal satisfaction to equal needs—we are faced with the problem of how the additional share of national prosperity shall be regarded.

Either it is the grant by the community, to all its members, of power to be applied in purely personal or non-social fashions; or it is the accepted measure of trust that the individual, if left to his own devices, will prove to be of social value. On the first theory the individual becomes, as it were, two beings; a communal being in which he possesses a State function paid for in public services, and a private being occupied in the pursuit of purely individual ends.

The second theory implies that the organisation of the State is best served by relying on the hitherto unexplored or unco-ordinated initiative of the individual. It treats him as a man whose potentialities as a social asset cannot be measured from his past services. In either case the money income becomes the measure by which the State has otherwise failed to express the whole value of the community.

It never becomes clear in which way Mr. Shaw regards his proposal. He seems to be arguing for the view that the individual is in any case an asset to the community; and a national dividend is his by right. Suddenly, however, he exiles from consideration all vagabonds, rogues, and idle fellows; and makes the national dividend depend entirely upon past services. It is a little strange, with this view, that he proposes a share in the national dividend for children.

HARVESTS.

There is a song that some bird sings,
Some certain bird beyond the gates
Of cities, where he folds his wings
Far out of tumults; no sad hates
Nor envyings of heart at all
That little happy mortal knows,
Only he cries the lovely call
Of one who counsels with the rose;
Or sees the bright spears of the sun
War on the grey hags of the dawn;
And marks the little wild beasts run
Brown-bodied in the thick sweet corn.

O Heart! and I grow tired here
Making my garners but to hold
Meat for the fat moths, year on year,
And for the red rust seeking gold;
When I might have that minstrel make
Wide hours of bravery for me
To ease my spirit of its ache
Under his little shining tree.
What scanty harvestings they reap
Whose sickles thrust the city's mart
The long and barren years, and keep
No crumbs of Beauty for the heart!

A. NEWBERRY CHOYCE.

of a series of goods. He does, indeed, mention the "costing and averaging processes which must be undertaken for a proper fixation of wholesale and retail cost-prices," but, in the absence of a comprehensive discussion, this amounts to begging the question. For any particular commodity, e.g., packet cereals, 20-gauge copper wire, Axminster carpets, each producing unit will have a cost-price peculiar to itself for any given output. It will vary from time to time for the same output, and the cost-price per unit will also vary according to the volume produced and the volume sold; e.g., it may cost £5,000 to produce ten tools of one pattern, but £6,000 to produce a hundred of them, and £7,000 for a thousand. The more varied the goods and services used by a community, the more speculative does production per item become. The likelihood of small or slow sales and therefore of loss on any particular product is as real as the likelihood of profit. There are several devices established or proposed to deal with this. The Co-operative Movement aims at selling-prices which will yield a profit and then at distributing that profit among its customers. Incidentally it has in the past dealt with a fairly restricted range of goods, so that its risk of loss has been somewhat reduced. The Socialist would have Government conduct producing and selling on such a large scale that profits would be reduced to a total minimum and then distributed in some way or other. The profit system works by setting off gains against losses, both inside each business and among the units taken as a whole, with the result that the net total profits are comparatively small.

The author's is not the only cost-price theory, and despite his claims, it is essentially the most familiar of them. It amounts to a restatement of the right to the whole produce of labour, which has echoed down the last hundred years.

HILDERIC COUSENS.

Reviews.

The Text of Revelation: A Revised Theory. By John Oman. (Cambridge Press. 108 pp. 5s. net.)

Dr. Oman refers to the apparent disarrangement of the text of the Book of Revelation, and to the generally-accepted view that the gaps and confusions in it are due to its being a collection from many sources of excerpts crudely put together. To this he opposes the thesis that the "Editor" of Revelations had in his hands a complete original manuscript, but that some of its pages were accidentally transposed. He now puts them in what he submits is the right order and presents his revised version in parallel passages (Greek and English), split up into seven practically equal sections. He omits certain passages that are in the original (Biblical) version from his own version, and puts them in an appendix under the heading of "Doublets"—meaning non-sequential repetitions. The translation is his own. Dr. Oman appears to make out a plausible case, but its significance will only be appreciated by theologians and scholars—unless, of course, one attaches weight to the obvious moral that writers of manuscripts ought to number their pages. One thing about Dr. Oman commands respect. He says that he wrote a book on the same subject four years ago, and now withdraws the thesis he then offered, saying that he made a mistake, for which he offers no excuses. That is good. The man who most readily admits errors commits fewest. There were "two keys to the lock," he explains, and he had hold of only one of them. Now he has found the other. There are baffled investigators in other realms of research who would do well to ponder on that experience.

