

THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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NOTES OF THE WEEK.

On the orthodox economic theory the duty of a Chancellor of the Exchequer to balance his Budget ought not to present any difficulty at all, no matter how great the total sum of money involved. According to this theory all disbursements by the State come into the hands of the community. Therefore the taxes necessary to balance those disbursements are recoverable from the community. The only task that the State has to face is the technical one of adjusting the incidence of its taxation to the incidence of its disbursements, so that individuals who receive most, pay most. The whole point of the theory, however, is that the community collectively are in possession of a taxation *fund* exactly equal to the amount of the Budget-expenditure that must be balanced.

The same theory is held in regard to industry itself. All disbursements made by industrial enterprises are supposed to come into the hands of the community, and to be available for industry to collect through prices. In this connection the State is an industrial enterprise fulfilling the same functions as any other. The State employs labour; buys material; constructs buildings, plant and equipment; provides goods and services; and also handles the products of private enterprise. In short, it is both manufacturer and middle-man. It differs from private enterprise only in the sense that it does not charge a profit. It "balances its Budget"—which is to say that it prices its goods and services at cost.

It would appear then (as it actually does to the Socialists) that if the State expanded its activities on this price-at-cost principle the concurrent increase in Budgetary estimates would not matter. The State might in theory absorb all private enterprises, and itself provide everything required by the community; in which case its Budget estimates of expenditure and receipts would be equal to the total income and expenditure of the community.

But the Social Credit analysis has proved that under the existing system of cost-accounting (which of course the State adopts in common with private enterprise) consumers collectively never possess sufficient money to meet costs. So if the State became sole manufacturer for the community and sought (as it would) to recover all its costs in taxation (for prices and taxes would then be one and the same thing) it would fail to do so. That is to say, it would be unable to balance its Budget. Its failure to do so would be inevitable, notwithstanding that it would have legal powers of compulsion over all its customer-taxpayers. No lawgiver, judge, policeman, or warden can extract money from people who haven't got it.

It is not difficult to imagine the effect on public opinion of a situation like this. While at present the public witness without apparent surprise the phenomena of over-production, restriction of production, scrapping of plant, destruction of output, going on among private enterprise, they would certainly wake up were they to encounter these anomalies under an all-in State enterprise ostensibly selling at cost. For this reason the banking interests have discouraged the idea of nationalisation. It is not that complete, visible nationalisation would of itself destroy their power of control, but that the disappointments following its establishment would lead to an exposure of the fact and nature of their control. On the other hand they have no objection to an incomplete, partly-invisible nationalisation; because they are able, in the case of trouble, to set the State and private enterprise indicting each other with being the cause of it. Charges like "Capitalist inefficiency" and "Government Extravagance" are bandied about indiscriminately both as causes and as effects between business-men and politicians; and the real cause of the trouble remains buried under a mass of purposeless vituperation.

Again, a manifest and permanent inability of a State to balance its Budget means State bankruptcy.

Supposing a State to declare itself bankrupt, and remembering that in theory the State is the community itself, there would arise the necessity of inquiring who were the creditors of the State (i.e. the community). Such an inquiry would be innocuous from the bankers' point of view so long as there existed any business enterprises separate, or ostensibly separate, from State enterprises, who could figure as creditors. But it would be dangerous if the enterprises of the State comprehended everything, for its bankruptcy would then amount to the bankruptcy of a whole population, who would collectively be debtors—to whom?—and for what?

These considerations explain why it is that the more recent examples of centralised ownership and control over economic enterprises have been vested, not in the State as such, but in Public Corporations. These Corporations enjoy the same powers of exacting their price from the consumer as does the State, but with the difference that they are free from the responsibility to Parliament which Ministers of State have to bear. Whatever opportunity a Member of Parliament may have (and it is little enough) to mould the policy of a State enterprise like the Post Office, he has none when it comes to a Corporation like the Central Electricity Board. Though he might conceivably get the price of the postage stamp down from 1½ to 1d., he could not do the same with regard to a unit of current. The practical issue for the taxpayer is the loss of his control over price-policy.

In the earlier period of the agitation for nationalisation an objection of the capitalists was that it was not fair for the State to enter into their field of profit-making and deprive them of the reward of private enterprise. The advocates of nationalisation replied that this reward constituted an intolerable burden on consumers. Another argument of the capitalists was that State-enterprise eliminated competition; to which the nationalists retorted (a) that in many cases the capitalists had eliminated it themselves by forming combinations, and (b) that in any case the State would not make a profit and so the absence of competition would not be injurious. Both sides were partly right and partly wrong. Where they were both wrong was that they insisted on measuring the efficacy of nationalisation by reference to the disposition of profits, and ignored altogether the question of the accounting of the costs which had to be recovered before any profit at all was made. The fact was, as Major Douglas has demonstrated, that there was much more profit in the cost than was added on to the cost—the vital distinction being that the larger profit did not become an income to any individual to be spent, but became a repayment of a bank-loan to be withdrawn from circulation and destroyed. "Sound financial costing" involved a greater robbery of the consumer than did inordinate profiteering. The effect of the robbery is to keep money short generally: and the effect of a general money shortage is to put the population under the control of the interests who alone manufacture and dispense money. So the dominant preoccupation of the bankers is to maintain the existing system of costing. And the easiest way to do so is to get all enterprises merged into as few units as possible, each with a centralised costing-department presided over by an accountant trained and nominated by the bankers. This is what has been taking place in respect of the post-war Corporations; and it is virtually what has taken place in respect of purely State enterprises.

Now, going back to our earlier statement that there is a wide margin between the collective cost

of production and the collective income of consumers, it is clear that the larger the field of enterprise in which the cost can be compulsorily levied on the consumer the worse (a) for enterprises outside that field, and (b) for the consumers as a whole. As an example, taking token figures, suppose the total cost of products for sale be £100, and the total money of consumers is £70. Suppose that out of the £100 the State and Corporations want £40 and that private enterprises want £60. Suppose that because of their statutory powers or for other reasons the State and Corporations succeed in collecting their £40. Then the private enterprises can get only £30 against their cost of £60, whereas, on the figures, they ought to get £42. This illustrates the tendency of "public" enterprise to land private enterprise with a greater and greater proportion of the general money-deficit. Not only is private enterprise unable to get more than £30, but it gets bullied for trying to get £60. Naturally enough £60 looks more like profiteering when you have only £30 to spend than when you have £42. And so we get Food Councils and spring-like bodies (usually with a banker-president) springing up and calling for "fair prices" for bread and meat, and agitating for compulsory powers to impose them. The fact is that if the food trades were merged in a public corporation supplying goods "at cost" there would be no reduction in price but probably an increase. To "nationalise" them would help to give the game away as described above; and they are left uncontrolled in order that they may serve as lightning conductors for public discontent.

