

THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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NOTES OF THE WEEK.

Lancashire and Japanese Competition.

On January 25 *The Times* published a leading article with reference to Mr. Runciman's visit to Lancashire to meet various sections of the cotton trade. On January 29 several hundred members of the Manchester Chamber of Commerce passed a resolution on the subject of Japanese competition, calling for "the initiation by the board of a common policy of a more publicly active character" in association with various trade and municipal authorities "interested in the prosperity of Lancashire." During the proceedings the attitude of the President of the Board of Trade during his visit was subjected to strong criticism; and so was *The Times's* article above mentioned. *The Times* replied to this criticism in another article entitled "Cotton and Criticism" on January 31.

Who "Inspires" Opinion?

Apparently the critics had linked up the first article, coinciding with Mr. Runciman's visit, with the views expressed by that gentleman, and had attacked it as having been "inspired by the Government." *The Times*, referring to this in the second article quotes the word "inspired," and adds the parenthetical comment: "whatever that may mean." If this is intended to suggest that the "inspiration" does not flow from the Government to *The Times*, that is true enough; and if the critics were better instructed in the subject of real government as distinct from its facade of political chance, they would not have left *The Times* the chance of making this effective retort. It would puzzle the most ingenious of them to construct a plausible case showing how any Minister of the Crown, or any group of such, could bring effective pressure, persuasive or otherwise, on the editorial board of *The Times*, even supposing that this board were autonomous. But it is not so far as major questions of high-policy are concerned—and particularly questions affecting fiscal policy—the editorial board of *The Times* are for all practical purposes a Bank-of-England Secretariat. In short, the effective editor is Mr. Montagu Norman. So anyone who aspired to inspire *The Times* would first have to

aspire to inspire Mr. Norman; and we would like to be shown any Minister of the Crown who seems at all likely even to nurse such an aspiration, let alone to be able to effect the inspiration. Scratch the Cabinet and you discover the Chancellor of the Exchequer: scratch him, and you discover the Treasury: scratch them and you discover the Bank of England: scratch the Board of the Bank and you find Mr. Norman. Alternatively: scratch the editorial board of *The Times*, and you discover the Committee which exists to ensure that the ownership of *The Times* does not "fall into the wrong hands" (i.e., does not express the wrong opinions): scratch that Committee, and you find the Governor of the Bank of England, who, by virtue of his office, is a member of it for so long as he holds that office. So, by both routes you come up against Mr. Montagu Norman. Nor is that the finish of the story. Another permanent member of the Committee is the Archbishop of Canterbury, Dr. Lang. Scratch either of these gentlemen, and you discover Mr. Pierpont Morgan, the associate of Mr. Norman in the shaping of international financial policy, and the mentor of the Primate on matters relating to the reconciliation of Christian with financial principles. Lord Halifax spent his life trying to reconcile Canterbury with Rome; but in the meantime there has been a reconciliation between Canterbury and the City—and the Cathedral might well be placed, in an allegorical picture, on a corner site at the junction of Threadneedle Street with Wall Street.

The essential truth of this analysis does not rest on our hypothesis, but on admissions from authoritative financial sources. Mr. Norman has himself declared the relationship of the Treasury with the Bank of England as the same as that between "Tweedledum and Tweedledee," while the *Financial Times* has affirmed the power of City financiers to "destroy the whole fabric of Government finance" by holding up "ways and means advances." So the Lancashire critics of Mr. Runciman and *The Times* need not look further for the explanation of the identity of attitude manifested by that Minister, that newspaper and the Government.

If they are able to grasp this they will recognise the significance of the arguments by which *The Times*

seeks to dispose of the allegation of "inspiration by the Government." They collapse under the weight of their irrelevancy; so we need simply recite them. As a preliminary it should be mentioned that what the critics resent is *The Times's* insistence that Lancashire is too prone "to look to the Government to save it from its many distresses" instead of "getting down to the indispensable but painful task of working out its own salvation." (January 25.) Here are the arguments referred to:

This criticism of Lancashire is not new; it has been repeated in *The Times* during the last six years.

It has been repeated by various bodies within and without the industry who have inquired into the cotton trade.

It was implied, for example, several years ago by Mr. Arno Pearce.

It was expressed on January 27 by the Chairman of Imperial Chemical Industries in his speech to the Birmingham *Jewellers' and Silversmiths' Association*. (Our italics. What a combination!)

The *Manchester Guardian*, in its leading article on the meeting referred to, January 29 [presumably under date of January 30], expressed practically the same criticism.

What "Inspires" Opinion?

Summing up, *The Times* says

"The facts on which it [the criticism] is based are so obvious that it requires no inspiration except that of common sense; and there would be nothing strange or sinister if the views of *The Times* should prove to be shared by the President of the Board of Trade.

The "facts" referred to are not recited. We can only consider them as comprehensively amounting to the truth that on the basis of existing costs of production Lancashire cannot sell its products at remunerative prices. The "common-sense" conclusion that Lancashire must work out its own salvation obviously means that Lancashire must reduce costs, for Lancashire has no power to compel buyers to pay higher prices.

* * *

The immediate inference is that the Government, that is to say, Mr. Norman (considered as personifying the banking hierarchy) has decided not to tax cotton imports. His decision is presumably related to certain of the "obvious facts" alluded to. And the approval of that decision by the various official and industrial investigators referred to is presumably based on reasoning from the same group of "obvious facts." But it does not follow that because facts are "obvious" they are unalterable. Nor is it true that, if unalterable, they are relevant to the conclusion. Nor that, if unalterable and relevant they comprise all the facts that are relevant. Unless all these conditions are met the conclusions arrived at will be wrong however sound the reasoning. Sound reasoning from a given group of facts leads the reasoners to identical conclusions, but the identity of the conclusions does not prove their truth, for it does not guarantee that the facts on which the reasoning was exercised include all the material necessary for getting at the truth. There can be such a thing as an honest arrival at an erroneous conclusion without the intromission of personal "inspiration" into the minds of the reasoners and the processes of the reasoning. The "inspiration" (or whatever you like to call it) lies in the selection of the facts to be investigated, ante-dates the investigation, and pre-determines the result. The only thing which would alter the result would be if the investigators questioned the selection. But if the critics of the attitude of the Government, Mr. Runciman, and other persons and bodies who have been investigating the problem will reflect upon the key individuals concerned they will see that they are types of men who would not think of questioning the selection of the facts on which they were invited to pronounce judgment. And if they do see it,

they will perhaps accept our suggestion that this was why these investigators were selected. In a law court the jury decide the cogency of evidence, but the judge decides its relevancy. And the principle holds in all these economic investigations—the investigators are the jury, and Mr. Montagu Norman is the judge. The industrial jurors "dismiss from their minds" (if in their minds) all those matters which are deemed irrelevant by the banking hierarchy. In the present case the thing dismissed from the minds of the investigators (if ever in their minds) was the idea that Lancashire was dependent for its "salvation" on efforts other than its own.

