

THE NEW AGE

INCORPORATING "CREDIT POWER."
A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART
No. 2190] NEW SERIES Vol. LV. No. 18. THURSDAY, AUGUST 30, 1934. [Registered at the G.P.O.] as a Newspaper. SEVENPENCE

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NOTES OF THE WEEK.

Current Events.

(Dates refer to reports in Press.)

August 20.

German plebiscite results in the following:—
For Hitler 37,806,090
Against 4,213,143
Spoilt papers 852,718
Figures of the plebiscite in the previous November were:—
For Hitler 40,609,243
Against 2,101,004
B.B.C. Station at Droitwich nearing completion. Is able to blot out all long-wave transmissions from enemy countries in time of war. (*Daily Express*.)

August 21.

Jews and Germany. Dr. Nathan Goldman, President of the Committee of Jewish Delegations, announces at Geneva continuance of the Jewish boycott.
War Debt. Suggestion in Washington that Britain shall pay in tin (she is said to control 80 per cent. of world's production, while the U.S.A.'s requirements are 50 per cent.).
Death of Sir Thomas (Lord Justice) Scrutton. Obituary notice in *Times* runs to three columns. No mention of Waterlow case.
Herring fisheries. Board to be set up by Government.
Flour. Policy to nationalise the fleets and control marketing.
280 lb. London millers announce fall of 1s. to 27s. 6d. per 280 lb.
Gold. U.S.A. moves stock (£300 m.) from San Francisco to Denver, i.e., "out of earthquake zone." (*Evening Standard*.)

August 22.

Irish annuities. Blueshirt Congress (leader General O'Duffy) calls on de Valera to cease collecting annuities, and on tenant farmers not to pay rents, until prosperity returns. (£100,000 taken).
Hold-up and robbery of armoured lorry at Brooklyn (£100,000 taken).

August 23.

Irish Blueshirts likely to split off from Cosgrave's followers on the question of Fascist methods. Blueshirts said to number 120,000. (*News Chronicle*.)
Cricket. Final Test match results in win for Australia by 562 runs. Jardine arraigns Selection Committee. (*Evening Standard*.) The King congratulates the Australians. Mr. Lyons, the Australian Premier, cables congratulations "on behalf of the Government and the Australian people." (*Evening Standard*.) Mr. Jardine

alleges Selection Committee privately banned leg-theory bowling. (*Evening Standard*.)

August 24.

Debt. South Africa decides to pay off balance (£7½ mill.) of war-debt (£16 mill.) to Britain. Has always been paying, in spite of suspension offer by Britain to Dominions under Hoover Moratorium, June, 1931.
Liberty League in U.S.A., a new Democratic-Republican body formed to "combat radicalism, preserve the rights of property and uphold the Constitution."
America demands income-tax from London arbitrage houses, banks, insurance and trust companies in respect of profits on sales of securities in New York. Demands retrospective to 1929.
Milk Marketing Board announces national agreement with Central Milk Distributors' Committee. Milk to be an average price of 1s. 3d. per gallon for twelve months from October.

August 25.

Aircraft used in gangster hold-up (£10,000 currency notes captured) near Pittsburg, U.S.A. (Speed-boats now said to have been used in Brooklyn hold-up reported above.)
Turkish Government makes foreign firms operating in Turkey remit dividends by exporting Turkish wheat.
Cricket. Letter in *Times* (centre page) on leg-theory by A. A. Milne.
Tax on Deposits. Letter in *Times* by W. J. Martin (p. 6).

August 26.

Meat for the poor. The Irish Free State Government proposes to spend £400,000 on providing meat for the unemployed. (*Observer*.)

The Death of Lord Justice Scrutton.

The death of Sir Thomas (Lord Justice) Scrutton is a loss which every reader of THE NEW AGE will feel personally, for it was he alone who, on the first Appeal in the action of the Bank of Portugal against Messrs. Waterlow and Son, upheld that company's submission that the cost of a note to a bank of issue was only its cost as printed stationery, not its face value. We reproduce his Lordship's argument from our issue of April 2, 1931 (taken from *The Times*.)

The Late Lord Justice Scrutton's Argument.

A very novel and difficult question as to the amount of damages had been raised. The bank claimed the face value of the genuine notes with which they had replaced Marang notes, together with the cost of printing notes to replace the

genuine notes paid out. How they could get both the face value and the cost of reprinting he (his Lordship) could not understand. Messrs. Waterlows said that, as the bank could replace the lost notes merely at the cost of printing them, the bank could not charge more than the cost of printing.

The notes of the Bank of Portugal were inconvertible. The bank was under no obligation to replace them, when presented, by anything else than their own notes. There was no evidence that the reduced amount of unissued notes in the bank occasioned any loss of profit, or that the increased amount of genuine notes actually in circulation owing to over 200,000 Marang notes being replaced by genuine notes had occasioned any loss to anyone. The bank paid out 200,000 genuine notes for nothing, but was authorised to, and did, replace them in their till at an expenditure of the cost of printing them.

"If," said his Lordship, "the bank had exhausted their note issue by this transaction and could issue no more, I could understand a claim, though I think that it would have been for loss of profit, but there is no evidence of any loss of profit, and the bank appear to have put themselves in the same position as they were before the paying of the Marang notes at a cost of £2,381, and in addition got the benefit to the credit of their currency of clearing it of Marang notes. In any case, I cannot understand how they could claim both face value and cost of printing, £8,922 in all, and as £10,000 has been paid into Court they are in an unfortunate position. I regret that I cannot allow them any 'moral and intellectual damage' for the trouble and shock which the discovery of and dealing with the forgeries which Messrs. Waterlows created must have given them."

"They have also the claim against the estate of the forgers, and, with regard to that, they may be in a different position, for the forgers presumably received the face value of the notes which they put into circulation, and may be estopped from saying that such notes have only a nominal, or no, value. Messrs. Waterlows have received nothing for these notes except payment for printing them."

His Lordship added that he agreed that the bank had acted in a reasonable and businesslike way in paying off Marang notes not only up to but after December 16, 1925. He therefore thought that the bank's cross-appeal should be allowed, but the bank were not entitled to assess the damages in respect of the genuine notes which they issued against Marang notes at the face value of those notes which they had parted with, and Mr. Justice Wright's judgment should be set aside and judgment should be entered for the bank for £8,922.