The bankers have no objection to "cut-throat competition" so long as only the private investor bleeds. But immediately the losses due to cutting prices begin to jeopardise bank-loans and overdrafts, or debenture-stocks in which the banks have placed money, that is a different story. They always appear on the scene before the bottom falls out of the market, as that Barclays manager told the Court on one occasion. The development of the Corporation-system enables them to be on the scene all the time, controlling costing and pricing, watching revenue returns, counting profits, dictating how much of the profits must go to reserves and how much doled out to the investor. And insofar as private enterprises are concerned they have succeeded in doing the same thing by getting Company-Law enactments passed compelling these to supply full information in a form in which they can use it for their own guidance.

In general then, the costing system automatically causes a collective shortage of money while the expanding bank-control of centralised industrial enterprise enables the banks to control the particular incidence of the shortage. Not only do they secure prior rights over the revenues and assets of enterprises which they favour, but they employ the legal powers of the State to secure for those enterprises themselves a prior picking out of the community's income. They safeguard their own position as secured creditors by making their selected debtors secured sellers. The neglected ones have to scramble to divide up what happens to be left in the consumers' purses.

The longer the flaw in the costing-system is ignored the worse will be the consequences. Every single invention adopted by productive enterprises to increase efficiency increases the burden of the money-shortage. Even if prices drop they become dearer because the dearness of a price is measured by the ability to pay it. And certainly the adoption of labour-saving mechanisms and schemes will expand most rapidly in those undertakings which the bankers

are administering. For instance, in the most improbable case that the centralised electricity authority prices its current at below the average of the prices hitherto ruling, the resultant saving to enterprises using the current will be more than offset by the economies achieved by the authority in producing it. For when a process which gives you a material at a cheaper rate also puts out of work a perceptible number of your customers what is the use of the saving to you? But as a matter of fact the prospect of cheaper current is not at all assured. There is a stage in the enlargement of a centralised producing unit when its economy ceases—quite irrespective of the flaw in costing, or of extravagant capitalisation. The whole country is being disfigured by overhead cables whose cost must be added to that of generating the current. Moreover, small but highly efficient and profitable local generating plants are being scrapped to clear the market for the bankers' undertaking. We know of one district where the municipal generating station has provided a good profit to the ratepayers for years past. We are waiting now to compare prices. The centralised price is, in our opinion, bound to be more for the reason that whereas the local Council who decided the old prices were themselves consumers of current, and directly represented their fellow-consumers with whom they lived in close contact, the Authority's price is going to be decided by officials who have no connection at all with any consumers—they will be Costing-Robots.

The immense strides in labour-saving inventions since 1914 account for the quick rate at which the financial problems of all classes of the community are approaching a state in which there will be a political crisis. It is significant to see in how many quarters during the last fortnight the incidence of the machine on employment has been discussed, and with what suddenness the Press seems to have called for articles and comments on the subject. One of the best was an article by Dr. C. Delisle Burns in *Nature* of January 25. Here are some points from it:

"In the Clyde engineering and shipbuilding trades the same production as in 1914 can now be obtained with only about 60 per cent. of the labour."

"... an engine was placed in a ship in one afternoon, which it would have taken three weeks, and perhaps six times the number of men to place in a ship in 1914."

"Seven men used to operate trains in the New York suburbs: now with automatic controls one motorman and one guard compose the crew." (Quoted from Mr. Stuart's *Men and Machines*.)

"The Boston and Maine railroad has a freight handling mechanism to take care of a million freight-cars a year. Switchmen and brakemen are eliminated. One skilled man in a tower directs the process. It saves the labour of four hundred workers." (Quoted as above.)

Dr. Burns points out that "The increase of productivity with less labour employed involves a decrease in the total of wages paid to the reduced number of workers; and wages are purchasing power. Therefore the power to produce is increasing by methods which themselves decrease the power to consume."

Again, speaking of employers who are rationalising their enterprises, he remarks:

"They tend therefore to aim in rationalisation at restricting the use of the new productive power to meet a shrinking market. Profits are thus secured by preventing the use of productive power. Not simply are 'less economic' enterprises closed down; but the whole of a great organisation may be used to cut production to the size of the market; and since less labour is needed every day, the market shrinks. Unemployment is breeding unemployment."

Dr. Burns does not say what is to be done about it. He mentions "the use of credit," instalment

buying, increased advertisement, and "a changed education" as means which "may be good or bad." All bad, we may tell him of them all: the first is not explicit enough, and the rest are irrelevant to his analysis. He concludes, however, with a sound reflection:

"Rationalisation in economic policy cannot omit to consider the needs which are not in fact 'effective demand'; for there is no reason to suppose that a 'hidden hand' will provide a market if we think only of costs and not of prices, and there is every reason to believe that we can, if we give our minds to it, increase the market to meet increases of productive power."

This passage follows a remark of his that "traditional economic science" may prove inadequate since it rests upon a "fatalism" with regard to the market which is the result of a neglect to study "consumption." We think that both in expression and implication these sentiments are opportune.

Dr. Julius Klein, Assistant Secretary of Commerce, and said to be one of Mr. Hoover's ablest colleagues, has been broadcasting to wireless listeners in America an assurance that labour-saving devices do not save labour. He did not say it like that, but that was what he said. Machines are "steadily raising standards of living." (So they are, potentially.) "Higher standards create fresh demands." (Read "fresh desires.") "The fresh demands will mean in turn new kinds of jobs." (Why not "new kinds of machines?") Dr. Klein's examples of the machine at its beneficent work are interesting:

"In the Middle West there is one huge plant filled with what is practically a single machine. It turns out completed motor-car frames, almost untouched by human hands, and supervising this vast automaton about 200 men are employed. Yet the plant turns out between 7,000 and 9,000 motor-car frames daily.