Self-Help Without Smiles.

The suggestion that Lancashire can get out of its troubles by its own efforts is also a suggestion that Lancashire has got into its troubles by its own efforts, or by its lack of efforts. Let us have a look at the troubles. The main source of them has been located, by common agreement, in the Far East, and, at the moment, particularly in Japan. Mr. Colin F. Campbell, chairman of the National Provincial Bank, on February 1, reminded the shareholders at the annual meeting, that

"the East . . . has forced itself upon our consideration owing to the competitive power that its low standard of life and wages, backed by machinery and mass production, gives it in the markets of the world."

Very well; in what way has Lancashire contributed to bring about this situation?—and in what way can Lancashire alter it? In seeking the answer to the first question we must define the meaning of "Lancashire." We will define it as comprehending all industries associated with cotton. They fall into two main groups, (a) those manufacturing cotton for sale, and (b) those making cotton-manufacturing machinery for sale. Now, supposing there had been no outside world—no "Far East"—then the Lancashire machine-makers would have adjusted their production-programmes at even pace with the requirements of the Lancashire cotton-makers, and the twain would have become one flesh in the state of economic wedlock. But the machine-makers did no such thing. Having fulfilled the home demand, they went on to dump machinery in all parts of the world, whence the money was forthcoming to pay for it. Thus there were two Lancashires, pursuing diametrically conflicting objectives—engaging in an economic civil war. They probably did not realise this at first; but in any case they would not have been able to prevent it. The only power of preventing it lay in the hands of London financial institutions whose policy made this civil war inevitable. The two Lancashires have now become companions in a common misfortune they will profit by the circumstance to unite in an all-Lancashire campaign against the Money Monopoly.

* * *

They must do it the right way, however; and that way is, initially, to challenge the financial hierarchy (a) to bring forward technical arguments proving the alleged necessity for Lancashire to submit to "painful" processes of "salvation," and (b) even if these arguments should establish a presumption that the salvation must be "painful," to show in what way the salvation is going to evolve out of the pain. The first challenge calls for the verification or otherwise of the second of so-called "scientific" financial theory: that process, alternatively, calls for the verification or otherwise of the hints dropped by financial spokesmen that prosperity is attainable by efforts compatible with the retention of the aforesaid axioms as over-riding laws. In short, is it possible for any industrial system to make sound recovery under the laws of what is called "sound finance"?

The Answer to the Government.

As has been seen, preparations are under way for the formation of what we will call, and hope will be,

United Lancashire Cotton Movement. It is apparently designed to embrace industrial masters and men, municipalities, and so on whose interests and efficiency are dependent on Lancashire's prosperity. But unity on a representative political basis is useless without unity on a positive policy. Without it, the wider the representation the less its force, because of the greater number of divergent interests involved. To organise the voicing of a general feeling of grievance is futile, no matter how many people take part in the shouting. And to enter a concerted defence to the vaguely-formulated reproaches of the cotton industry which have caused resentment is little better, because it is practically impossible to construct such a defence without raising points which adversely reflect on different sections of the cotton industry, or on industries other than the Cotton Movement. For example, the leaders of the Cotton Movement could not make use of what we have written above and say: We are all in trouble because some of us have been exporting machinery which is now competing with us. If the statement went no further than that, the machine-makers would naturally be offended, and would be able to enter the plausible plea that their activities as exporters had indirectly helped Lancashire by contributing to general employment and distributing wages and dividends to potential buyers of Lancashire's products. Apart from that, the defenders of the Government could retort with the question: "Well; what do you want us to do about it? Buy back the exported machinery?" And they would at Mr. de Valera, namely, that they were fuddled by ancient history.

Banks as Competitors of Industry.

No; the correct policy is to deliver a counter-attack, and to deliver it in the precise place where the attack came from. It could begin by asserting that the indictment brought against Lancashire, and the advice offered to it, embodies the interested opinions of a private enterprise which is in competition with Lancashire—and not only with Lancashire but with all other private enterprises put together. This seems a wild statement to make, because it is a matter of daily experience that the Bank of England and its Big Five satellites can say with more or less truth that they lend money to any enterprise which offers suitable security for the loan; and they can urge that, as loan-issuers and do not compete with it. So far they are entitled to their point. But, besides being loan-issuers—and being cause of it—they are loan-retainers; and it is in the timing and the technique of the retirement where the effective competition with industry comes in. The timing enables them to intercept and collect money put into circulation by industry; and the technique destroys the evidence that they have collected it. The key processes here are "interception" and "deception." The term "interception" refers to the fact that a certain proportion of the money which it is necessary for industry to collect as sales-revenue if it is to recover its costs in full is diverted into the hands of the bankers before industry can get it in that way. The term "deception" refers to the fact that the money so diverted is not recorded as revenue in the bankers' books; it is not recorded at all; it is cancelled. "The repayment of a bank-loan destroys a deposit" (Mr. McKenna). It is not asserted that loan-retirements should not cancel deposits as a matter of general principle. The assertion is that, under existing rules of accountancy and conditions of industrial finance, deposits should not be irrevocably cancelled to the full amount of the loans repaid. The only circumstances which would justify the practice of 100-per-cent. cancellation would be those in which the sum repaid to the bank wholly represented revenue derived from sales to private consumers, and also represented the recovery of actually-expended industrial costs to the same sum.

Primitive Finance v. Modern Industry.

Those circumstances do not exist. If they did it would mean that the quantitative rate at which concrete wealth was passing into the possession of consumers for private use was equal to the quantitative rate at which concrete wealth was being brought into existence. It would have meant, for example, that at the time when the factories in Lancashire were being built, the consuming public had somehow or other been able to buy the bricks and equipment, divide them up, and take them home in the same periods and in the same measure as the loan-credits employed to finance the building were being repaid to the banks. If that could have happened, the bankers' procedure in destroying the repaid money would have been perfectly correct. For the consumers would have made away with the factory; hence the banker could properly make away with the deposits. No wealth retained in industry—therefore no need to keep any money in circulation to buy it.