This is a good example of his brusque and direct manner of dealing with cases. As noted under "Current Events," there is an obituary notice in *The Times* occupying three columns, which makes not the slightest allusion to this Action, notwithstanding that a good deal is said about Scrutton's criticism of the late Mr. Justice McCardie, and such a relatively trivial matter as his part in the "Brides in the Bath" murder case. It seems almost unbelievable that a case raising such novel and difficult issues, and carrying such portentous implications, should be passed over in silence by a presumably competent authority on jurisprudence. It was Scrutton who was the cause that Messrs. Waterlow and Son were encouraged to take their Appeal to the House of Lords, thereby earning the honour of being the cause that five supreme juridical experts disclosed their inability to measure the loss of the Bank of Portugal as between £9,000 odd and £600,000 odd. Scrutton, says his biographer, was always "difficult to work with" after his elevation to the Bench. He had no regard for counsels' feelings: he could not "suffer fools gladly" especially when he considered them to be "wasting time." There was a row about it, and he was passed over in promotion. Subsequently, when he became Judge Appellant his manner "mellowed" somewhat. However, some echoes of it are to be heard in the above judgment, as where he remarks: "I regret that I cannot allow them (the Bank) any 'moral and intellectual damage' for the trouble and shock . . ." a form of words whose significance depended on the laconic way in which, one may take for granted, he spoke them.

Whether he knew it or not, it was undoubtedly a feeling of moral outrage that inspired the bringing of the action, and caused the Bank to say, as it were: This is too much: whether we've lost anything or not we must take it out of somebody. That is the bankers' reaction and method always when outsiders copy or interfere with their prerogatives or functions. They bring about disturbing phenomena which destroy confidence, and then place the odium for the vanished confidence on the people who have offended them. Mr. Lang, Mr. Theodore, Mr. de Valera, are examples; and it will not be long before Mr. Roosevelt will join the gallery.

Debts and Budgets.

General O'Duffy's Blueshirts are encouraging Irish Free State farmers not to pay annuities or rents. Mr. de Valera is proposing to buy meat for the unemployed to the value of £400,000. In theory this could be worked so that farmers got orders for meat on condition that tithes were deducted from the payment. In any case the taxpayer foots the bill in the end. Naturally all Governments prefer to subdivide and spread all over the Government's unorganised taxpayers, rather than levy them on organised interests. No taxpayer as such has any affinity, either as a producer or as a consumer, with any other taxpayer as such. Nor if he had, would he know what exactly to demand even if he could bring about some form of combination. A general reduction of taxation means a particular exaction somewhere, and wherever that somewhere is there will be some of the already protesting taxpayers. Hence if Mr. de Valera's notion is to get taxpayers generally to subscribe £400,000 to appease the Trade Unions and the farmers, and so rid himself of administrative embarrassments, he is behaving after the manner of all politicians.

The United States wants tin from the Empire in payment of debt. The Turkish Government wants to export wheat in payment of debt. The problem is greater for Turkey than for the United States, for other wheat-producing countries will make difficulties. But in the case of the United States, requirements are greatly in excess of home production. Empire tin producers would no doubt be agreeable to sell their product at home to their respective Governments (for they pay promptly, in full, and in the currency of the country). But tin happens to be a key war-material; and that war-scars are about statesmen are driven to weigh pros and cons in terms of reality, not finance. A few ingots of tin could conceivably be worth all the gold in the world in a certain emergency. Short of that extreme situation, it is easily conceivable that a country which had exported tin in peace time might have to re-import it in war-time at several times the price. Things that happen even during times of peace, as was illustrated by a correspondent in South Africa a short time ago.

Cricket and Politics.

The King's congratulations to the Australian team coupled with Mr. Lyons' congratulations, finish off the comedy of the Tests very nicely. Mr. D. R. Jardine's comments on it very nastily. Writing in the *Evening Standard* on August 23, he begins by deploring the fact that the vagaries of the Selection Committee involved the M.C.C., who are a separate body together with no responsibility for what has happened.

an inextricable tangle of divided loyalties. He proceeds:

"Weak knees and financial and other considerations have been allowed to have their way alike with the principles and the laws of the game and the merits of the case."

He then recalls the statement of Mr. A. W. Carr, Larwood's county captain, that he (Mr. Carr) was told during the first Test match at Nottingham by a selector that Larwood, if he played for England, would not be allowed to bowl leg-theory. Of course, what "a selector" says isn't evidence against the Selection Committee. Mr. Jardine states that when this Committee was formed both Sir Stanley Jackson and Mr. Higson (whose respective influences on Yorkshire and Lancashire cricket are well known) were both opposed to leg-theory bowling. "With the Chairman's casting vote these two gentlemen had a majority on the Selection Committee."

We have stated before, and repeat now, that there may have been good reasons for eliminating leg-theory bowling, but they should at least have been communicated to the captain of the county club for whom the bowlers played who exploited it. Instead of that innuendos were allowed to be spread about against the sportsmanship of those players, provoking Larwood to say he wouldn't play, upon which the Selection Committee gratefully took him at his word. However, the comedy is over, and we will say no more about it except to recommend the letter by Mr. A. A. Milne in *The Times* recorded in "Current Events." He sums up the situation as it affects future policy.

What Is "Activity"?

The Editor of THE NEW AGE, in reference to several letters published in this paper, wrote in a footnote (Nov. 9, 1933):—

" . . . The conflict which underlies the correspondence seems to require a definition of what an 'activity' is, and a criterion by which to assess the value of any given activity. A derivative question also arises, namely, 'Are only these (should read those?) activities of value which can be recorded in a journal open to the inspection of the enemy?' . . ."

It is not, I think, difficult to give a correct and comprehensive definition of what is meant by the term "activity," and to arrive at a rough-and-ready standard by which we may assess the value of any given activity. It is clear that there could and would be activity within and upon a planet that was devoid of human life, and, indeed, devoid of life of any kind.

That narrows the scope of the required definition at the outset, for, as human beings vitally concerned in the social-economic system of our own species, we are obviously dealing (for the time being, at any rate) with human activity; and not with activity in all its manifestations.

We begin to formulate the required definition: By the term "activity" is meant any human activity . . . We must next enquire what is included or covered by the term "human activity," and we shall find that it includes the whole range of possible human action whether it is conscious, subconscious, or non-conscious.

Thus, the act of being (alive) is included in the term "human activity."

The range is so wide that "human activity" includes the action of the many and various glands and their secretions, the action of the heart or the lungs, and, in fact, the general metabolism (the anabolic and katabolic interplay) of the living human organism; as well as the whole gamut of psychological activity.