"Owing to machinery, the average American wage-earner produced more than half again as much merchandise in 1927 as he did in 1919.

"At the beginning of the World War one factory operative in the American razor-blade industry was turning out 500 blades. To-day in the same time he turns out 32,000.

"The hourly output of four-ounce bottles used to be 77. To-day it is 3,000.

"In 1925, one hundred men produced as many motor-cars as were produced by 272 men in 1914; one hundred refined as much petroleum as was previously refined by 183; one hundred produced as much cement as 161; one hundred produced as much iron and steel as 159, and so on down the line." (*Daily News*, February 6.)

The Correspondent in New York who sends the report adds:

Figures applicable to 1930 cannot yet be obtained, but no doubt the increase is very much greater at the present time than five years ago. Thousands have been displaced during the past decade, and their period of readjustment is often anxious, painful and distressing."

In America they delayed the shock on the employment market by cutting down the immigration of foreigners and extending instalment-purchase facilities to their nationals. In this country the Bank of England is tinkering with the second of these devices. But both here and in America the situation must produce either a tremendous increase in unemployment, or a drastic cut in wage-rates. If neither, then there must be a resumption in America, and beginning here, of credit expansion on the grand scale in some form or other for use as consumer-purchasing-power. But if so it will have to go on. The moment it stops there will be trouble, and the longer it goes on before it stops the greater will be the trouble. The only thing to do then, if the country is to save itself from a violent upheaval, is for the banks to write off their outstanding loans on consumption-account and thenceforth proceed to finance consumption on the principles embodied in the Social Credit Proposals.

About Things.

In the *Barnes and Mortlake Herald* last Saturday week I came across a letter in which the Douglas Credit Proposals were referred to. The letter was written in pursuance of a controversy with other correspondents about whose fault it was that the Labour Government had failed to cure or mitigate unemployment. One of them apparently had mentioned "Douglas" in an earlier number of the paper, and the writer now mentioned takes up the allusion with a remark to this effect: that neither Socialists nor Non-Socialists seem to understand the Proposals, though these have been "under the consideration of experts for some time." I do not know the gentleman (he gives his name and address) but what he says is true and I am glad that he is aware of it.

The Imperial Tobacco Company have paid a dividend of 23 per cent. free of tax for the year ended October 31, 1929. In addition £487,000 is added to general reserve, making it £4,500,000. A further sum of £1,176,000 is carried forward. The total amount distributed in dividends is about £9½ millions—an increase of £800,000 over that of the previous year. At first sight it looks healthy that against nearly ten millions distributed as dividends only about half a million is retained to increase the general reserve. (The carry-forward is practically the same this year as last, and therefore need not be reckoned in.) But whether it is healthy or not depends on how the ownership of the shares is distributed as between private investors on the one hand and banking, insurance and other large financial institutions on the other. Further, it depends again upon the question whether the private investors are free to spend their dividends or whether they have pledged their shares for bank-loans and overdrafts. It would seem extremely probable that the bulk of the shares of this enormously successful Trust are in strong hands; which means that only a small proportion of the distributed dividends becomes purchasing power in the hands of the consuming public. All the rest goes to increase the profits of other institutions; and such profits are in various degrees allocated to the reserves of these institutions.

A journal states that in accordance with the constitution of the Bank of England there is "not a single foreigner or the bearer of a foreign name" among the directors. A correspondent, who sends the cutting containing this information, seems to think that it contradicts what was said in this journal about the Bank's directorate some time ago. But the assertion was that the directorate was composed of three groups, two of which represented American and German interests respectively. Nothing was said about the nationality of any individual; for the question was irrelevant. The names of the directors were published in the article: so if anybody likes to turn it up he can form his own judgment as to whether any of the names are "foreign." But what does it matter? If THE NEW AGE gave false or misleading information in the article there was nothing to prevent the Bank from publishing a denial or correction at the time. At least, one director saw the article: it was brought to his notice immediately. While the silence of the Bank then and since does not demonstrate that THE NEW AGE was right, it certainly justifies every reader in adopting that hypothesis and using it as a basis of propaganda. If the result is to do the Bank an injustice the remedy is in its hands whenever it cares to say so. On this supposition one must assume that the Bank prefers to

suffer the injustice in silence rather than to give THE NEW AGE an advertisement.

Whoever composed the "Second Manifesto" of the Economic Party published on January 30 has bungled their case for "organisational unity." They say:

"We assert that when, in the past, any great social reform has been brought to a successful issue, it has always been necessary to build up and use organisational form and technique; and that no great social reform can be accomplished by haphazard individual initiative alone. It is, we contend, impossible to bring about what is certainly the greatest social reform ever contemplated—that of establishing the economic security of the individual—without organisational unity."

Addressed, as this is, to readers of THE NEW AGE, it constitutes one of the weakest recommendations of the principle of organisational unity that could have been formulated. For, not once, but repeatedly, THE NEW AGE has argued in so many words, that successful social reforms have been successful financial swindles. It is of course open to anybody to prove the contrary if he can; or, if not, to argue that the same weapons of form and technique that have enabled the bankers to win power can be turned against them. But to assume either proposition as being self-evident to readers of THE NEW AGE is to take for granted what is not only not granted but definitely contested.

HERBERT RIVERS.

Drama.

Forty-Seven: Stage Society.

Forty-seven is not a date but a number; the number borne by the most feared of British spies in Ireland. Nobody had ever seen him, yet every Irish patriot that Forty-seven said he would take was shot before the expiry of the notice given. From the little we saw of him in action it was amazing that nobody saw through him, or at least suspected him. He was, however, himself beloved as a patriot, the leader of all the committees, and the one man to escape every time a gang of which he was a member was rounded up. The audience met him just after circulation of his oath to capture the rebel O'Donoghue before Christmas. Forty-seven, to judge from the exploits shown, tackled everything he did as if he meant to make a mess of it, and he would surely have been unsuccessful had he not been English and had he been working anywhere but among the Irish. Interviewing O'Donoghue's sister for information purposes he fell in love with her. That he periodically gave lectures on the Shavian Gospel of Efficiency and on the disasters which attend the mixture of love and business, did not prevent his doing this, although one of his discontented subordinates, an English spy of Irish birth, and an old friend of the O'Donoghue family, was already madly in love with the girl. Forty-seven even used this sick dog of a spy as his dispatch-rider on the night O'Donoghue was to be captured, and left him alone with the girl long enough for him to give the whole game away. Unhappily for weeding the inefficients out of the British secret service, Kitty O'Donoghue refrained from killing Forty-seven when she had him completely in her power. She, with the romantic generosity of the Irish, believed that she could serve love and Ireland at the same time, in spite of her lover being an English spy. So Forty-seven killed O'Donoghue, and left Ireland and the miserable Kitty for America, where he no doubt had something to do with the inquiries which preceded the debt-settlement, and where he was not so lightly treated by the American women. There are thrills as it contains hardly come off.