But for the very reason why 100-per-cent. cancellation would be correct in these hypothetical circumstances it is manifestly incorrect in the actual circumstances of modern capital development. And it is significant to notice that the banking hierarchy, who propose to retain this cancellation-procedure, are giving Lancashire advice which, if it is carried out, will tend to bring into actual existence a state of affairs much like the hypothetical circumstances just outlined. Lancashire, they say, must reduce costs. The method would be some form of rationalisation. Factories would be scrapped at the expense of shareholders and disemployed workmen in order to enable others to do more trade under their fixed overheads. Now such scrapped factories are, for all practical purposes, non-existent factories. The cotton-gentry and cotton-operatives who have lost their money in them may be considered as having bought them to take home—consumed them. Having no use for them, nor any means of dismantling them, nor any money left to acquire them even at rubbish-prices, they leave them where they are, and may think themselves fortunate that they are not requested by the bankers to pay storage-charges on them. They would be little worse off, looking back, if they had originally bought the bricks and looms to amuse the children, instead of "investing" in "cotton-property" to earn an income. Thus the perpetuation of an obsolete system of credit-technique is stultifying the achievements of applied science and destroying their fruits before our eyes.

Cotton and Building.

The Lancashire Cotton Movement, as we are calling it, need not itself take the responsibility of engaging in technical arguments on credit-finance. Its leaders will not be competent to do it. But they are able to use their influence to provide openings for those who are. For instance, *The Times's* shrewdest stroke at the recent cotton-interests was to remind them that their own paper, the *Manchester Guardian* (in the sense that it circulates in the distressed area) takes sides with the Government. The proper reply is for the leaders to invite that newspaper to give its reasons, and to undertake to publish criticisms of them. A united Lancashire Movement could reasonably ask for at least a page a week being given up to this subject. The existence of the Movement would be, in itself, sufficient assurance to the editor that the subject would be a live topic. There are several aspects of it that might be discussed. For example, the reason might be asked why and how the boom in the building industry started. Why should it be such an urgent matter to get everybody into a new house and not into a new shirt? The answers to the question would arouse the active interest, not only of cotton-interests, but of all industries which seek avenues for selling clothes and materials for making them. Did the building industry get on its feet by its own efforts? If not, how was the boom made possible? Was it by Royal and Ecclesiastical public denunciations of slums? Or was it the outcome of a private decision by bankers

to finance housing schemes? The answer is not difficult to answer. The housing industry would not have commenced operations without an assurance that it would sell the houses, which means, since the prospective buyers have no money, that the price would be paid by building societies backed by insurance and banking interests. For our present purpose all three can be designated the Credit-Combine—for they are all interlocked. The procedure of the Combine can be illustrated in principle as follows. A building company borrow £4,000 from the Combine. With this they put up ten small houses in, say, three weeks, using part of the money to advertise the properties and exploit the home-consciousness created by the oratory of the Prince of Wales and the Bishops. The houses are priced at, say, £520 each. Directly the company get someone to sign a document undertaking to buy the house, they can go to the Combine and collect, say, £500. When all the houses are sold (and in lots of cases they are all booked before they are built) they clear a cool £1,000 after repaying the Combine, and have no interest in whether the buyer repays to the Combine the contracted price for the house. What has happened in principle is that the Combine have hired the builders for a fee of £1,000 to construct houses. This fee is virtually a subsidy. The builders incur no risk at all, and no responsibility further than that of supervising the construction. Therefore "Confidence" and "Enterprise" are manifest in the building trade. But they are there as a consequence of the subsidy, not as the cause of the recovery.

Now Lancashire would be just as willing to show enterprise on the same terms. But it is considered out of the question to let Lancashire have a subsidy. Lancashire is not asking for a subsidy in form, but is doing so in effect. For if any tariff is put on to protect Lancashire the British consumer of cotton goods will have to pay for it. That is the argument that the Government can use. But Lancashire is entitled to point out that the Government have imposed the same obligation on the public in respect of housing. For there is no difference between the ultimate incidence of the charge incurred by giving the building companies a profit and that of the charge that would be incurred by enabling Lancashire to raise prices. The charge in either case would have to be met out of the subsequent incomes of the community. (To students of the fundamentals of the credit question this line of criticism will appear superficial; but it would help, if publicly canvassed, to open up investigation of the deeper issues of which they are aware.)

The Church and Unemployment.

The Archbishop of York, Dr. Temple (see *The Times*, January 23, page 9), has issued a letter on unemployment. Unemployment, he says, is a "curse." Not so much because of the physical hardship to which the out-of-work and his wife and children are exposed, but because of the moral inferiority that he feels in the reflection that society has no use for him. The problem being a moral one the remedy must be moral. Accordingly Dr. Temple advocates the following three things:— (a) Keeping juveniles at school until fifteen or over; (b) providing "courses" (of training) for unemployed persons under eighteen; (c) Providing facilities for the use of unoccupied time by unemployed adults.

In brief, a system of "providing" something or other to keep people busy is to be devised as a subsidiary to the employment system. And what is provided must be something which restores to John Smith that sense of self-esteem which he loses when he loses his job in industry. That is to say, it must seem like a job—it must give him the feeling that he is earning his keep. The people who prescribe his tasks must seem like employers.

As a background to this moral programme the Archbishop's Statement accepted the proposition that un-

employment was going to be a permanent phenomenon. It also expressed the sentiment that poverty amidst plenty was a fact which ought not to be, and was a challenge to the Church; not that the Church, as such, had a remedy to suggest, nor in fact that it was the Church's function to deal with remedies.