We are, however, human beings vitally concerned (for the time being) in and with the social-economic system now in operation, and, in particular, with the Douglas Social Credit analysis and proposals. We have, indeed, a very definite objective. This objective is rooted in, and perhaps springs from, those urges and impulses—themselves vital activities—that have to do with the moment-by-moment act of being (alive). This objective makes it possible and necessary to define what we mean when we speak of "activity," or of "an activity."

By the term "activity" we mean any human activity whatsoever that is, knowingly or unknowingly, directed towards achieving the given objective—Social Credit.

Lao Tzu is supposed to have said: "By doing nothing I do all things," and I have met intellectuals of a neo-Taoist turn of mind who thought they understood how to "do nothing" effectively merely by quoting the Chinese sage. It is not so easy as that.

Without going into the philosophical reasoning that may have led Lao Tzu to speak this "riddle," we can find our way without difficulty. Our objective is not to "do all things." Our objective is to do one thing—to introduce Douglas Social Credit as quickly as possible.

A man who feels (without being able to formulate his feeling clearly in words) that the present social-economic system is working wrongly, is, in himself, "an activity." On a purely impulsive plane he helps us to reach the given objective—by merely being alive. His psychological urge to be alive, and to keep on being alive, is "an activity" that helps to defeat a financial system that, taken to its logical conclusion, can only balance its books when every human being has been eliminated—and Abstract Number reigns supreme.

It is true to say that if a group of only half a dozen bankers and financiers were left alive on earth (as the Last Men of the whole human race), the monetary policy and technique that they now operate would, if they kept to it, force them to starve themselves to death. At the moment when the last banker dropped dead, the books of the international banking system would balance.

Since no sane person wishes to go short or to starve in the midst of plenty, it follows that we ought to welcome any activity that runs counter to a system of death-by-numbers, and especially any activity that might break the numerical spell of the present system and open the way for a sane economic system.

Thus, a couple of men talking in a pub may be carrying on a valuable activity. One says: "Ah, but what about when they burn tons of wheat? What about that—when there's millions of people that would be glad of the bread to eat—hungry people?" And the other one says: "Ah, that's right . . . There's something wrong, somewhere. In my opinion it's to do with money." This activity is being carried on at a slightly higher level than the activity of the man who "cannot put it into words."

A Social Credit Study Group, on condition that it does not rule out any aspect of the problem (does not, for example, rule out the logical discussion of what we may call the politics of Social Credit), is obviously carrying

out definite activities that help us to reach the given objective. Its function is mainly self-educational to begin with, then to act as a "school" in which others may come to understand what is wrong and how it could be set right. Such a group may even become propagandist and may verge upon agitational activity, without giving up its original function as a study group. It is possible to study the art of propaganda and agitational method, and there is no logical reason why such study should conflict in any way with the technical study of the economic problem and the Social Credit solution. On the contrary, these extra studies are likely to have the effect of making a bridge between economic theory and the political possibilities of the moment, thus linking three forms of activity:—

The impulse-activity (urge to live)—mental-activity (understanding the problem and its solution)—political-activity (the attempt to bring a mental concept into action). To be effective, this last must be agitational rather than educational.

So far as Social Credit is concerned there is no real conflict between these three forms of activity. They can form a constant interplay.

For example: a person who *feels* there is "something wrong somewhere" is not in conflict with the person who *knows* what is wrong and can explain what it is and how it could be adjusted; and the person who *knows* is not in conflict with the person who *acts* in such a way as to hasten a situation in which the necessary adjustment might be made.

In reality each of these three people is an "activist" working in his own sphere of action and using his own forms of activity.

The point is that there is an ordered progression from one to the other, and you cannot stop short.

First of all you feel something is wrong, and you wish it could be put right.

Then you know how and why it is wrong, and in what way it could be adjusted.

Finally, you attempt to act in such a way as to bring about the adjustment.

We speak of the final act as the action, but actually, of course, we are dealing with three phases of activity in one action-development. Each phase calls forth its "men of action." And each one of us is all-three-in-one. If we are not in conflict within ourselves, each one of us *feels* his way, *knows* his way, and *goes* his way. That is the ordered progression, and if at any point we cannot change gear from one activity to the next, as needed, we may find ourselves thwarted and frustrated; or, at any rate, out of action for a time.

Those who are instinctives, who feel their way by feeling alone, do not want to know. For the intellectual struggling to be an instinctive, to "know" interferes with the joy-and-pain of the war within himself. Such types want to rely upon the non-reasoning undersong of the subconscious. This develops a fear and hatred of the intellect. They fight a battle against the intellect. Frustration and all kinds of fantastic wish-fulfilment "activity" is the result. D. H. Lawrence is an example.

Those who know, who do their utmost to use the intellect as an instrument in theoretical logic, do not want to act in a more physical way. In particular, they do not want to be drawn or driven into political action that is usually group-action generating a "complex" and operating by mass-suggestion. It is sufficient to know

by means of the intellect, and they hope that intellectual activity will be enough in itself. If any action is needed, let it be intellectual, and therefore educational and gradual. This type of mind, and its inability to deal with political situations in the modern world, was made pathetically clear when Professor Einstein spoke in London some time ago and cried out for "light-houses" in which young men with intellect could shut themselves up, far from the madding crowd, and go on with their studies and research in peace and quietness.

Those who "act" (the so-called "men of action") who are technicians in their own sphere of action and who are able to call forth action—usually of a physical kind—in others, do not want to "know" too much because usually fatal to effective action; and hesitation is usually fatal to effective action; especially group-action aiming at mass-action directed by mass-suggestion. They feel (and know by experience) that it is essential to be definite and absolute. The intellect frequently introduces "doubts that wreck the will." A man who can see, and fully appreciate, both sides of a question will find it extremely difficult to take action, or to give "the word of command."

This "man of action" is nearer akin to the instinctive (including the intellectual who is consciously trying to rely upon non-intellectual impulses), simply because mass-action can only be generated and directed on the impulsive, emotional plane. On this plane intellectual ideas can only be used when they have been or can be absorbed into the non-reasoning cauldron of mass-passions, simple hopes, and primitive fears—that is: the mass-urge to live as physical organisms. Hitler and his use of the Aryan-blood idea is an example of this type and its (almost instinctive) methods. The result is organised impulse-action without intellect, and the outcome will be either a community padlocked in a strait-jacket and locked in a padded cell—or "lunatic at large."