The first act is too slowly preparatory, and such

certainly thrills in the second and third acts, to which one might perhaps have given one's self up but for the fact that the play was a production of the Stage Society. That some of the thrills were a little unorthodox, and that the prophecies of the magazine-story experts in the audience were wrong, leave one wondering nevertheless why the Stage Society chose the play. Every member of the society present must have expected something totally different, something that would have illuminated the psychological relationships of the English and Irish during the troubles, and certainly not a spy play, the scene of which might as well have been anywhere else as Ireland. Just occasionally the master-spy and Kitty O'Donoghue had a passage on the subject of the imperial order creators versus the parochialists and distributists, when one sat up in anticipation of significance and the reason for the play's selection. But nothing more came of it. There is a story in Sir Nigel Playfair's book about a man who set out to see "Abraham Lincoln" at the Lyric, Hammersmith, and who, unwittingly entering the King's, Hammersmith, spent the rest of the evening bewilderedly trying to reconcile what he was seeing with what he had been told of the "Abraham Lincoln" play beforehand. The tradition of the Stage Society caused me to feel rather like that man at the performance of "Forty-seven."

Mr. Colin Clive's excellent performance as Forty-seven had no doubt benefited from his military experience in "Journey's End." As Kitty O'Donoghue Miss Mary Grew seemed far from happy. The part alternated between dupe and foil for Forty-seven, and brisk Irish patriot with uncommon brains, and the actress failed to bind the two into one character. Two first-class studies of parts not well furnished with material were given by Mr. Reginald Smith as the landlord of the Drumcondra Tavern, and Mr. George More O'Farrell as the O'Donoghues' butler. But the author did not treat any part really well, except that of Forty-seven; he was far too intent on his plot to the gross neglect of his characters.

Long Live Death.

Mr. Peter Godfrey's recent production of the old melodrama, "Ten Nights in a Bar Room," rendered the production of a melodrama by himself of considerable anticipatory interest. This was increased by Professor Allardyce Nicoll's lecture the other day on Shakespeare and melodrama, in which the lecturer looked to the melodramatists for the vitality which was lacking in the romantic Shakespeare imitators. Experience of Mr. Godfrey's melodrama, however, did not make Professor Nicoll appear any better a lecturer. Simply, there is no modern melodrama, and Mr. Godfrey's piece does not supply the deficiency. The present day equivalent of the melodrama is merely the thriller. The difference between the two, for me at least, is that melodrama is the poor relation of tragedy, or pain for life's sake, whereas the thriller is the poor relation of art for art's sake, that is, excitement for excitement's sake. Within the range of its limited vision melodrama is serious; it presents the suffering which goodness has to bear in carrying its cross to its inevitable triumph over wickedness. Melodrama is the theatrical reflection of puritanism in which present suffering draws a dividend hereafter. The thriller is merely a reflection of anarchy, of the individual's right to the whole province of experience if only vicariously, and certainly without any moral purpose whatever. The lack of spiritual purpose goes without saying. Mr. Godfrey's melodrama is more occupied with metaphysics than with morals. But even the metaphysics are dominated not by life, but by Mr. Godfrey's desire to perform producer's conjuring tricks. Dr. Kubin and Professor Buysman have discovered

between them how to separate the soul from the body, and one of them is keenly in pursuit of power to render the soul independent of the body, and thus immortal upon earth. Experimenting upon a young dramatic critic and a girl with a longing to experience for literature's sake, Dr. Kubin arranges for the girl's de-spiritualised body to murder Professor Buysman while her discarnate soul, looking precisely like her body except for an angelic expression, attends a meeting of the Spiritual Adventurers' Society and thus provides an alibi. Dr. Kubin is ultimately killed, because, in the final separation of his own soul and body, his assistant bungles the electrical operations.

It is easy to accept Mr. Godfrey's explanation that the soul takes the form of the body as a result of association; Swedenborg and the theosophists, if not the modern holists, would doubtless agree. But in Mr. Godfrey's play clothes have souls also, which is not explained. Moreover, living people have souls, but not dying people. After Buysman was murdered, surely his soul, on Mr. Godfrey's metaphysics, should have continued to take part in the play. Granted, however, that Mr. Godfrey has the right to dramatise the separation of body and soul without waiting for the metaphysical issue to be decided. It then becomes purely a Maskelyne and Devant affair, the test of which is the sleight of the performer's hand. Does he hypnotise the audience until it is under the command of the illusion? In one of Theophile Gautier's novels where two men exchanged souls for a consideration offered by one of them who wished to enjoy the mistress of the other, the trick was done so effectively that the reader spent days afterwards in ridding himself of the illusion. In Mr. Chesterton's "Magic," in spite of nobody believing that the conjurer could turn the doctor's red lamp green to the satisfaction of a sceptic, the illusion is nevertheless carried off successfully. Mr. Godfrey does not achieve it. His piece at no time causes the audience to forget that it is witnessing theatre tricks and not magic. The fault is that of Mr. Godfrey, author; Mr. Godfrey, producer, and the actors under his producer's baton, are in good form. Mr. Godfrey's own Mephistophelian Dr. Kubin, Mr. Eric Portman's dramatic critic whose urbanity almost shames the profession—not by caricature but by good example—and Dorothy Black's Carol Hume, the girl who murdered on one half of the stage, and lectured on the unsoilable purity of the soul on the other (a double, by the way, and simultaneity would have been better) were all of them exceedingly well done; and Arthur Goulet as Dr. Buysman gave a beautiful character study that really belonged to the realm of melodrama rather than that of the metaphysical thriller. Miss Josephine Middleton doubled Mrs. Buysman and Mrs. Mogford, a London landlady, and performed both excellently. Indeed, Mr. Godfrey's "Long Live Death" is a piece all the parts of which are good, but which as a whole is not a credit to the tradition of the theatre which he has created.