The intention behind the proposed supervision of unemployed persons' spare time may be quite sincere, but it is based upon a misapprehension. Further, the proposed system can be easily exploited in quarters where Social Credit is opposed. If supporters of Social Credit who are Churchmen care to lend their general support to the above programme they should nevertheless be on the watch lest the system of providing "courses" and "training" becomes a sort of re-employment system. It is hard to see how John Smith, if he is dominated by the urge to be useful to society, is to be satisfied unless in return for his keep he performs tasks which he is accustomed to regard as socially useful. We suggest that, if he is dominated by this idea, his criterion of "use to society" would be that the service he contributed had a value measurable (not to say recoverable) in price. Of course, not all recognised services to society are priced in a commercial sense (e.g., services in the Army, Navy, Police, etc.), but they are presumed to be worth paying for, and are paid for in taxes. Thus they are "respectable." The problem, then, is to find John Smith some task outside industry (where he is superfluous) and presumably outside the public services (for the same reason) which shall still flatter his touchy self-esteem.

But why? The straightforward way in which to put John Smith on good terms with himself arises logically from the technical facts which the Archbishop's Statement cites—viz., the high capacity of machine production due to advances in scientific discovery since the beginning of the Industrial Revolution, or, as a profound mind would urge, since the beginning of the Social man's conscious enquiry into the laws of nature. It should be to tell him all about what is called in these Credit writings "the cultural inheritance." A simple method of bringing this home to any individual in these days is suggested by an analogy once used by Henry George in *Progress and Poverty* when he was attacking Malthusianism as a false theory for accounting for poverty. He took the favourite contemporary argument, which ran like this: A man and his wife might have two children. If both children ultimately married there would be two couples. If each of these two couples had two children, and these four children ultimately married, there would now be eight children, and therefore eight fresh marriages and sixteen children, and so on. Having stated this case, he re-stated it in an inverse sense, viz.: that every person had two parents, and each of these two parents had two parents, and so on back to the beginning of time, when the number of man's ancestors would work out greater than the capacity of the world to hold them. He pointed out, of this *reductio ad absurdum*, that the fallacy lay in man's ignoring the fact that the genealogical structure in man's pedigree was of the pattern of lattice-work. Take any point of intersection in the middle of a piece of diamond-work and you can trace lines back or forward in divergent directions to infinity. Each line is itself constantly intersected by other lines; and all the points of intersection, taken together, represent a false answer to the question of how many people contributed to the distant future. Every generation of people shares its ancestry and also its descendants.

The bearing of this analogy applies to John Smith and his use to society. Not only is he a co-sharer in a general inheritance rightfully belonging to the com-

munity of which he is a member, but he is in his person bound to be in direct line of descent from some person or persons unknown who contributed in their time to the progress of science which has made this inheritance a fact. For example, take the unknown person who discovered fire, or him who first discovered the wheel, or the lever, and epochal achievements of that order. After that, consider the innumerable discoveries made during the succession of epochs opened up by these achievements. Then come to the present time and take your John Smith, and in imagination ascertain what his father did, his grand-father, or his great-grand-father, and so on; and sooner or later you must come upon a person to whom society owes tribute for a personal contribution to the world's capacity to produce wealth. In other words, *contemporary society owes John Smith something in respect of his ancestor's benefaction.* John Smith's absent-minded acceptance of the contrary idea is something to be cured, and not something to be perpetuated by prescribing him new services to society as the discharge of a debt which does not exist.

It is irrelevant to say (even if the Statement were true) that the tasks prescribed can be pleasant, or even that they are identical with those which John Smith would perform by his own volition if left alone. The whole point is that the prescription itself is an illogical restriction of personal initiative.

So far as we know, the Church has never pronounced against the pension paid to the descendants of Lord Nelson on the grounds that they were not performing services in return for this income. Therefore, seeing that every John Smith can trace his descent from a "Lord Nelson," the same encouragement should be tendered him to hold his head up when he holds his hand out for his National Dividend.

The Archbishop declares that ninety-five per cent. of the unemployed are only too willing to work (Labour-Exchange officials' testimony cited). He seems to be arguing that, because of this, they will be ready to prove their willingness by performing prescribed tasks. The performance will equip them for life in a "more justly ordered society." Without knowing what the general one that the experience of *managed leisure* does not seem an appropriate preparation for the free expansion of individuality. We must wait to learn more about who is to manage the leisure, and how, and to what end.

The Bishop of Durham's Lament.

While the Archbishop of York is diagnosing unemployment as a moral problem, the Bishop of Durham is attributing it, together with other problems, to "weakening of the sense of individual responsibility" among our rulers. There were "not enough upright, independent, courageous individuals who can be trusted to work the highly complicated machine of civilised society." How far was it possible "to acquire the bold and masterful habit which made men willing to accept responsibility, daring enough to take the initiative, and brave enough to run great personal risks?" The only clue to the purport of the Bishop's lecture (St. Andrew's University, *The Times* February 2) lies in its title, which was "The Analysis of Leadership," and in the statement that "democracy" appeared to be on the brink of "moral bankruptcy." Here is the old story once again—morals the prime cause, morals the ultimate effect, and morals, morals, morals everywhere between. There is not the ghost of a hint that material, deterministic factors enter anywhere into the processes of causation according to Dr. Henson's analysis—and therefore it comes as an opportune justification of the "Notes" we recently published on "pseudoscience." Uprightness cannot achieve natural impossibilities. No ruler, even at "great personal risk," can

"run" society straight with a loose steering-wheel, or run it at all on a mixture of water and petrol. Why is society a "complicated machine"? Why should "personal risk" be incurred by those who would "work" it? What element in it calls for masterful treatment? The answer is that there is a mechanical defect in the money-system. If it is not corrected, the psychological conundrum will continue to resist all attempts to resolve it. And if the Church will insist on seeking causes in moral obliquity, then let her direct her efforts to the regeneration of the Money Monopolists.

"Paris Concierges' Revolt."

"NO INFORMATION FOR TAX-COLLECTORS." "A ray of hope has dawned for income-tax payers of Paris, whose traditional immunity is more and more threatened by official inquisitions. The concierges' union has called upon its members to refuse in future to give information to the tax-collectors' inquiry agents about the circumstances of the tenants under their care. The motion passed by the union is as follows:—

"To protest against the indifference of the Government towards those modest and diligent workers, the doorkeepers and concierges, the union calls upon the 80,000 concierges of the Paris area to refuse in future their assistance to the financial administration by declining to give information to the tax-collectors' agents who question them on the financial standing of their tenants for purposes of assessment.

"The motion was passed by acclamation. The comment of one Paris newspaper is 'Bravo, the concierges! Your turn, tax-collectors!' From a rather different point of view, a well-known French politician, speaking of the financial crisis to an Englishman, recently said: 'You see, in your country, when a man cheats the tax-collector, you expel him from his club. In my country we stand him a champagne supper. Alors?'—*Times*, January 30, Paris Correspondent.