As one might expect, the Social Credit movement as a whole shows us these three main types of activists. We have those who *feel* Social Credit is right. We have those who *know* it is logically sound, and can explain why.

We have those who *act as agitators and propagandists* in an attempt to hasten events and to open up a situation favourable to the introduction of Social Credit.

It is all activity, but the first leads inevitably through to the second to the third phase of action. This does not mean that a D. H. Lawrence has to become (or can become) an Einstein, nor that an Einstein is to turn into a Lenin. Nothing of the sort. It means that the moment calls for this or that type of activist and that particular form of activity. The nearer we come to the final act of introducing Social Credit the easier it will be for all activists to work at full pressure at the same time and in any place, if not together. Their overlapping will not hinder one another as they converge towards the last act. It will help. *Nor will their operations depend upon any kind of co-ordination or organisation. It will simply happen.*

For the present, however, how are we to assess the value of any given activity? I think the answer is only by the results obtained moment by moment from day to day. I do not know of any other way, and would not trust myself to assess the ultimate value of any given activity. You never know your luck—and a man in the dark may win a battle.

Correction.

In the "Technical Supplement, No. 1" of last week, page ii., column 2, there was a slip in the figuring. A correspondent sends the following emendation.

By the time the fifth child has finished off the first 5 pencils, working 1 minute, the first child has worked for 5 minutes, the second for 4 minutes, the third for 3 minutes, and the fourth for 2 minutes. In all there are 25 pencils at any minute finished or unfinished.

This is to be substituted for the passage (in the centre paragraph) commencing "In that case . . ." and ending ". . . finished and unfinished," six lines later. The alteration will be incorporated in any reprint of the "Supplement" which may be issued in final form.

Mr. Ramsay Muir on Financial Policy.

Elsewhere we print a letter from Mr. Ramsay Muir in reply to our articles of August 9 and 16 dealing with his remarks in the June issue of *A Westminster Newsletter*. We are pleased to do so because Mr. Muir is an undoubted influence in the counsels of Liberalism, more particularly, we imagine, as they concern the opinions of Young Liberals. He will recognise, we are sure, the impossibility of our adequately answering seriatim the issues raised in his long letter. To do so would require us to recapitulate and expound *de novo* the main features of the Social-Credit analysis of monetary technique and of the political policy and administration related thereto. He will also agree that such a course is not necessary in a journal which, week by week, has been, when events happen to bring them into prominence. For the rest we are bound, purely by practical considerations, to refer critics to the permanent literature of the Social Credit Movement to tie up the loose ends always left when controversies begin, so to speak, in the middle of things. †

For the present we must be content to say a word or two on the fundamental difference between Mr. Muir's viewpoint and our own. It is disclosed in his assertion that "purchasing power either spent or deposited in the banks *exactly corresponds* (his italics) with the value in an addition to the nation's wealth." (Point 2.) Without the terms of the illustration he uses—the building of a new church or school—this is undoubtedly true. The deposits created by the loan for the building measure the value of the building. The three monetary figures do correspond exactly. But only during the term of the loan. Directly the loan is repaid to the bank, deposits to the same amount are destroyed. The value of the building, however, is not destroyed; it persists as a cost thenceforth to be recovered by the borrower of the loan (a private or public owner). This cost has to be paid to the owner out of deposits. But, *ex hypothesi*, no deposits now exist within the framework of operations postulated by the illustration. The usual reply of the critic is to say that in practice there are always deposits arising from other and subsequent operations,

† Procurable from 42, Parliament Street, S.W.
Readers might usefully write Mr. Muir on some of his points at the above address.

and that these are available to fill up the gap. But that is no answer, because each of these other series of operations is similarly creating a gap as concerns itself, hence no gap anywhere can be closed without widening another.

The contention of the Social Credit advocate, in comprehensive terms, is that loan-credits issued for producing additional wealth have the effect of raising the price of pre-existing wealth. The new money (new deposits) spent by the new borrowers gets into the hands of old borrowers, who use it to pay off their debts to the banks. In the terms of Mr. Muir's illustration, if the owner of the school were to borrow from the bank and build another, then, through his agency, new deposits would be created and distributed; and out of these he could collect "economic" school-fees in respect of the first school—whereas, if he did not build the new school he could not collect any fees at all. The principle of what we call "inflation" is seen to be operating here. Conventionally people regard inflation as connoting profiteering; but scientifically inflation can be present even when things are priced at cost or even under. No doubt, it appears startling to suggest, as we impliedly do, that the hypothetical owners of the first school would be agencies of inflation if they collected fees in respect of the building-cost; but that is what we do suggest in principle. We hold that the banker, upon recovering the repayment corresponding with the school, should hold himself prepared to issue it again as fee-money gratuitously to the would-be users of the school. (A form of the "National Dividend" advocated by Social Credit writers.) Unless this principle is followed, there will always be an accumulation of irrecoverable debt proceeding side by side with what Mr. Muir rightly terms additions to the nation's wealth, giving rise, as we are witnessing to-day, to the phenomenon of financial poverty in the midst of physical plenty.

Deficiency of Purchasing Power.

	ACCOUNTING PERIODS						
	a	b	c	d	e	f	g
Farming	200 A	200 A	200 A	200 A	200 A	200 A	200 A
Spinning		200 A	200 A	200 A	200 A	200 A	200 A
Weaving			200 A	200 A	200 A	200 A	200 A
Wholesale				200 A	200 A	200 A	200 A
Retail					200 A	200 A	200 A
						T1.	T2. T3.
						Accounting Periods.	

A criticism of the A + B Theorem has been sent us by a correspondent. It takes the form of pointing out something which is quite true, but irrelevant, namely

meaning which appear in your article? They may be due to my own imperfect exposition.

(1) I pointed out that the conditions under which the monetary system is worked are, in fact, defined by Parliamentary enactment, and that the Banks can only act within the terms of these laws. You counter this by stating (with a reference to two excellent books) that the power of Parliament is ineffective. You might have found an even more complete demonstration of the ineffectiveness of Parliament in my own book, *How Britain is Governed*. But this does not alter the fact that the broad rules governing the issue of money are defined by law, that the law gets its validity from Parliament, and that the Bankers have to conform to the law. It may be that the law needs to be altered: in some respects I think it does. If so, it can only be altered by Parliament. But the essential fact is that the Bankers have not a free hand; and this was the point I was making.

