NOTES OF THE WEEK.

On Thursday last Mr. Neville Chamberlain made his annual report to the Trustees for the First Mortgage Debenture Holders of Great Britain and the Empire—namely, the British Bankers' Association. Among the chief points of his address the following (taken from the Daily Mail of May 17) may be recorded.

The banks have "not had to seek assistance from the Government." The banks have "never lost the confidence of their depositors." Being "free from control or influence by the Government" the banks are a "living and growing organism" able to "adapt themselves to changing conditions" and to "supply industry with financial resources which are essential for its expansion."

As indicating the progress made by the nation during the last twenty-five years, he gave the following statistical items:

<table>
<thead>
<tr>
<th>Year</th>
<th>Thrift Institutions (per head)</th>
<th>Life Premiums (total)</th>
<th>Deposits</th>
<th>Daily Bank Clearings</th>
<th>Tea Consumption (p.h.)</th>
<th>Tobacco (p.h.)</th>
<th>Butter (p.h.)</th>
<th>Budget (p.h.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1910</td>
<td>£175</td>
<td>£725</td>
<td>£413 m.</td>
<td>£950 m.</td>
<td>£48 m.</td>
<td>£16 lb.</td>
<td>£1 lb.</td>
<td>£174 m.</td>
</tr>
<tr>
<td>1935</td>
<td>£215</td>
<td>£925</td>
<td>£493 m.</td>
<td>£1,160 m.</td>
<td>£54 lb.</td>
<td>£18 lb.</td>
<td>£1 lb.</td>
<td>£325 m.</td>
</tr>
</tbody>
</table>

Continuing, he added the following information and comments:

Remissions in taxation during last four years amount to 17s. per annum. Progress in production as between 1934 (first quarter) and 1935 (first quarter) indicated as follows, the year 1930 being made the basis with the index of 100.
lead the unwary into supposing that the bankers were going to foot the bill for the additional national defence out of their profits or reserves. This must be put right; so we feel it our duty to explain that the banks are not with the mistaken idea that the credit they lend to Governments is their own property, and how much it goes against their grain to see credit used for purposes which do not " earn revenue." To the man in the street it may seem a meaningless thing for the banks to put up with such a policy, which, after all, costs them nothing, but that is entirely misconceived their psychology and underestimate the spiritual conflict set up in their breasts by breach of the principle of Distribution on which their power to guide our destinies ultimately rests.

Mr. Chamberlain's tribute to the banks that they have not had to seek assistance from the Government is amusing. This applies to the post-war period, for he speaks of the worldwide depression which brought banking systems in other countries to "devastation." When banks fail we have noticed that it is the depositors who are devastated. Again, allowing the assumption that "bank-depression" caused the devastation, it has to be remembered that the failure of one bank contributes to the success of the others, and that the devastation of a "banking system" might equally well be described as its reconstruction or rationalisation. This means to extinguish its liabilities to so many depositors, and thereby improves its current ratio. The Home Bank of Canada was allowed to fail by the other banks, whose position was strengthened by that occurrence. Surveying the entire region of inter-bank, or loan market, it is to be surprised at, much less admired, in the apparent lack of capability to relate one national system to those of others. Where dog eats dog the dogs who eat healthier than the dogs who are eaten.

What caused the world-wide depression which devastated certain banking systems? It was the concerted arrangement between Mr. Benjamin Strong and Mr. Montagu Norman to continue to operate in their respective areas of domination and to maintain their policy on other areas. Norman went about Europe planning the Central Banks which, with Anglo-American influence behind it, were able to set going a more or less uniform plan of credit restriction. The credit restriction in Europe based on the gold-standard principle, which it was hoped, would be permanently re-instituted. This development automatically controlled the conditions on which the great banking systems in each of those countries would be permitted to operate without interference. Those banks, within any national system, who neglected to observe those conditions, could be squeezed out by those who observed them, and might be eliminated by the direct action of the Central Banks. The Strong-Norman consortium was something similar to the body which was later to arise in Australia as the result of the visit of Sir Ott Niemeyer, namely, the Loan Companies, and other achievements, caused a run on the New South Wales National Bank, facilitated the eviction of Mr. Lang's Government, and brought about the abdication of Mr. Scullin's.

The world-wide depression was not a natural phenomenon, but the consequence of the Strong-Norman policy. Any devastation that overtook banks and their systems was brought about wholly or in part by the deflationary policy that caused the depression. In fact, it could be shown that the devastation was more in the nature of a penalty for disloyalty to the Strong-Norman dictatorship than any inherent unsoundness in the banking systems of those countries. Associated with this country have no reason for boasting because their system has escaped embarrassments which have overtaken others. Anybody can escape trouble who are not in the firing line of activity, and since this country has been engaged by the Strong-Norman policy, naturally they had the chance to unload their risks on to those who hadn't yet found out what the game was and how it was played. Again, apart from such fore-knowledge, both America and Britain were able to take the lead in world policy for a variety of reasons besides the merits of their banking systems; to wit, their military power, economic resources and resourcefulness, geographical situations, and so on.