O'Duffy Wants Damages.

General O'Duffy has filed a claim on the Free State Government for compensation for illegal arrest and false imprisonment, and may bring an action for damages if a settlement is not reached otherwise. (*Evening News*.) This is exactly what was to be expected. O'Duffy is an unwitting tool in the hands of a bankers' Annuity Recovery Corporation. They encouraged him to go and challenge arrest at Westport in order to place the Government in the dilemma of having to accept the challenge as it did or of condoning bluish recruitment and parades, and thereby alienating its own supporters. This new move is the same trick in another form.

Poultry in Australia.

"So serious has become the plight of poultry farmers through low prices of eggs that the Federal Government has been asked to subsidise export. The petition was made by the Egg Marketing Board of N.S.W. in an endeavour to stave off an absolute market debacle. Local prices are the lowest for a quarter of a century, and are fully 2d. a dozen below the cost of production. Three-fourths of N.S.W. output is being exported, and shipments will easily be a record. Ruin confronts the majority of producers, and the small man is in danger of extinction. The Egg Board, which is receiving most of the eggs, claims that a surplus of 8,000 cases a week will exist next month."—*The New Era*, Sydney, 9-11-33.

The Norman Fortress.

"It will be easier for a criminal to pass through the eye of a needle than to break into the new Bank of England. The huge structure, situated in Threadneedle-street, in the very heart of the city, will for all practical purposes be the strongest fortress in the world when it is completed. Bombs will not be able to harm it and high-explosive shells will be useless against its walls. It will be at least another three years, however, before the reconstruction, which began in 1925, is completed. The work was calculated to take twelve years and cost approximately \$25,000,000. About half the work is finished, which includes the domestic part of the bank. This work includes a wonderful kitchen, dining, library and other rooms for the staff. The kitchen which has installed all the modern appliances, cost \$200,000. The bank even possesses a wine cellar filled with liquor to the value of \$150,000—for the benefit of the governors and other officials."—*The Comet* (Nigeria), January 6.

Towards Social Credit.

AN INTRODUCTORY ESSAY.

By W. T. Symons.

The Modern Social Dilemma. II.—Historical.

We have seen that at every point the difficulty is financial and not physical—goods, transport, ability, labour; all are ample and indeed superabundant. Consequently it is necessary to observe the rise of the controlling system and its principle. "The Capitalist system" commenced with the breakdown of Feudalism. The rapid destruction of the medieval trading principle of *The Just Price*, and of sanctions by the Guilds against regraters, fore-stallers, and other anti-socially disposed persons, could not be held when the middleman or merchant intervened between direct producer and direct consumer. The way was thus prepared for the substitution of price being "What it will fetch," with a minimum sufficient to cover all costs.

But with the use of mechanical power the financier became the dominant figure, since considerable time and expenditure began to occur between the commencement and the end of industrial process.

The goldsmith had become banker; the banker had the monopoly of creating credit; credit was essential during the long process of production, to pay for material, plant, and labour. Hence by the time the industrial revolution was well under way the banker had become master of the situation. Nor was even the pretence long maintained that the banker only lent what was lodged with him by depositors. Clearly, and later admittedly, the money advanced by banks was of their own creation, and upon its repayment it did not go back into the pool of available money, but was duly and properly cancelled out of existence.

The cancellation of the money, however, left goods into which it had been accounted, without purchasing-power in the hands of the public sufficient to distribute them. So long as production was on the increase, and an expanding market overseas could be financed to buy the large part unsaleable at home, the essential difficulty remained obscure, because more money could be created and lent by the banks.

With the permanent contraction of the overseas market (owing largely to the export of machinery whereby the former customers furnished their own requirements and even became competitors) and the decreasing distribution of income in the processes of production (owing to invention replacing men by mechanical power), the shortage of money has become the central difficulty; whilst even the postponement of deadlock by borrowing from the banks is reaching its term, owing to the mortgageable assets of the community being nearly exhausted as collateral for advances.

The system, therefore, is unable, within its own principles of creation and cancellation of money, to finance the distribution of the abundance which the concentration of monetary advances in *Production* has brought about.

For these reasons it appears necessary to consider the financial system associated with "Capitalism" as having run its course, and due for supersession as it previously superseded the medieval economy. It cannot implement Abundance, and it now operates in a very dangerous way by acting against the very momentum of productive power it served to promote. It is unbelievable that modern populations will submit to steady contraction in their access to the wealth they have created and could so easily increase.

The Modern Social Dilemma. III.—Principles of Change and Summary.

The principles of change which normal feeling, economic necessity and scientific advancement alike require, lie altogether outside the vexed arena of conflict between employers and employed, and can only be inaugurated by introduction of a modification in financial mechanism, supplementing the existing creation and cancellation of advances by the banks.

The withdrawals of credit, and cancellations of money, clearly coincide with the creation of material assets, bearing the repaid money as part of their prices. The material assets are proved public values, irrespective of their ownership, and therefore a proper basis for the issue by the State of money for their distribution to consumers, which it is not within the competence of the private financial system to provide. Indeed, the State credit for consumption has become an imperative necessity for maintenance not only of the economic structure but of the banks themselves.

This somewhat technical analysis of the needs of the moment is necessary because the modern problem is a technical one, and does not depend upon the personal dispositions of the persons operating the system at any given point—as labourers, employers, or bankers.

But the effect of the State *monetising* the accumulated powers of the people, as represented in the population and mechanical process of all kinds, would be revolutionary in its arrest of the present decline in personal security and well-being, and in arrest, too, of the dangerous provocation to international conflict which inheres in the hopeless struggle for an increasing export trade instead of and without an increasing home trade.

The raising of our own people from their poverty-stricken conditions by enabling them to enjoy a higher standard of living is the essential change, and the money system, being a purely artificial and highly ingenious matter of paper and ink, can be changed or supplemented immediately an aroused public opinion demands it.

The material "backing" for such money as is needed is already in existence, and devices for applying "consumer credit" can quickly be instituted in many ways: in relief of prices of goods; in relief of taxation; in relief of payment of pensions and public services by those who happen to be employed. The accumulated real wealth of a modern people is so great that the expression of a very small part in money would suffice to defray all public services without collecting the necessary funds from the personal incomes of the citizens—which leaves the difficulty untouched because it does not increase the aggregate purchasing power of the people.