J. G.

Quiet Cities. By Joseph Hergesheimer. (Knopf, 7s. 6d.)

Atmosphere is, after all, the quality about a book which makes it great. People who talk without knowing what they mean speak about atmosphere in literature as a quality of sudden inspiration and airy genius. In fact, it can be created only by a writer to whom details are important and must be got right. No general sweep of the brush will do for him, like it might for the painter. You can't do that with words, any more than a jeweller can create an effect with a single stone. There must be hundreds of little touches, each one in character, each one redolent of some familiar perfume, and each readily blending with all the others into atmosphere. That is why you cannot become a writer like Joseph Hergesheimer if you permit publishers to worry you. Let 'em wait, they and their pack of library hounds, while a man has breathing space to do what he means to do. Particularly in these studies of America as it was years ago, before it became Americanized, do we see the machinery, to use a word unkind and ungrateful, that makes a beautiful book of *Quiet Cities*. There are nine of them, Boston, Albany, Philadelphia, Pittsburgh, Washington, Lexington, Charleston, Natchez, and New Orleans, and each has its

costume play, gently and sweetly told, and yet with that gift of packing knowledge of the times into a single sentence, and thereby recreating life. The jacket of the book, a period map of New England and the Louisiana purchase, is the best we have ever seen on any book. And the binding and printing are delightful.

The Life of Moses. By Edmund Fleg. (Gollancz, Ltd. 12s. 6d. net.)

Attention was drawn in this journal some weeks ago to this author's short novel, *The Boy Prophet*, as one of the most remarkable books recently published. His *Life of Moses* is an amazing work. The translation from the French by Stephen Haden Guest is an achievement. If the book has lost anything in translation the original must be astounding in its quiet beauty. It is beautifully constructed prose—indeed, it is pure poetry throughout. There is magic in it. Every page is a-tremble with the magic of life. Fleg is not afraid of the supernatural. He keeps it all and makes it reveal Moses the tried and tempered leader. No wonder a race which could produce a Moses understands and controls the credit-cyphers of the world. We may rage against them, but they have never mistaken numbers for things, as the Gentiles do.

How You Began: A Child's Introduction to Biology. By Amabel Williams-Ellis, with Preface by J. B. S. Haldane. (Gerald Howe. 91 pp. 2s. 6d. net.)

In one of his prefaces Mr. Haldane says that he is angry with the biologists, including himself, for not having written this book, which he hopes will run into many editions. Mrs. Ellis is an efficient kindergarten expositress. Her arrangement and presentation of embryological knowledge are skillful and simple. Each of her chapters consists of an account of one step in the pre-natal growth of a human child, this account being supplemented by a survey of the corresponding periodic step in the evolutionary development of mankind. Her plan is to show that "we spend the first six months of our (foetal) life in playing at being extinct animals." From conception to delivery the baby "acts" evolutionary history at the rate of 10 million years of evolution.

The maternal womb is the doll's-house of evolution. Any boy or girl who has put an eye to the wide end of a telescope will get Mrs. Ellis's idea. Her treatment of it is what people are pleased to call "delicate," and might almost pass the censorship of the woman who once wrote to a School Board authority: "Please don't let Miss S— teach my Eliza anything about 'er inside: it's rude." At the same time, she does not try to hide the facts about the nature of birth. It is a much controverted question whether or when parents should explain these facts to their children. Those parents who feel they ought to do so and yet cannot bring themselves to risk the "shock" which they fear the knowledge might inflict on the child, cannot do better than judge for themselves whether Mrs. Ellis's book does not provide the solution of their problem. In the opinion of the present reviewer it does.

The Bishop's Wife. By Robert Nathan. (Gollancz, 6s.)