PAUL BANKS.

DINNER.

The Dinner to welcome Major Douglas back from his world tour will take place on Friday, March 7, at the Holborn Restaurant. Further particulars will be given next week.

Money is born—in a Bank.
 Money moves out of—a Bank.
 Money functions in commerce under its arbiter—the Bank.
 Money returns to—a Bank.
 Money is inert—asleep—in a Bank.
 Money moves its quarters—in a Bank.
 Money dies—in a Bank. R.I.P.

E. A. D.

Adler in Practice.

Students of psycho-analytic literature will agree that the most instructive sections are the actual analyses and case histories set down for illustration. Dr. Adler now presents a book* consisting entirely of such illustrative cases, a description of the patient's condition being followed by a summary of the analysis and result. Each case is dealt with very briefly, but the explanatory comment enables the reader to understand the process in every instance. The book has been edited by M. Philippe Mairet, who is well-known to readers of THE NEW AGE, and who is to be unreservedly congratulated on the clearness and simplicity achieved. Dr. F. G. Crookshank contributes a substantial preface in which the underlying philosophical assumptions of Adler's "individual psychology" are brought into relation with modern philosophical tendencies as manifest in psychology in general, in other services, and in the attitude of the developing modern consciousness to all the problems of social life.

It would serve no purpose to attempt quotation of cases. The student is best advised to go direct to the book. In the course of study a vast number of observations and deductions which can be tested by experience on the formative influences on individual character can be garnered, together with many hints on the education of children so as to avoid both the rebelliousness and authority-defiance of the hated child and the dictatorial desires of the spoiled child. In addition, as though set free by the fact of speaking of patients and cases rather than about his system, Adler answers, with his characteristic finality and simplicity, the questions asked by earnest students who fear that individual psychology might merely repair misfits for a static although condemned civilisation rather than fit them to develop their civilisation as well as themselves. Adler makes clear, for instance, a distinction between the will-to-power, which is the motive force of every human being, as expressed by the "normal" (*from the individual psychology standpoint*) and the abnormal; the normal expressing itself in actions inspired by feelings of regard for fellow-creatures, and the abnormal in a demand for superiority over them at any price, even to the extent of becoming ill or helpless so as to compel others to fill the rôle of submissive servants.

When a person has become so neurotic that he has either elected or been persuaded to receive clinical attention, the clinic is the right place for him. But individual psychological cases throw great light on the character-traits of normal persons, indeed, of whole communities; and every "normal" person should recognise an obligation to correct character defects which render him less a socially useful human being. In the omnipresence of such traits among Europeans, and especially among the English, it is possible to observe the social harm done by the acceptance of unrestrained individualism as a rule of life. Possibly the most significant fact in the growth of individual psychology as a system, not mentioned by Dr. Crookshank in his preface, is this political one. For some generations it has been practically agreed that, human nature being what it was, immutable and damnable, only institutions could be improved. To keep down crime the police should be swifter, larger, and have more extensive powers; to keep the House of Lords in order, since an effete aristocracy has no character, it was deprived of control over funds. Special regulations as regards Government contracts and mem-

* "Problems of Neurosis." By Alfred Adler. (Kegan Paul, 8s. 6d.)

bers of the Commons were to prevent corruption there. Impersonal, competitive examination was to prevent favouritism in the Civil Service. Yet it became obvious by the end of the war that the most perfect accounting, auditing and detective system is no substitute for personal integrity; that, in short, character values are vital to social life, however near to perfection civilisation may approach. Increasing freedom implies increasing self-discipline, which is the condition of freedom. Freedom, indeed, is implicitly bound up with character-values, that it may not be abused. As freedom cannot be granted without confidence that it will not be abused, so confidence that it will not be abused cannot be gained without a measure of freedom. The ready acceptance in earnest of individual psychology for normal persons by, for example socialist bodies on the Continent, signifies a new factor in Socialism; a recognition that "the administration of things only and not of persons," as Socialism has been defined, requires as a complement that the person should be fitted to "administer" himself. Politically, therefore, individual psychology signifies a new synthesis of antitheses in attitude, as social credit signifies an economic synthesis between production and distribution. One of the objections to a more lavish and less externally regulated distribution of producible commodities is that, human nature being what it is, character could not stand it. This antithesis between character values and the provision of Utopian conditions was a bone of contention between Mr. Belloc on one side and National Guildsmen on the other. Mr. Belloc predicted failure for any attempt to establish the Kingdom of God on the ground that man, not being angels, were sure to fail in it. And he demanded a social system adapted to human character traits as we knew them, propounding Distributism. If it can be shown, as Adler is undoubtedly showing, that anti-social traits are due to faulty upbringing and education, the statement being capable of clinical and educational demonstration, both the anticipated failure of Utopia and the "human nature" case against setting it up are forestalled.

Freedom, in conjunction with individual psychology, becomes an intelligible term. Hitherto in education it has been a psychological misunderstanding. Certain people suffering from the faults of their own upbringing, nursing the grievances of hated children with the memories of Victorian parental perfection, authority, and puritanism, wanted to save other children from their own misfortunes, and believed, without fully daring to practise, the notion that children resemble the buds of flowers, which nature, whatever that may be, since frosty years vary from warm and wet ones, would mature without parental intervention. Adler begins the systematic study, hitherto left to conflicting intuitions among essayists and propagandists, of the sort of human being we wish to cultivate to live in the sort of society we wish to build. In short, he provides the conscious response to something vaguely felt and hitherto not quite conscious. The saintly but infeasible ideal, that necessarily broke down unless the aspirant abandoned the world, gives place to the feasible ideal of the social man. The swimmer is free of the water when he has mastered the strokes. The bird is free of the air when it has learned to fly. In both cases there is a power from within fully responsive to the laws without, in such a way as to achieve its own purposes. The citizen is free of the city when he respects its laws, and the apprentice becomes "free" when qualified to become a journeyman. This is the only sense in which the word "freedom" can mean anything practicable and intelligible, and not merely as a shibboleth.

R. M.

The Application of the Price-Factor.

Most Credit Reformers are familiar with the logical and mathematical analysis of the economic system which demonstrates that the "Just Price" of any article or service for ultimate consumption is a fraction of its financial cost as ordinarily computed in the ledgers of industry. That fraction has been shown to be $\frac{C}{P}$, where C represents total consumption of every kind and P total production of every kind over a given accounting period.