SUMMARY.

Critical.

(1) The existing social system has become entirely controlled by the private money monopoly of credit creation and withdrawal operated by the banks.

(2) The system served to intensify production but does not contain within its design the possibility of serving to distribute the great abundance of goods it has promoted.

(3) The money system now operates to cramp the public enjoyment of the community's productivity to the scope permitted by the principles of its own survival, with exceedingly dangerous consequences, involving terrible distress to a great number of the population, and uncertainty of livelihood to nearly all.

Constructive.

(1) The principle must be established that every man is an inheritor of vast wealth and power created by all the labour and invention of his personal contribution to its continuance and extension to-day.

(2) Not only is this the human truth, but it is an economic necessity that administrative mechanism be established to give effect to it. For lack of such provision the industrial plant of the country is being wasted, the owners ruined, and the population degraded.

(3) No great political changes are needed, since the same instrument—the money system—which serves to cramp modern populations, can easily be used by the simple expedient of the State *crediting* the population with its increases of capital wealth at the same time that the private financial institutions are obliged to *debit* them.

(4) The expression of the "Credit" in money, as regulated as to reach consumers—(a) in reduction of prices of goods, (b) in payment of services hitherto

by taxation, (c) in distribution of some form of "dividend" representing subsistence without first collecting the money from the public.

(5) By this means the principle could be established that the real wealth of a period would be made available in at least a minimum standard provision for all citizens, on the basis of economic fact no longer falsified by the policy of restriction necessitated by maintenance of the present financial monopoly as the sole source of money.

(6) The opinion is expressed that no other reform of any moment can be achieved until this economic and human truth is established in contravention of the persistent lie we suffer under, that we still live in a state of scarcity.

Bankers and Premiers.

[The following is an article by J. Niven which appeared in *The Free Man* of January 13.]

The Press has recently contained many tributes to Sir Robert Gibson, a Scot, who rose to become Chairman of the Commonwealth Bank Board of Australia. There are two good reasons why the *Free Man* should provide the hospitality of its columns for reference to this redoubtable person. The first is that his actions justify every single word which has appeared in these pages regarding the autocratic power and the grossly selfish outlook of the guardians of the interests of sound finance. The second is that here is a perfect example of the type and character which finds high commendation in the chronicles of modern Government. In *The Scotsman* of 5th inst. we are informed that Sir Robert Gibson

saw clearly the hard road which he believed the nation must tread to avert threatening disaster and to win back prosperity. He stood over the politicians with a whip to keep them on that road, and drove back those who attempted to leave it. He lashed heads of Governments, assembled in conference, with scorn and invectives when they sought for an easier way. He confronted the Socialist Federal Cabinet and defied it. He consigned the then Prime Minister (Mr. Scullin) to the nether regions in his own sanctum, and he was unflinching in encouragement and help for Premiers treading the thorny path of financial rectitude.

"Australian development has owed much to Scotsmen. The bright pages in her short history are studded with Scottish names. To this Scotsman the debt of Australians is incalculable, and the high qualities which he devoted to the service of his adopted country were typically Scottish. Granite determination, forthright speech, stout refusal to compromise on matters of principle, were among them."

"When the economic storm struck Australia, the Left Wing majority of the recently elected Federal Socialist Government demanded currency inflation as an alternative to the severe curtailment of public expenditure otherwise required. Sir Robert Gibson refused it, and maintained his refusal in the face of sustained pressure and abuse. He insisted on retrenchment in all Government programmes as a condition of bank assistance, and kept on insisting till it was done."

In the course of an illuminating account of how this man, Gibson, succeeded in securing his reappointment for seven years, despite the known antagonism of Mr. Scullin and his party, we are informed that during an interview with Mr. Scullin "Sir Robert rose from his seat. He was a small, sparely built figure, and his brown face, grey hair, grey 'goatee' beard, and piercing grey eyes. He had a habit, when wishing to ram a statement home, of thrusting his face within a few inches of the man to whom he was speaking and staring into his eyes. He did so now. Also, on such occasions, the burr in his speech became markedly more pronounced.

"Mr. Prime Minister," he said, "you can go to hell, turned to the door and started to walk out."

"Mr. Scullin had to ask him to come back. When the interview was resumed Sir Robert Gibson told Mr. Scullin

flatly that he regarded his proposal as an insult. The Prime Minister expressed his regret, the banker then demanded an immediate decision one way or the other, and when he left the room his unconditional re-appointment for seven years had been arranged."

And so it followed that "as the depression increased, so did the clamour of the caucus for millions of printing press money. Ministers faced the position that without further bank help they would not have enough money to pay Civil Service salaries and old age pensions in full. Mr. Scullin was in England at the time. The Cabinet itself was now divided, with the inflationists in control, and they demanded a big increase in the note issue.

"You will not get the notes while I remain Bank chairman, and only three things can remove me," he told them. "One is my death, and I am going to live a few years yet. The second is my bankruptcy, and I am a rich man. The third is that I commit a crime, and it happens that I, gentlemen, am an honest man."

"Mr. Anstey was leading the inflationists. He was an emotional man, and had a command of language. 'You will print the — notes,' he exploded. 'Not one — note,' was the equally vigorous reply. 'The notes were not printed.'"

Truly, as Mr. Baldwin said recently, we have a wonderfully "free and democratic constitution," and the Scottish terriers as well as the bulldogs of the British Empire are ever faithful to their master's voice.

Curing Consumption.

By B. J. Boothroyd.

Let us get down to fundamentals.

It has been said that the ultimate purpose of the financial system is the Elimination of the Consumer. Many earnest seekers after truth find it difficult to accept this. Thousands of letters reach me by every post asking, in effect, "Can this thing be?"

Nevertheless, the studious mind should not find this impossible to understand. One cannot read the speeches of any great banker, statesman, or other expert without realising that the economic system itself, as well as the situations it creates, are the result of Cosmic forces.

It is well known that the causes of Cosmic events are so incalculable that they may be termed accidental. Scientists to-day are busy telling us that the Earth itself was the result of an accident, and that the verdict upon mankind is "Accidental birth." Bearing this in mind, it should be easier to grasp the fact, here published for the first time, I think, that the process by which the Elimination of the Consumer came to be the object of the financial system was purely accidental.