(2) You misunderstand my point about Bankers' Loans and Deposits. It is true, of course, that when a Bank grants a loan of (say) £10,000 it creates a deposit of that amount. It says, in effect, to the borrower "Up to £10,000 you may draw upon the store of purchasing-power in our hands as if you had deposited that amount." But just as my personal deposit shrinks when I draw upon it, so the borrower's deposit shrinks when he draws upon it. If he draws £8,000, his deposit is reduced to £2,000, and he now owes a debt of £8,000 to the Bank. And since, as you rightly observe, the only purpose of getting a loan is to spend it, it is clear that at any given moment by far the greater part of a Bank's outstanding loans does not consist of deposits, but of debts due to the Bank. Suppose I borrow £10,000 from the Bank for six months, spend £5,000 of it in the first week and the other £5,000 in the second week, then at the end of a fortnight my loan-deposit will have disappeared; but my £10,000 will still appear as part of the Bank's outstanding loans, though it will now be a debt due to the Bank at the end of six months. At any given moment, therefore, only a small proportion of the Bank's loans will rank as deposits. Take the monthly statement as to the Banks' deposits, loans, etc. Assume that half of the loans as there stated (this is an excessive estimate) have not been withdrawn and spent, and may thus be regarded as "fictitious deposits," and deduct this half from the total of deposits: you will find that the balance, which consists of "real" deposits, is enormously larger than the total of loans. But (you may say) the money I spend out of my loan is paid to other people, who pay the money into their own Banks, and therefore the "fictitious" money created by the loan still exists. But that is not so. Suppose I am a building contractor, and have paid the money to brickmakers and timber-merchants for needed supplies: the payment they receive represents the value of actual goods and services rendered by them; it is real earnings, and, when paid into the Banks, adds to the total of "real" deposits. At the end of the six months, having completed the church or the school which I have been building, I am paid for it: out of the payment I refund the Bank's loan, but I have a margin over of profit, a payment for my work. The community has been enriched by the erection of a new church or school; the cost of this addition to the national wealth is represented by the money which has been earned by the brickmaker and the timber merchant, by my own profits, and by my workers' wages (which, spent over the shop-counters, have also gone into the Banks). In other words, the amount of the purchasing-power either spent, or deposited in the Banks, exactly corresponds with the value of an addition to the nation's wealth. But this addition would not have been possible if the Bank had not, by its loan, put into active use some of the purchasing-power represented by its "real" deposits.

(3) In one passage, I tried to show that the system would work in very much the same way, though more clumsily, if cheques were abolished and all deposits, all loans and all payments were made in notes and coins. You argue that in that case the necessity for a ten per cent. ratio of cash

to deposits, which the banks now maintain, would disappear. But this is merely a confusion on your part. I pointed out, I think quite clearly, that if there were no cheques and all deposits were in cash, the banker would obviously have to limit his lendings so as to keep in stock, at all times, enough cash to meet all probable calls from his depositors. This corresponds to the cash reserve of to-day. Permit me now to set forth briefly the working of the monetary system as I conceive it.

(1) The total purchasing-power of the nation, at any given moment, consists of the total unspent and uninvested incomes of the whole nation—these incomes are all expressed in terms of money—in pounds, shillings and pence. The value of each unit of money may be varied by the way in which the monetary system is managed, and in that case some of us will be enriched and others will be impoverished by no action of our own. But the total purchasing-power of the nation will not be affected. It will always correspond exactly to the total value of the goods and services which the nation produces that are capable of being exchanged for other goods and services. And the only way of increasing the total purchasing-power of the nation is to increase the amount of the goods and services which its citizens are able to produce and to sell.

(2) The total available purchasing-power in circulation, and is represented by (a) the notes and coins in circulation, and (b) the volume of bank-deposits, transferable by cheque. If these are suddenly increased, without any corresponding increase in the value of goods and services produced and sold, the value of each unit of purchasing-power will be decreased, and if they are suddenly decreased without any corresponding decrease in the value of goods and services produced and sold, the value of each unit of purchasing-power will be increased. The result in each case will be to enrich some and to impoverish others, but not to increase or decrease the total amount of real purchasing-power, except by causing a temporary ease or difficulty in the process of buying and selling; and such sudden changes are always unhealthy. The one is called inflation, the other deflation, and they are equally mischievous.

(3) It is the business of the managers of the monetary system, i.e., of the bankers, to do two vitally important things: (a) to keep the value of each unit of purchasing-power as steady as possible, both at home and abroad; and (b) to keep the existing volume of purchasing-power as actively as possible in use, for the purpose of creating fresh goods and services. These, especially (a), are extremely difficult tasks, which demand expert knowledge and experience. The first is (under present conditions) the task of the Bank of England and the Treasury. The second is the task of the commercial banks.

(4) The first of these tasks was performed fairly well, but not perfectly, before the War, by the maintenance of the Gold Standard. But the Gold Standard has broken down. Since its breakdown, in 1931, the value of our money, measured in goods, has been kept remarkably steady at home by the Bank of England—more steady than in other countries, but its value abroad has fluctuated in a mischievous way. This can only be mended by international volume.

(5) The second task—that of keeping the existing volume of purchasing-power in active and productive use—is carried on by the banks, mainly by means of loans and advances to industry. It is a mistake to suppose that there is a shortage of purchasing-power, or of money; on the contrary, the banks are clogged with unused money. It is a still greater mistake to suppose that the banks are deliberately keeping it out of use; on the contrary, it is to their interest to keep it in active use, for they earn interest thereby. The reason why it is not used is that industry is stagnant, and loans are not in demand. To say that industry is stagnant because money is not circulating freely is to put the cart before the horse. Money is not circulating because industry is stagnant.

I have taken so much space in expounding my simple ideas on these complicated questions, and in thus (I hope) getting to the roots of the difference between you and myself, that I have left myself no space in which to deal with two questions which it was in my mind to discuss. One is the reasons why I do not think that the proposals of Major Douglas would really get over our difficulties. The other is the changes which I think would be desirable in the monetary system as it now is. The answers to both questions are implied in what I have written. But I should be glad to return to these topics in a later letter, if I have not utterly exhausted the patience of your readers.—Faithfully yours,

RAMSEY MUIR

The Movement Overseas.

NEW ZEALAND.

The Council for Economic Action in New Zealand have issued a pamphlet entitled *Douglas Social Credit in New Zealand*, describing a scheme by which individuals and business enterprises may start to operate a Social Credit exchange-market without waiting for general public sympathy or legislative support. The idea is that if a sufficiently diversified number of producers get together to ensure that they command access to a wide enough range of physical resources and labour-power, they can begin to benefit by Social-Credit finance no matter how small a group they are relatively to the population.