The general method proposed for the application of correct pricing is as follows:—All cost accounting would be carried on as at present in all businesses except in the case of retail stores or other establishments for the sale of ultimate goods and services to individual consumers. In these, the prices of goods, etc., would be reduced to $\frac{C}{P}$ times the total financial cost, including profits at all stages, and the loss thus sustained by the retailers would be made good by drafts upon the National Credit Account.

In addition, all business profits at every stage of manufacture or dealing would be limited to an agreed maximum—probably expressed as a percentage on turnover.

It should be noted here that this limitation of profits is necessary no matter what method may finally be employed to implement the Social Credit proposals. The books of every industrial firm or trading business would be open to inspection by Government-approved auditors, and any profits made in excess of the allowed maximum would be surrendered to the State in the form of an Excess-profits tax. It might be that competition between producers would keep profits within the limits allowed, but it would not be safe to assume this.

Let the above be called the Retail-Store Discount, or R.S.D., method.

Quite a number of difficulties confront anyone who attempts to construct anything like a general plan for applying this discount principle at the point of contact with the individual consumer.

Major Douglas's example of the sale of a 2,000 dollar automobile to a gentleman with a banking account is simple enough, but the procedure does not lend itself to the case of a passing stranger paying cash over the counter of a small grocer's shop for $\frac{1}{2}$ lb. cheese and three rashers. A discount counterfoil for a few pence, payable at a bank, is a rather clumsy "credit-instrument" under the circumstances.

The grocer in this case might, of course, ticket all his goods at discounted prices, and forward a claim for reimbursement periodically, but the checking and auditing of such claims would involve an amount of Government stocktaking at the end of each period which is a little staggering.

Again, it has often been pointed out that under this method there are many articles which are subject to a discount, but intermediate products under other conditions, and not so entitled. Coal is a good example: household coal would be sold at discounted prices, industrial coal at full prices. But take a case of a private individual buying coal or coke for heating his greenhouse. Suppose he grows tomatoes. Will his family consume them all, or will he retail his surplus to neighbours? If the latter, what proportion of the fuel is to be charged at the full price and what proportion at the discounted price?

Or, take the case of a "backyarder" who builds himself a chicken-house. How will he buy

his wood, glass, roofing-felt, nails, hinges, and other materials? Is he going to consume all the eggs his birds lay, or will he retail his surplus? If the latter, how much discount can he demand on his materials? How many forms and schedules will he have to fill up and sign before he gets delivery of stuff? The staff of Government inspectors and auditors required would go far to solve the unemployment problem in anything but a desirable way.

An alternative method, based on the fact that all costs are, in the ultimate analysis, labour costs—with two exceptions to be discussed later—appears to merit closer consideration than it has yet received.

Under this method, the "B" expenses of every manufacturing or trading business whatever would be dealt with as at present and accounted into prices in full. But the "A" expenses, omitting dividends, i.e., the wage and salary list, would be dealt

with otherwise. Only $\frac{C}{P}$ times this total would be carried forward as a cost into prices; the difference, $(1 - \frac{C}{P})$ times the total, being refunded to the business periodically as a draft on the National Credit account.

Thus every business would reduce costs; firstly, in its "A" expenses due to the direct discount allowed, and, secondly, in its "B" expenses due to the reduced "A" expenses of other businesses; and its prices would fall accordingly.

The final result to the ultimate consumer would be much the same as if full labour costs were charged at every stage and a final discount made at retail stores only.

The two exceptions referred to above are (a) rents, royalties, etc., and (b) depreciation charges. As regards depreciation, whenever accumulated charges are used to renew capital equipment they defray another mass of labour costs, rents and depreciation charges, and so on. So that, over a sufficient period, it may be said that all costs are simply labour costs and rents. What proportion the latter bear to the former is not known, but it is probably small, and could be allowed for by using a slightly lower $\frac{C}{P}$

fraction than in the case of the R.S.D. method. Let this method be called the Labour Cost Discount, or L.C.D. method.

The chief difficulties just enumerated in connection with the R.S.D. method do not arise under the L.C.D. scheme; and it seems probable that the labour costs of any business, under modern methods of time-keeping and booking, are the easiest to assess and the least open to possibility of fraudulent practice. The auditing of industrial accounts would entail very little more work than at present, and the individual consumer would be unaffected so far as his shopping methods were concerned.

Labour costs, under this scheme, would include Directors' fees and the large salaries paid to expert managers and others. In the case of a small tradesman, his labour costs would be the wages of his assistants plus a salary for himself as general manager. This he could fix at any figure he pleased, and claim the discount. If the figure were excessive, not only would he be charged income tax, and possibly super-tax, on it, but he would have to charge $\frac{C}{P}$ times this salary into competitive prices. So that he would lose business, and profits, if he fixed this figure too high. After all, even under a Social Credit régime, wages and salaries must presumably be left to the interplay of supply and demand.

In the case of professions, such as those of medicine, the law, accountancy, surveying, etc.,

started the central journal for Psycho-Analysis with Freud as co-editor, the breach with Freud began to widen from now onwards. He delivered a series of four addresses, entitled "A Criticism of Freud's Sexual Theory of the Psychic Life." Freud was sensible of a dangerous rivalry in Adler's method, which has the advantage of relating the psychic life directly to the physical and biological facts. To Adler, the consciousness of inferiority is due to organic defects, and all psychic disorder is of the nature of "over compensation" for the painful feelings which are caused by this sense of individual inadequacy.

In 1911 Adler and twelve other members of the Psycho-Analytical Association separated themselves from the Association, and formed "The Free Psycho-Analytical Society," later changing the title to "The Society for Individual Psychology."

In 1912 Adler published his standard work, "The Neurotic Constitution," followed seven years later by "The Practice and Theory of Individual Psychology." These works were followed by "Understanding Human Nature" in 1927, "The Case of Miss R." in 1928, and in 1929 "The Science of Living" (the English translation at present only available in America), and "Problems of Neurosis (A Book of Case Histories)." The last-named volume was written in the English language, and edited very skilfully by Mr. Philippe Mairet, who introduced many English readers to their first acquaintance with Adler's work by his own, "The A.B.C. of Adler."