Many years ago a very great banker read in the papers about the terrible ravages caused by something called "Consumption, the White Scourge." He concluded that it referred to the consumer. He had heard of tuberculosis, but thought it meant potato-blight. He did not connect the word "consumption" with any disease of the human body, but thought it must refer to some economic defect. He was predisposed to this interpretation, because, being a banker, he was interested solely in people who borrowed, and did not concern himself with people who only spent. He immediately saw that persons who only consumed products but never borrowed for production fulfilled no useful economic function, and he was therefore ready to believe that the consumer was nothing but an impediment to the smooth working of an otherwise perfect system, and must be regarded as a disease of the social order.

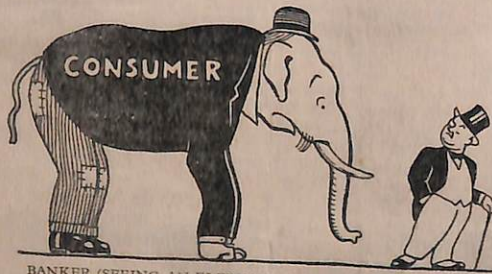
Being a banker, he therefore had a high sense of national responsibility. So at the next directors' meeting of the Bank of England he enunciated the primary object and principle of banking as the Elimination of the Consumer.

He pointed out that consumption was one of the greatest dangers to national stability, and that as the natural guardians of the nation's health, morality and

what not it was their duty to see that the consumer was given every inducement to die out.

Few of the bankers knew what a consumer was. Some didn't believe there was such a beast. They only knew that it was something to which no credit could be given, so they passed the resolution and called for lunch. Interesting—these little bits of banking history.

From this, all modern banking policy followed quite logically, based on the obvious intention of keeping money out of consumers' hands. It explains why money can be issued only for production but never for consumption, and why purchasing power is always kept short. Increased foreign lending is naturally the most important of all banking policies, because obviously the



best way of keeping money from the consumer is to send it out of the country before he can get hold of it.

Now, although the origin of this great principle was accidental, being due to a simple mistake, it was soon recognised by responsible people to be all for the best.

No serious student of politics will deny that the limitation of spending is the most effective way of keeping dangerous democratic tendencies in check, and that freedom of purchasing power is even more dangerous than freedom of speech, because people are more certain of what they want to buy than of what they want to say.

All good Fascists, as well as all others who realise that the mass of the people are incapable of controlling their own affairs, know that if once adequate purchasing power got into the hands of the consuming classes, immediately individual choice would become the directing force of national affairs and the whole structure of social life would be dictated by the taste and fancy of the common people. Hence the popularity, among would-be ruling classes, of such ideas as State Control of Production, as opposed to that of a National Dividend.

As I have always said, Douglas Social Credit must be suppressed, for it is nothing more or less than the Dictatorship of the Proletariat.

This principle is easily grasped if you cast your mind back to the days of your irresponsible childhood, when an adult would say, "If I gave you a penny, what



would you do with it?" You know that, however truthful you may have been up till then, your career as a liar began from that moment. And why? Because you knew that your ideas of consumption were contrary to those of constituted authority, and that free choice of

purchase was a challenge to authoritative opinion and sound principle.

It is the same with the economic system. If anarchy, red ruin and the breaking of laws can be expressed in one sentence, it is, "Freedom to buy what you like."

There is a persistent rumour that bankers depend on the public having a bit of money somewhere. That is a mistake. The ideal system, which we are steadily approaching, is one in which money will simply pass from bank to producer and back again. Such few consumers as remain (for odd jobs) will have their food and clothing doled out to them in camps.

It must be remembered that the object of banking is not, after all, to issue money, but to control the nation. Actually, to a banker, spending is a fearful waste of money.

Green Shirts at Southampton.

Mr. John Hargrave was the speaker at a public meeting held at the Watts Hall on January 26. The meeting was under the auspices of the Southampton Green Shirt sections, with whom the Association co-operated in organising and stewarding.

In addressing the audience of some 500 people, Mr. Hargrave commented upon the present economic situation, in which the majority of the population was in want, while it was possible, under a sane method of distribution, to supply all that could be desired. After giving examples of the progressive rate of displacement of labour by machinery, Mr. Hargrave briefly outlined the methods which would be employed under Social Credit for securing an adequate distribution of the goods which science had made available.

Reviewing the various political situations existing in the world to-day, the speaker expressed the belief that all industrialised countries would very soon find themselves faced with so great a problem that it would be impossible to cope with it on any orthodox lines whatever. Having regard, therefore, to the pyramidal structure of society, individuals would be forced either to the right as represented by the present financial system, or to the left and in support of Social Credit, which would offer the only alternative to a state of complete chaos. It was pointed out that it was a very definite duty of every Social Creditor to see when this point was reached that there would be no doubt whatever as to which course was chosen by the majority.

Mr. Hargrave dealt very ably indeed with numerous exacting questions which came mainly from the Communist element of the audience, many of whom on leaving expressed their appreciation of our views.

During the evening the Southampton Green Shirts, together with a detachment from the London Headquarters, took part in a demonstration march, which attracted much attention in the town.

Slums and Housing.

"If I were a slum-dweller, and had to choose between living in a dirty, unsightly house on the one hand and a new, cheap, rotten house on the other, in the one case with a certain amount to eat and in the other with less, I would stay in the slums. That is the position of the workers and of everyone else.

"... I suggest that until architects and others set themselves the task of investigating the mechanism and the public of which this position between the architect and the public is related to what I call an abstract financial proposition, of which, as a rule, they have no knowledge, all speculation by architects and resentment by the public regarding what they get is entirely beside the point."

(Geoffrey Mark in *The Architectural Association Journal*, January, 1934.)

Our Common Cultural Inheritance.

"Every ship that comes to America got its chart from Columbus. Every novel is a debtor to Homer. Every carpenter who shaves with a foreplane borrows the genius of a forgotten inventor. Life is a girl all round with a zodiac of sciences—the contributions of men who have perished to add their point of light to our sky. Engineer, broker, jurist, physician, moralist, theologian, and every man, inasmuch as he has any science, is a definer and map-maker of our latitudes and longitudes of our condition. These road-makers on every hand enrich us."—Emerson.

The Irish Production-Census.

By H. Neville Roberts.

(Author of *A Free State in Fetters* and *The Breaking of the Bonds*.)