Fundamentally the proposition is true, because a condition of economic self-sufficiency undoubtedly ensures a condition of financial self-sufficiency. It would be self-evident in a practical sense, if you imagined your self-sufficient group to be the only people alive. That is to say, there is no technical obstacle, however small the group or restricted their area of operations, provided they agree to work a correct money system for the common object of getting the goods. What has to be foreseen and forestalled in practice to-day is political obstacles. By this is meant, not only legislative interference and Press opposition, but also natural suspicions and frictions engendered by the mere operation of two conflicting systems side by side, or one within the other. The authors of the present scheme realise that, in the nature of the case, their contemplated Social-Credit community will be scattered. It follows that their "increment of association" would depend on capitalist-owned and bank-controlled lines of communication (ships, railways, aircraft, radio, telegraphs, posts, and so on). There are a number of snags here, quite apart from "plots" against the new scheme. Transport rates on small parcels are much higher than on large ones; and added to that the greater aggregate mileage of transportation necessitated by the scattered structure of the pioneer community would add to their costs.

Perhaps a larger consideration is that ultimately capitalist enterprise has to be preserved from collapse by taxation. Initially, of course, the ordinary shareholder is squeezed dry by "reconstructions" "rationalisation" and so on. But there remain the banks and other financial combines with their loans and security-prises mortgaged to these institutions are largely public or quasi-public organisations; and this process of nationalisation can be imitated in the Dominions if necessary. The necessity would arise if one could imagine a Social-Credit community to succeed so well as to shift the burden of capitalist overheads to a large extent on the rest of the community thus encouraging them to join the new movement and so to contract out of paying the new increasing capitalist prices. The financial interests would seek to avert this by making the Government resort to fiscal measures. Undoubtedly taxes would be adjusted or imposed having the ultimate effect of redistributing purchasing power as between the Social Credit pioneers and their less adventurous neighbours. When it comes to taxpaying there is no distinction—all alike have to pay what money the bankers demand, and in the form in which they demand it. There was a time when the landed proprietors of England were in a position of self-sufficiency, but as soon as they were forced to discharge their obligations to the

Crown in the form of money instead of service their power was broken.

Apart from taxation, any Government is ready to institute a National Marketing Board for any commodity if the bankers wish it. In England to-day milkmen are heavily fined for selling milk at less than the official price, let alone at the "just price." There are many other difficulties in carrying out the scheme under discussion, but there is no need for us to enumerate them, as they will occur readily enough to the promoters themselves. We think it will be found that the proposal is only of use as a focussing point for the discussion of financial politics and technique.

CANADA.

According to the *Douglas Review* of August 15, the official publication entitled *The Douglas System of Social Credit*, noticed last week, is free of charge. The printer is Mr. W. D. McLean, Edmonton, Alberta. It is of particular interest because it begins with a synopsis and analysis of the evidence printed later on in the book. An innovation in the hearing on this occasion was that of allowing one or two representatives of the Social Credit Movement to air their differences before the Committee. The most prominent point of difference arose between Mr. Aberhart and others on the question of whether Social Credit could be applied to Alberta without waiting for Canada to take it up. Mr. Aberhart claimed that it could, and in support of his claim adduced the fact that some time ago Major Douglas had autographed his (Mr. Aberhart's) pamphlet in which he sets out his proposals. When Major Douglas was heard he agreed that he had done this at the request of a gentleman who had called upon him, but denied that it should be taken as having any more significance than if he had signed a hotel register. The general conclusion of the Committee as reported to the Legislature was based on their acceptance of Major Douglas's view that the introduction of Social Credit would have to take place through the forms of the Constitution.

A writer in a journal called *The Enterprise* (Consort, Alberta) is irate at Major Douglas's attitude. Writing in it on April 26 he alleges that Major Douglas "set a price of \$750, and later raised this to \$1,250 for his talk before the Alberta Legislature," and he contrasts this with what he regards as Mr. Aberhart's altruism. This is poor service to Mr. Aberhart. Either there are two technical errors in his pamphlet, as Major Douglas had said, or there are not. No doubt he had pointed out what they were; so it is irrelevant to drag in questions of whether this or that advocate of Social Credit is setting a price on his services or not. The whole point is the value of the services.

* * *

The Douglas Review, published by the Douglas Credit League of Canada, makes the following announcement in its issue of August 15.

We are considering changing the status of *The Douglas Review* and divorcing it from all connection with any Social Credit organisation. It is felt that a publication can provide leadership only if the editor assume personal responsibility for any published statements. It is not fair to commit a self-governing organisation to statements of policy that must be decided from time to time without a referendum from the members of that organisation. So we feel that *The Douglas Review* would prove more useful to the Social Credit Movement by becoming an independent journal, and plans are now being made to work out a solution to this problem, and also to arrange for

having it greatly enlarged and also printed. It will, of course, remain a purely Social Credit paper. We hope to have a fuller announcement in the September issue. In the meantime we should appreciate receiving a message from every reader regarding the way that each one regards this journal.

AUSTRALIA.

The following paragraph appears under "The World: Week By Week" in *The Observer* of August 26:—

"DOUGLAS CREDIT."

Most English readers will certainly be puzzled to read that in the Australian elections there are forty Douglas Credit candidates going to the poll. Their bewilderment is an illustration of how little honour a prophet may enjoy in his own country compared with what accrues to him elsewhere. Major C. H. Douglas is an engineer and economist who (as befits his double qualification) has endeavoured to bridge the gap between our co-existent Poverty and Plenty by a policy described as 'Social Credit.' It does not seem to have gained either an academic or a proletarian following of great dimensions in England, in spite of its vigorous inculcation every week in the 'New Age.' But 'some of the seed fell upon good ground,' and so we have this most interesting spectacle of a philosopher at one end of the world accepted as a politician at the other."

There are pickings in this passage for friends and enemies of THE NEW AGE alike, so we will let it alone.

The Point of the Pen.

By R. Laugier.

No. 9.—A WOMAN'S MOVEMENT.

In a French newspaper, a few days ago, there appeared an article by a woman scientist, and the lady dealt with mankind's opposition to the "emancipation" and development of women. It is an old story. Men are hidebound in their conservatism; all of them born sultans; they are jealous of woman's freedom, and so on. I believe that there is scarcely a word of truth in such charges: I imagine that the whole rigmarole is made up of muddled thinking, and of those half-lies that are so dangerous.