The practical effect of Adler's teaching has been very considerable. Societies have been formed in many countries and cities, including London*, for the study and practice of Individual Psychology as a clinical and educational method, both by the medical profession and by private persons, especially those engaged in education of the young. There are thirty child-guidance clinics in Vienna alone, where free help is given to children, their parents and teachers, in dealing with all kinds of mental and emotional disturbances. Many of the larger towns in Germany carry on the same beneficial work under the guidance of physicians, who accept Adler's basic views on the nature of psychic illness and the means of cure.

For several years Adler has visited the United States of America, where large numbers have flocked to his lectures in some of the principal cities. At the request of Columbia University in New York, the first clinic in America for the practice of Individual Psychological treatment was opened there, in 1929. And this has been followed by a similar institution in Detroit.

A considerable literature in exposition of Individual Psychology has already appeared in Germany, much of which, but by no means all, has been translated into English; and the International Society for Individual Psychology publishes a large collection of technical papers in the monthly "Zeitschrift," which has a world-wide circulation and keeps all branches and associated societies in touch with the development of the science and its experimental application.

LETTERS TO THE EDITOR.

THE ECONOMIC PARTY.

Sir,—The current issue of the NEW AGE (Feb. 7, 1930) demonstrates more than ever, if possible, the need for organisational unity of Social Creditors. Sir Oswald Stoll is organising, the British Commonwealth League would seem to be still active, and I know that at least one "Socialist Credit Reform" organisation exists. In addition we have criticism of, and doubt regarding, finance on almost every hand. Nowhere, however, do we see a clear analysis and synthesis, but in the announcements of the E.P. The NEW AGE must always be a paper for specialists (unfortunately from one—the financial—aspect). The ability of the E.P. to "broadcast" obviously depends upon members and finance. Given that, it seems to me that it would be able to manoeuvre a great deal of prevailing dismay into Social Credit channels. Other organisations may become very active and vociferous, but do they know what to do about it? The E.P. does. Its political technique is the equal to Social Credit financial technique. Membership and active support of this party cannot limit in any way active personal propaganda. Those who know me would probably agree that I have been as active as most in this direction, and continue to be so. We must all, however, have a clearly defined objective, and the E.P. supplies this. As for leadership the E.P. has shown that it can lead and, notwithstanding the existence of the democratic complex, only leadership can deliver the goods. The

*The Society's London address is 55, Gower-street, W.C.1.

absence of leadership is preparing the grave of parliamentary governments—even "the man in the street" senses this.

Might I appeal for support of the Economic Party?

JOSEPH O'NEILL.

Sir,—Major Douglas's views on the question of Organisation are so important that your readers should, as it seems to me, be informed concerning them with as little delay as possible.

At the M.M. Club, the other night, he made them quite clear. He is of the same opinion still as he was after the Swanwich debacle some years ago—that any organised movement is inadvisable and *would** even be distinctly harmful. The suppressed forces, here and all over the world, are so near, he thinks, to a great explosion, and the time required for any success in organisation would be so immensely long, that any such effort is quite useless. Moreover, we should be attempting, on a ridiculously small scale, to match ourselves against the most enormously powerful organisation the world has ever seen.

So the only way is for those of us who are in touch with any of the powers that be to go on attempting permeation, and for the others of us to do nothing.†

I am not writing now to argue the matter, but merely to report, and I can trust you, sir, to put right, in a note, any statement that you think I have incorrectly made.

PHILIP T. KENWAY.

[* The word "would" should read "might."
† We presume that this conclusion and the paragraph in which it appears are intended by Mr. Kenway to express the construction which he places on Major Douglas's remarks.

With these two reservations Mr. Kenway's letter seems to be an accurate summary of the point of view which Major Douglas has held since the question of Organisation was first raised and debated several years ago.—Ed.]

Sir,—I agree with your reply to Mr. Hargrave's letter. His last paragraph is too rich for words—a fine example of the political technique he would have Social Creditors adopt under his leadership! Only Mr. Sorabji could comment satisfactorily on the presumption and crude egotism of it. It is unfortunate that Mr. Hargrave's cleverness and love of word-play are getting the better of him, for his desire to get to action probably has more support than he thinks. He must try to be great, and not so clever.

FROTHBLOWER.

Sir,—It is obvious to me that Mr. Hargrave cannot now write either a letter or article on the Economic Party, in view of the Editorial footnote appended to his letter of February 6, since any utterance of his on this subject would appear to be stirring up those very "personalities" which he states he is determined to avoid.

As the organising secretary of the Economic Party I consider it my duty to write correcting the grave allegation contained in the footnote. You state that "according to our knowledge those who are holding aloof from the E.P. are doing so mainly because they are not sure what it is they are asked to buy." I wish to draw your attention, sir, and the attention of any of your readers who may hold similar views, to the four full-page advertisements of the Economic Party which have appeared, in paid advertising space in your journal. Since the publication of the Central Committee referred to above, certain members of the footnote have conferred together, and have examined these four documents with a view to discovering any kind of obscurity or any possible implications that might lead to misunderstanding or mistrust. We find that no organised body ever stated its aims and methods in clearer terms.

The four published documents of the party—"The First Manifesto," "The Groundwork," "The Plan of Action," and "The Second Manifesto"—state precisely what the party stands for, and how it proposes to attain its objective. The party does not stand for anything not publicly stated.

Those who hold aloof may do so because they do not understand, but it may be that they hold aloof because they

C. I. HUNT.

(Organising Secretary, Economic Party.)
[If Mr. Hunt will refer to our original footnote he will see that it was a commentary on Mr. Kenway's plea that "mere personalities" should be "put aside." All that we said was that if there were any danger of "personalities" arising the responsibility lay with the spokesmen for the E.P., because of the provocative nature of some of their writing. The matter is purely a domestic one to be resolved by themselves. Mr. Hunt must not construe us as objecting to the provocation or even as ruling out personalities.]

Far from it. Even a storm in a teacup may stir up some sugar.