We have in the Irish Free State a Statistical Survey Department of the Civil Service which is said to be one of the most efficient in the world. Some little time ago the Government ordered the Department to compile what has been called a "Census of Production." The term is somewhat misleading, for the statistics demanded include what is, in fact, a census of the income distributed among the community through wages and salaries, together with the price valuation of the goods produced. An initial instalment of these returns, covering five groups of industries, has just been published—the first authoritative figures of the kind, as far as I am aware, to have been thus disclosed to the public. They are worse, which, of course, is to say better, than the most optimistic advocate of Social Credit would have been inclined to suggest seriously to an audience half-heartedly willing to be convinced against the "better judgment" handed down from an age of death that begat the vice of thrift.

Here, then, are the newly-published figures, which are for the years 1929 and 1931, and cover the whole of the Irish Free State.

Group of Industries.	1929		1931	
	Value of Output	Wages and Salaries	Value of Output	Wages and Salaries
Mines and Quarries	199,412	128,933	209,903	122,069
Printing, Publishing, Bookbinding & Engraving	1,794,007	850,163	1,883,867	900,339
Papermaking and Manufactured Stationery	174,007	59,724	213,677	68,125
Fertilizers, Chemicals, Drugs and Paints	731,841	151,167	602,856	155,705
Bread, Biscuits and Flour, Confectionery	4,714,969	1,140,170	4,077,931	1,151,837
TOTALS	7,614,236	2,330,157	6,988,234	2,399,675

It may be assumed that the "Value of Output" figures are assessed in wholesale prices, and it should be noted that profits or dividends are omitted from the figures under "Wages and Salaries." With the exception of these minor discrepancies, which are on opposite sides of the account and may come very near to cancelling each other out, the "Value of Output" is the price demanded from the community and the "Wages and Salaries" figure is the purchasing power distributed to the community in respect of the productive activities of this comprehensive group of industries in the years 1929 and 1931.

The Meaning of the A + B Theorem.

By A. F. W.

Using Major Douglas's introduction and definitions. The only channel through which purchasing power reaches consumers is an A payment. But, an A payment cannot be made without adding its value to the total of costs chargeable against purchasing power.

As purchasing power is spent it cancels some portion of this total of costs. But not necessarily its equivalent value. The difference may be used as Capital within industry or to repay a bank loan.

Also, purchasing power may be saved as capital by individuals.

These two processes operate to such an extent that there is virtually no carry-over of purchasing power, while there is a huge carry-over of costs against work-in-progress.

An A payment adds its equivalent to current costs and therefore can do nothing to reduce this carry-over of costs.

Consequently the total value of the carry-over of costs must eventually be provided in some form other than A payments in new production if the whole product (old and new) is to be purchased.

Not all at once: But as the finished products come on the market. The purchase of these products will be made partly by the current A payments for new production; and provision need only be made for the balance; i.e., the amount by which the costs of the products coming on the market exceed the current A payments in new production.

In other words, we require a fund of potential purchasing power to be carried forward against the accumulation of costs carried forward, and to be released as required without the creation of new costs.

The Films.

"Fraternally Yours." Metro-Goldwyn-Mayer Production. Directed by William A. Seiter. Empire.

"Song of the Plough." Sound City Production. Directed by John Baxter. Empire.

Laurel and Hardy rank with Chaplin among the few film actors who should never be allowed to talk on the screen; their miming needs no spoken word. Chaplin, in his honour, has resisted the temptation; Laurel and Hardy have been compelled to talk, although their producers have for some time been wise enough to give them scenarios that are not "one hundred per cent. all-talking." The art of these two comedians belongs to the period of the old Keystone "silent shorts," and they have never been so successful in their full-length pictures as in two or three-reel films. Partly, that may be due to a lack of writers and directors capable of constructing a farce that will hold the attention for an hour or more, but another reason is that the best Laurel and Hardy films are built up round a single, slender incident or idea. Their full-length pictures overwork the idea, which is artificially padded out to regulation length, with the result that they lack the spontaneity, or seeming spontaneity, that is both the characteristic and the virtue of the best Laurel and Hardy.

"Fraternally Yours" is no exception. Its plot could have made a twenty or thirty minutes' entertainment, but it has been stretched almost to breaking point in the attempt to spin it out to sixty-five minutes. There is a certain amount of mild satire—much of which must necessarily be lost on the average English audience—at the expense of such unconsciously funny institutions as the Elks, Kiwanis, and Knights of Pythias, which take themselves so much more seriously than our Royal and Ancient Order of Buffaloes. (Can you imagine the Corporation of the City of London, complete with Lord Mayor, turning out in full regalia to give a civic welcome to the R.A.O.B.?) Charley Chase gives an amusing study of an offensively merry and bright "Son of the Desert," whose ideas of humour consist of offering cigarettes out of trick cases, and squirting water in the faces of his friends when he asks them to admire his buttonhole, also of the trick order. There is material for excellent fooling in these simple jokes, but "Fraternally Yours" did not give me a single good belly laugh.

"Song of the Plough"—an English production—signally fails to live up to its title. It starts with the theme that although bread is necessary to man, the British farmer is unable to make either wheat-growing or stock-raising pay (ribald references at the Press Show to "Beaverbrook" and the *Daily Express*). Here is the germ of an excellent plot, but it is, unfortunately, overlain by a sub-plot dealing with the unsuccessful machinations of a villainous commission agent to "noble" a dog entered for a sheep trial. However, we are at the end again jerked back to the plight of farming.

The film is in some respects an incredibly amateurish affair, but it is also good in spots, and justice and mercy alike dictate the verdict that the whole is greater than the parts. As a panorama of the English countryside, it might have been admirable if there were less of the country fair and the country pub. (I have a sufficient acquaintance with and the second institution to know that if three habitués got up in succession and obliged the company with several verses in a song, they would either be requested to "put a sock of a song, or the landlord would draw their attention to the fact in it," or the landlord would draw for music and dancing.) that he did not possess a licence for music and dancing.) Actually, no one has successfully put the English pub, either town or country, on the screen; the similitude has got on to celluloid, but not the spirit.

That failure to catch the spirit or reproduce the atmosphere characterises the whole of "Song of the Plough." The film would have been more successful in this respect if the producers had relied less on professional players, which was also the defect of the same studio's "Doss House." Perhaps an even more serious fault is that there has been

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