Mr. Nathan is an admirer of Anatole France. One day, when reading "The Revolt of the Angels," Mr. Nathan appears to have said to himself, "I wish I had written that; imitation being the sincerest form of flattery I also will write a tale about an angel's visit to earth. I, too, will weave a ironic, especially about the church, and I, too, will express my style of lucid prose with which to tell my tale and my irony." So he composed "The Bishop's Wife," and wrote Anatole French in English. Since his discipleship is not avowed, it is to his credit that one observes it. His book is very short, hardly more than fifty thousand words. A comparison with "The Revolt of the Angels" is not just a quality of its irony. Nevertheless, the book is a natural pathetic plagiarism. One feels that Mr. Nathan is a disciple of France, though a minor one. It will be best to give an illustration. The story is of an American bishop, who declares that he needs an angel for his archdeacon, and gets one. The bishop's wife falls in love with the angel, and he with her. The angel discusses the situation with a very Anatole-French professor, who tells him that if the wife is to get a divorce, the pair of them had better commit adultery. Unfortunately, that is impossible, the professor says:—

"At the archdeacon's startled expression, the professor allowed himself a dry smile. 'You forget that you are an angel. And nowhere in my researches have I come upon an angel of Semitic extraction capable of performing such a feat. . . . The love you offer the lady would first frighten and then disappoint her. Remember that you can neither experience nor give earthly satisfaction. That is, perhaps, a little sad for you; but such an explana-

tion would not satisfy your mistress, who would expect at least a satyr, after so much longing."

Oh, yes; Mr. Nathan has undoubtedly read the works of Anatole France. J. S.

No Road. By Philip Gribble. (Benn, 7s. 6d.)

" . . . White, creamy-milk white, the colour of young wheat grains stripped of their glumes. The hint of it about her arms and neck—stripped of their glumes! She had a lovely shape. He pulled himself up sharply. What was happening? Womanising in his mind—fool! Charing Cross. The train was still. He drummed a foot uneasily. 'You got a boy, too, haven't yer?' From behind there came a giggling answer in his ear. He could imagine the wriggling body of the giggler. Slamming doors. A giant piston—the train rushed into the blackened cylinder ahead. In its roar the rest of the dialogue was mercifully drowned." And in the merciless clatter of this ugly, staccato style the rest of this silly-clever novel is penned. It is so noisy that one cannot hear oneself read it. So one does not. Scribble, scribble, scribble, Mr. Gribble. J. S.

Mr. Amberthwaite. By Louis Marlow. (Gollancz, 7s. 6d.)

The best way to review this novel is to quote some of it.

" 'You make me feel, dear Mr. Platter, like a public lavatory. Like a toilet, perhaps I should have said. Like whatever is the most polite term to-day. I can't keep pace with them. Water-closet, long ago, was the very acme of nice discretion. And why not? Water; closet; the one the purest word in our language, and the other the most reticent. Those demure initials, too, imbued with the very spirit of withdrawal. Then lavatory, one of those unpleasing Latinisms. . . . "

And so it goes on, for another page. A little further on we find this:—

"It was upon him that he didn't feel well. To-morrow, he'd have a thick head and he'd be constipated. His Laxative Paraffin—suppose now he took a dose. . . . "

Perhaps Mr. Marlow is trying to write like James Joyce in certain parts of *Ulysses*? In which case, the attempt is a dismal failure. When Mr. Orage reviewed the first editions of Mr. Masefield's poems, "The Widow of Bye Street" and "Nan," and those poems by Mr. Abercrombie which were written in imitation of Mr. Masefield's, he told them both, in an unforgettable phrase, that they belonged to the "turd school" of writing. Mr. Marlow is evidently a pupil in the same school. J. S.

Wellington. By Oliver Brett. (Heinemann, 15s.)