In this unhappy epoch of economic warfare men will, no doubt, resent women taking the jobs away from them, and "undercutting" wages. But, by this time, the most intelligent women have probably discovered for themselves that "emancipation" is not a matter of jumping on a 'bus bound for the City; and probably they have seen through the "freedom" which lies in the right to vote for Tom, Dick, or Harriet.

To my mind there has never been a woman's movement, only an imitation man's movement. There was nothing fresh or original about women cutting their hair and throwing away their skirts: the only new aspect of this procedure was its wholesale nature. All women cut their hair, whether it suited them or not; all women wore a standardised dress, whether it went with their type or not. Aesthetically the thing was a little distressing to men, however the homosexuals may have liked it. The appearance of the streets suffered. The arguments for standardised dress were false arguments. "My hair is always neat and tidy now," said a girl, who had cropped a magnificent head. But she took her crop twice a month to an expert hairdresser, and before the "shingling" process—since she had no maid—expert treatment had never been given to her hair at all.

"Short skirts are so handy for jumping on a 'bus.' But beauty is one thing, utility another: the women who

made such remarks could scarcely maintain that they studied only the utilitarian in their dress, however ugly it may have become. Anyway, who besides Big Business wants the women to jump on 'buses?

Men being the eternal lovers of women, most men will delight in women becoming more and more radiant, talented, and triumphant. Love casts out "hostility": when we hear young husbands boasting that their wives are fools, without a single accomplishment or scrap of intelligence, we shall realise the fundamental nature of sexual jealousy! Only fools and low sensualists wish to marry a doll.

I am not an historian, but I think I am right in saying that, in all civilised ages, women's instruction in the arts and sciences has been carefully fostered. In the Middle Ages women's education was probably superior to that of men, especially men outside the Church. England, since the days of *The Paston Letters*, has seen innumerable women scholars; for centuries women have been poets and musicians; their position in ancient Ireland ranked very high, and they acted as mediators and even law-givers: there were plenty of women professors in the famous Italian universities of the seventeenth and eighteenth centuries, and obstetrics and gynaecology were in their hands.

At the first glance it would appear that the position of women in modern France is intolerable. Technically speaking women, even at a fairly advanced age, cannot marry without their parents' consent: a married French woman may not open a banking account without her husband's permission, etc. Actually the position of Frenchwomen in politics and business is very strong indeed, which is why the "votes for women" cry fails in France.

When all this has been said, there are doubtless more opportunities for women to-day than ever before. In some ways men have gained freedom, and the women with them. Also Big Business encourages women workers, in order to cut wages, and to strike a blow at the home, always a bulwark against tyranny.

The real point for men, whether "conservatives" or "feminists," is: What possibilities lie in a woman's movement? What is the real, characteristic strength of the woman? And, if she increases her power, what will be the social effects? Some of us have imagined women fighting for freedom, truth, and beauty; crying out against war, insisting upon the termination of economic misery. Is all this a dream? Can women only imitate men's worst follies, and call the imitation their freedom? Most men are not antagonistic to a woman's movement: they would like to see one.

Notice.

All communications concerning THE NEW AGE should be addressed directly to the Editor:

Mr. Arthur Brenton,
20, Rectory Road,
Barnes, S.W.13.

Renewals of subscriptions and orders for literature should be sent, as usual, to 70, High Holborn.

Forthcoming Meetings.

The New Age Club.
[Open to visitors on Wednesdays from 6 to 9 p.m. at the Lincoln's Inn Restaurant (downstairs), 305, High Holborn, W.C. (south side), opposite the First Avenue Hotel and near to Chancery-lane and Holborn tube stations.]

The Films.

"100 Per Cent. Pure."

This film, which is making its debut at the Empire, is easily the most amusing and most entertaining picture to be seen during the present week. Its particular stars are Jean Harlow and Franchot Tone, and the rest of an admirable cast includes Lionel Barrymore, Lewis Stone, and Patsy Kelly, the last a newcomer with a very definite screen personality. Miss Harlow, who first showed signs of being a real actress in "Dinner at Eight," here shows herself equally at home in comedy and drama, a blend that, as in "The Thin Man," sets the note for the picture. The unusually good dialogue is by Anita Loos and John Emerson, and recaptures much of the quality of "Gentlemen Prefer Blondes." Jack Conway's speedy direction should be studied by our studios, and the editing is equally good.

"A Modern Hero."

The combination of Louis Bromfield as author, Pabst as director, and Richard Barthelmess and Jean Muir as players, sounds promising enough, but "A Modern Hero" is disappointing, even if it is a better film than the Leicester Square has shown for some time. Pabst is among the few really great directors, but this film could have been made by almost any fairly competent commercial producer, and is completely lacking in individuality. Too much use is made of close-ups, the circus background has been overdone, the action is disjointed and at times too slow, and the dialogue for the greater part commonplace. A production defect is also that the passage of time seems to work no change on the players. Richard Barthelmess is not well cast; in the second part of the film the role called for a Clive Brook. It is all the good that Hollywood should give us themes of the kind, but the endeavour is in this instance unsuccessful.

The Academy.

The Academy's autumn season opens on Saturday with "Ces Messieurs de la Santé," which satirises French financial methods. The principal character, that of a company promoter who serves a term of imprisonment and then tries to win back his reputation, is played by Raimu, who is already known in England through his admirable performance in "Charlemagne." The film has not been seen by the critics at the time of writing.

DAVID OCKHAM.

SOUTH HAMPSTEAD, NEW GROUP.

Will readers interested in the formation of a group in South Hampstead communicate with the undersigned.—B. H. Vos, Twogate Court, 21, Fitzjohn Avenue, Hampstead. Ham. 0165.

On Leadership.

Social-Credit nature abhors a Vatican.

In the realm of progressive economic theory there are no Popes or Cardinals. Nor any dictatorship but that of Reason.

Patronage is not leadership.

True leadership lies in personal initiative, implying the absence of centralisation.

Leadership calls for example and responsibility. The Leader does not give an order which he is not prepared to execute himself. Nor gives orders by implication—nor by proxy.

Would the Leader be a God-Hero? Then he must first suffer. "Safety first" never won beatification.

Goods Buy Goods.

A Continental reader sends us the following "criticism" of Douglas, which he states is the work of a Cambridge Professor of Economics.