With regard to the obscurity or otherwise of the E.P.'s published announcements of its objectives and aims, the proper judges are not those who drafted them but those to whom they were addressed. Mr. Hunt gives expression to the suspicion that the persons of whom we spoke are holding aloof from the Party, not because they do not understand, but because they do. Well; suppose he is right: what on earth is to be done about it? The only way to get them to join would be to scare them in. It will be better for Mr. Hunt to adopt *our* diagnosis of their mental condition as a working hypothesis. He might usefully learn a lesson from the *Referee's* scheme. This journal proposes to start an agitation under the slogan, "The nation's credit for the nation," and invites people to subscribe to a four-million-shilling (or is it forty?) fund. It says that if in a certain definite time it collects sufficient money to justify a start on the campaign, it will start. If not it will give up the idea and hand back the money. Now, every potential subscriber knows pretty well the methods that the *Referee* will use if it raises its money—they will be the orthodox methods of agitation. So he knows what to do about it.

In contrast to this the Economic Party, which has been in existence since December, 1928, and which has been addressing the Social Credit Movement in advertisements and articles for more than six months, is still visibly dissatisfied with the results in membership and subscriptions. Yet nobody has the slightest idea what estimate it has formed as to the minimum membership and fund required to try out its proposed methods (also not specified), or any one of them. It seems to be saying that if any member of the S.C.M. stays outside the Party he will crab the whole show. We suggest that the proper thing for the E.P. to do is to say what is the minimum amount of money with which it can make an experimental trial of its method. The financial credit of the S.C.M. is not indefinitely expandable (even if it is not actually contracting) and it is no use for the Movement to enter into fresh expenditure unless on some enterprise which will at least pay its way by tapping the pockets of people outside the Movement. The only alternative would be that of "rationalising" the Movement by closing down THE NEW AGE and setting free its cost for some preferable object. This is the brass tacks of the dilemma.—Ed.]

Sir,—I wish to correct a printer's error which appeared in my letter of Feb. 6. "Classification of ideas" should have read "clarification of ideas."

JOHN HARGRAVE.

COXCOMICALITIES.

Sir,—The following extract is from an article in the "Sunday Times" by Mr. Harold Cox:
"The developments which have taken place in machine production sometimes even enable one man to do what twenty (men) were required for in the last generation. Consequently, we have the curious problem to which *no one seems to have given sufficient attention*, that the world's power of production has outgrown the world's capacity for consumption." (My italics.)

Murder will out! It is no longer a secret—Mr. Cox has discovered "the curious problem" that Production has outstripped Consumption! Has the venerable "economist" (unfortunately, the limitations of the English language oblige one to use that word) never heard of the Douglas analysis? Or is it rather that Mr. Cox's pretended ignorance is because his financial associates require him to disdain all mention of the New Economics? If a professional "economist" affects to make such an obvious discovery ten years behind the times, how long will it be before the Douglas formula shall displace the Cox fatuities? S. C.

MR. HATTERSLEY AT HULL.

Mr. Hattersley, M.A., LL.B., of Swinton addressed the Hull Fellowship of Debate on Wednesday evening on his book "Men, Machines and Money."

There was an excellent attendance, Mr. T. P. Millard was in the chair.
To an audience uninitiated in the "Social Credit Proposals," Mr. Hattersley briefly, but very clearly, outlined the chief points.
A very lengthy discussion followed, and so much interest was displayed that it is almost certain that a group will be formed for the study of the "Social Credit System." It is requested that anyone interested will communicate with Mr. Nicholson, 63, Hawthorn-avenue, Hull.

ENGINEERS AND CREDIT REFORM.

The Council of the Institution of Production Engineers at its meeting recently passed this resolution:

"That the Council of the Institution of Production Engineers welcomes the decision of the Government to appoint a Commission representative of the interests of industry as well as banking, to inquire into the question of banking policy.

"It trusts that steps will be taken to secure that the flow of bank credit will in the future be regulated according to the relation of productive capacity to real demand, as distinct from monetary demand, and will not be governed, as at present, by the erratic production and movements of gold following from accidental discoveries, and from fluctuations of the exchanges which may be due, as during recent months, to merely speculative money market transactions."—*Sunday Times*, October 20, 1920.

"For example, within twenty miles of where I write there is a cotton company nominally capitalised at over £7,000,000, controlling more than 17,000 looms and over 1,000,000 spindles, whose latest balance-sheet shows debenture charges of one sort and another amounting to nearly £1,000,000. For eight years it has not paid a penny of interest. On the Stock Exchange its £1 shares are valued in pence, and, to those who know, are probably overvalued at that."—Benjamin Bowker, author of *Lancashire Under the Hammer*, in an article in the *Daily News* of January 10.

"Unfortunately there is a very large degree of disagreement as to the steps which are likely to achieve the desired end. The industrialists themselves are no less divided on the subject than the politicians, but they will find much in the address which Mr. Thomas gave yesterday to Manchester business men which they can wholeheartedly endorse. He is no apostle of reliance on Government support for extrication from every difficulty."—*Financial Times*, January 11, leading article on Mr. J. H. Thomas's speech on unemployment.

"Mr. Thomas frankly admits that if the problem of the export trade were left to a Government he would have no hope. All that the Government can do for itself; but it is comparison with what business can do for itself; but it is too often difficult, if not impossible, to get from an industry a coherent idea of what may be done to promote its prosperity as a whole."—*Financial Times*, January 11, leading article on Mr. J. H. Thomas's speech on unemployment.

"It has on the whole, as we have said, been accorded with a great deal of freedom, and in that respect the statement by Mr. Thomas of authoritative City views broke no fresh ground. Its novelty and its value lie in the fact that, as he construed it, it offers an open invitation to business and industry to come forward with real schemes of organisation. It pledges them in advance the sympathetic consideration and co-operation of the City, and should help to give rationalisation the opportunity of doing what it may to remedy a state of things which all deplore."—*Financial Times*, January 11, leading article on Mr. J. H. Thomas's speech on unemployment.

"Mr. Pritt said that one of the odd things of our civilisation was that money was spent on films in times of depression rather than in periods of prosperity. People had to get something to take their minds off the depression. There had been cases in England, America, and Canada where periods of strikes and the most acute distress had raised the receipts of cinema theatres to figures never known before."—Counsel's remarks in law case reported in *To-day's Cinema* of January 24.

THE "NEW AGE" CIGARETTE

Premier grade Virginian tobacco filled by hand in cases made of the thinnest and purest paper, according to the specification described in an article in this journal on January 23.
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Readers, especially T.B.'s., will see in the above few lines more wonderful news than is to be found in many volumes on the same subject.

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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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