This new book on Wellington is a good, honest piece of work. It is neither very brilliant nor very profound, but certainly not dull; just quietly interesting. Wellington, who, in common with most Englishmen, distrusted and disliked the "clever devil" type of man, would not have been pleased to have received the ironic admiration of Mr. Lytton Strachey, but would have probably approved of Mr. Brett's attempt to present him to us in a clear plain fashion. The quality of aloofness which was one of the great man's most noticeable characteristics seems to have infected Mr. Brett, and this is a defect, for it gives a too cold and formal air to a book which sets out to paint the personality rather than the "Life and Times of" his subject. One would have enjoyed more extracts from the sayings and writings of Wellington, who has a fine, laconic gift of speech, very apt for quotation, and quite individual in flavour. Since Mr. Brett is not afraid to repeat such a well-known line as Wellington's reply to the blackmailer, "Publish and be damned!" and his criticism of Napoleon, "The fellow is not a gentleman," he might have quoted many more less known but equally characteristic sayings, in place of so much impersonal description. What a man actually said gives a much better picture of him than anything else can do. What a lively picture of the immense prestige of the Iron Duke in his old age is given by Mr. Brett when he tells us that, "in the House of Lords his control was so great that when during an attack made upon him by Lord Brougham he pointed his finger at him and said, 'Now take care what you say next,' Brougham was so alarmed that he stopped speaking." Except for this criticism, this book on Wellington is unexceptionable. It seems a pity, therefore, that the publishers, following their usual habit, have "expanded" a biography of not more than 100,000 words into a hefty tome which costs 15s. Are they afraid that a volume at a reasonable price of 5s. and of a size to go into a pocket would be treated as unimportant? J. S.

A Picture Book of Ancient and Modern Dolls. Written and Illustrated by Gwen White. (A. and C. Black. 5s. net.)

This book, with its attractive cover and even more attractive dust-jacket, is a good specimen of the gift-book class. Full page illustrations alternate with pages of script, and both are well done. The shortcoming of the book is that the text is too hard for small children to read to themselves, while for their parents to read aloud to them, or for older children's use, it might well have been more extensive. (H. C.)

LETTERS TO THE EDITOR.

"THE THIRD LINE."

Dear Sir,—In this question the attitude of Major Douglas seems to have been somewhat overlooked. So far as can be gathered from recent utterances he advises individual effort rather than mass action.

It seems natural, however, that some of your readers should chafe at this, being dubious as to whether any progress is being made. Yet it seems probable that Major Douglas is more in touch with developments than most of your correspondents, and therefore a new policy should only be launched after very great deliberation.

G. W. HAYMAN.

Sir,—Douglas Chandler asks, "Is it not as absurd to preach the National Dividend to the unemployed as for Dr. Freud to begin an analysis by saying to his patient: 'You are harbouring a desire to poleaxe your father'?" The reply, almost in his own words, is that it depends upon "its repercussion upon practical politics"! If Freud startles his patient into a new mentality, he is half way toward successful treatment. Likewise, if the K.K. can show to the unemployed that their greatest need—purchasing power to provide food, clothing, and shelter for themselves and their dependents—can be met under a Social Credit régime the pressure of their need will attune them and make them ready implements to bring about the Mass Pressure.

And why, in these days of specialisation, all this criticism of THE NEW AGE because it sticks to its last? Surely its main object is to provide the converted with ammunition, which in their hands will be an instrument to make other converts? So long as it offers an open door to articles and correspondence dealing with proposals for putting Social Credit into operation it can leave the organisation to the specialist in this direction. Its accumulated knowledge should make it a ready critic of such proposals. Such criticisms should be helpful and welcome to the sincere organiser.

FRANK GRIFFITHS.

AGRICULTURAL POLICY.

Sir,—Whatever differences of opinion may now exist about Social Credit as a possible working system, there can be little doubt that the great exchange between land and industry is the foundation of modern commerce. Yet it is chiefly the latter that is of any interest in the matter at present and to which it is proposed to apply it.

In the meantime, it might be quite possible to make any experiments first with the other factor in the exchange, although the produce here now comes chiefly from land abroad and out of sight and ever under foreign control, so that an experiment with some land here could not do so very much harm and even might do some good.

The agricultural interest has just claims for assistance, and so has the labour that might be employed on the land, of which the area of cultivation ought certainly to be increased; while last, and not least, a food reserve might be created at home, against which neither battleships, nor armed reserves, could be placed under any modern international pacts, whether against the peace of the world or in favour of it. And any such advance would be on the security of the crop, and not on that of the land itself, which is a most important point. No such distinction appears to have been made in the current schemes of agricultural credit, and for the want of which they may perhaps fail.

And this would also ensure cheap food, if prices are to be fixed by some system in accordance with such advance.

JOHN H. BURTON.

"Letters to the Editor" should arrive not later than the first post on Saturday morning if intended for publication in the following week's issue.

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The Social Credit Movement.

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

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

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