That omnibus word "money" is responsible for a great deal of undesirable propaganda, I have made a collection of the various meanings the users of this word attach to it. They are set out as follows:—

1. Coins.
2. Chits for coins.
3. Imitations of No. 2.
4. Abstract exchange worth.
5. Trade indemnity risk.
6. Major Douglas' money.

There may be others which I may be able to add to my collection later.

The understanding of the first five meanings is straightforward, but I must say No. 6 eluded me for a considerable time.

I think, however, the image of money that Douglas has in mind resembles that of a picture of a pig walking up a ladder. Take a photograph of a pig, take another of a ladder, put both negatives together and print off a photograph of a pig walking up a ladder.

Applying this process to money. Take No. 1, Coins, then No. 5, Trade indemnity risk, and blending the two you get Douglas money. Hence arises the idea that (a) because coins buy things, and (b) because banks and traders undertake speculations, and so institute trade indemnity risks, and (c) because both (a) and (b) are called "money," therefore can create money in a way equivalent to creating coins.

Having got so far, meaning No. 4 is ignored, and it is thought that purchasing power resides *only* in coins. Hence it is not realised that what buys goods is other goods, and equally that coins are a special kind of goods.

So, owing to this blind spot, instead of realising the trouble as a block in the channels of trade, Douglas jumps to the conclusion that it is due to an insufficiency of trade indemnity risk.

His remedy therefore boils down to counterfeiting the coinage to encourage commercial gambling.

It is a pity, because it turns what might be a great help into a danger to civilisation. Douglas is attacking the fireman in order to quench the fire.

[The dictum that what buys goods is other goods is interesting. One must presume that goods we destroy (cotton, wheat, coffee, and so on) are the "goods" to be bought by "other goods," and the goods we keep "other goods" to buy the goods destroyed. Or perhaps the author means that all goods buy all goods, or ought to, but that when not, some goods will buy some goods if we destroy the rest. We see the idea dimly. If you destroy oranges you can make an orange buy more lemons. Then if you destroy lemons you can make a lemon buy more oranges. So you have only to destroy both fruits until you have only one specimen of each, and their reciprocal purchasing-power will be expanded to the dimensions of, let us say, a rabbit. Well; it's dogged as does it.—Ed.]

Coffee Destruction.

"The Brazilian coffee crop for 1933-1934 is estimated at 29,880,000 bags, of which 11,952,000 bags are designated as sacrifice quota. In other words, 40 per cent. of all the labour is wasted, and the crop produced by that labour is to be thrown into the flames." (*New Era*, Sydney, July 12, 1934.)

PROFESSIONAL ECONOMISTS AND SOCIAL CREDIT.

"Asking a professional economist in New Zealand what he thinks about Douglas Credit is like asking a barber what he thinks about the safety razor. If he expressed a view in favour of it, it would be attacking the very qualifications which enable him to earn a living. It seems to be recognised more in New Zealand than outside that there is no surer way to fame and economic security than by writing a book attacking Douglas Credit."—Col. Clousey's Evidence before the New Zealand Parliamentary Committee: printed in *Farming First* (Auckland, New Zealand), July 14, 1934.

LETTERS TO THE EDITOR.

MEAT PRICES.

Sir,—It is not generally known that a bullock weighing 11 cwt. or 88 stone alive, if it has been done well in its early stages, will weigh 88 stone dead. That is why live weight is 14 lb. to the stone and dead weight 8 lb., the dressed carcass coming out at the same number of stones.

As regards the subsidy, it is well known to all farmers that not a penny of that is meant to reach the farmers' pocket. The producer of beef has been losing money at a heavy rate for years and is in debt, directly or indirectly, to (a) the Agricultural Mortgage Corporation, (b) his Bank, (c) the Ecclesiastical Commissioners, consequently the subsidy is in aid of these three groups. It is a long story to prove that solvent banking means insolvent farming; only last week our local paper reported an inquest on a farmer who ascribed his desperate act—suicide—as due to pressure from his bank manager. So necessary is it that the farmer must not make a profit, any profitable crop is penalised. If I put 100 acres down to potatoes I am fined £5 an acre for my trouble.

V.I.90.

Sir,—Mr. Lawrence MacEwen, terms the beef prices quoted by me in your issue of August 9 "misleading" and "not strictly accurate." The figures showed official market prices and prices quoted by retailers on the day on which I wrote.

Your correspondent states that recent Smithfield prices have ranged from 6½d. to 9½d. a lb., according to cut. Retail prices go up to at least 2s. 8d. a lb. In other words, some economic magic in the process of transference from market to consumer increases the value more than three times.

Mr. MacEwen's own figures thus bear out my contentions that:—

1. There is an excessive discrepancy between wholesale and retail prices.
2. While English beef is a luxury, the producer obtains such an unremunerative price, that the Government has found it necessary to subsidise him.

I am in cordial agreement with your correspondent's assertion that "the butchers know how to take care of themselves." So do the market middlemen. So do not the farmers and the public.

VERNON SOMMERFIELD.

[Our Correspondent seems to be chasing the red herring of profits.—ED.]

ANSWERS TO CORRESPONDENTS.

Shortage of Purchasing Power.

F. R. (Kent).—Your correspondent's letter to you which you sent us has been returned as requested. His objection to the A + B analysis is on the usual lines, and will be found to have been dealt with in several expositions of the Theorem, including that of Mr. Adamson (see last week's Supplement to THE NEW AGE), and more particularly in that of "M. A., Cantab," reprinted this week. We add a few remarks elsewhere, but these must be read in conjunction with the expositions just cited.

The Social Credit Movement.

SECOND PHASE.

Supporters of the Social Credit movement now affirm that:—

1. An error has been proven in the cost-accounting of Industry and the Book-keeping of the Banks.
2. This error is the strength of the "law" which creates poverty, insecurity, and crime.
3. The error is infallibly proved in the Thesis and Theorem of Major Douglas, most particularly in his first-published work, "Economic Democracy."
4. It is, consequently, an urgent matter of public and personal importance that this "law" be resisted so as to secure:—

- (a) Public admission of the error;
- (b) Restitution of citizenship duties;
- (c) Release of His Majesty's Judges, Civil and Military Services from the compulsion of its repressive mechanical control.

L.D.61.

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Published by the Proprietor (ARTHUR BRENTON), 70, High Holborn, London, W.C.1. (Telephone: Central 8470), and printed for him by THE PRESS, LIMITED, Temple Avenue and Tudor Street, London, E.C.4. (Telephone: Central 3701).