Then, as to "seeking assistance from the Government," nobody has to seek for what he has already been given. If in 1928 the British Government had withdrawn their support to the Bank of England in the manner in which they did to and by the Polish banks, the British banks would have collapsed, and the Bank itself would have been in a fixed mess. Far from having to face such a situation the Bank proceeded to collate the right to print and issue currency as in no other country they have it. The quantity and limits are noted in administrative terms. The Bankers' Association Treasurer has fixed the limit, and it is a matter of their own powers to exceed the limit subject to the approval of the Treasury (which controlled by the Bank). If this is not true, then it is a case of the Bankers' Association's "had to seek"—the get-out being in the same line that they had got the assistance without the law, without the strong arm of the government. Mr. Chamberlain's tribute is not what he should care to emes- that his Government have long since taken from the banks themselves the power to render assistance to themselves, an act of rescinding in the extent, and that he is careful to explain that the doctrine that Governments have no right to require a "free" system with credit-policy. And if it is assumed, as we are, that there is any margin of argument that there is any margin of anything, both Mr. Chamberlain's tribute is not what he should care to emphasise is that his Government have long since taken from the banks themselves the power to render assistance to themselves, an act of rescinding in the extent, and that he is careful to explain that the doctrine that Governments have no right to require a "free" system with credit-policy. And if it is assumed, as we are, that there is any margin of argument that there is any margin of anything, both Mr. Chamberlain's tribute is not what he should care to emes-
 Crucifixion to the exclusion of the redemptive significance of the Resurrection. He was particularly the same kind of thing as one who should say that the achievements of past generations of scientists, engineers and organizers were only to be valued because of the cures and treatments which accompanied their struggle on behalf of mankind against natural scarcity, and were not to be made the basis of faith in the existence and accessibility of an ever-expanding world. Such theories and rules laid down by the bankers: they would make people act as if it were necessary to do all over again what their ancestors had achieved for them and bequested to them. They would crucify the Lord afresh.

In every home where the parents and children are gathered together there is a third parent in the midst—the radio Bilder;" or the Fact Sheet writer. It is he henceforth who will dominate the vital early years of the citizen's education, and it is he who will eventually extinguishing number. This which malach alive under the profane label of the law which killeth.

The Churches in Hysteria are making friends with each other. It is well. And it is time. They have joint work to do. And that work is to combat the spirit which animates this disciply journeying to Emmaus: We trusted that it was here and we should have redeemed Israel. That despair must be exalted into the faith which clothes itself in the joyous exclamation: Did not our heart burn within us while he talked with us by the way?

Purpose in Propaganda.

By John Grim.

When composing speeches or articles on Social Credit propaganda, the writer's superficial or irrelevant evidence weakens the force of his otherwise relevant evidence. To adduce more evidence than is necessary to prove a point is to obscure that point: to adduce less evidence than to do with the point is to lose the point. The object of the writer is not merely to reflect the mental processes of the author; it is to direct the mental processes of his audience. The direction can be exercised only by the judicial selection of the right kind of evidence in the right quantity.

To illustrate the argument take the proposition that the banks create and destroy credit. Say that you propose to prove that by an example. Because the proof is to become evidence for some other purpose, that purpose is. And so on in steps until you arrive at your chosen final proposition before they start. Many others, even after choosing the least possible evidence for some purpose, that purpose is. It is ironic that the more they know of their subject and the more they are aware of this, the more they are able to choose the proper evidence for some other purpose. For it occurs because each of the series of earlier propositions radiates, so to speak, a number of corollaries, the earliest proposition carries with it the largest number and the following a progressively diminishing number.

The speaker (or writer) being aware of all these, is tempted to pursue them or some of them, according to the mood of the moment. This leads him off the main track of the argument, and his audience with him. The result may be re-join the track later on (sometimes he never does) with his mind clear on his final objective, his audience will mean while have confused the main track with the side-tracks, and will probably not recover from the distraction of their attention.

One practical safeguard against this would be for the speaker to recite his chosen final proposition before he proceeds, at the conclusion of every step in the argument. This would keep him on the main track, and help the audience to see what the main track was and where it led.

A useful analogy may be seen in the teaching of Euclid. In the first three propositions of the 36 Postulates, and 11 Axioms, followed, by 48 Propositions. The last Proposition but one, the famous forty-seventh depends for its proof upon only a small selection from the material enumerated above, to wit, Definitions (Theorems) 31 and 32, and Propositions (Problems) 31 and 46—that is to say, in homely language, the forty-seventh Jigsaw Puzzle consists of only six pieces out of the ninety-eight with which it is equipped. So that a class of students could be 'cramped' with the proof of the forty-seventh Proposition by this short cut of relevance if the teacher thought it desirable.

The Creation of Credit.

Now, considerations of space and time demand that speeches and articles should be of fixed size. A nature—should employ discriminative economy of their nature and argument. Just as the proof of Proposition 32 in Euclid is only occasionally relevant to the proof of later Propositions, so is the proof that Credit, which may be considered as an early Proposition of the Social Credit System—only relevant to certain later Propositions. Now, the Euclidean textbooks conveniently provide the teacher (and student) with marginal references to the proof of a relevant proposition to the one given any Proposition. But the teacher of Social Credit must make his own. Having decided what his end conclusion is to be, he should work backwards from it and see what proof he requires to prove it by step, and particularly, in how few steps he can complete his demonstration.

Now, supposing that the end-conclusion is to be that incomes in the consumption market are as beneath market income in that market, to express this in what extent would the initial proposition that banks create and destroy credit be essentially relevant to the demonstration. The answer is—practically to all. The truth of this will be obscured if you imagine that the Government took over the banking system and provided itself with credit in the form of legal tender. There need be no limit to the quantity that may be issued, value being taken at a figure of the order of billions. This credit could be in existence permanently. Yet no student of the Social Credit will say that this would change the true condition of the market, which is the cost-income deadlock. Such a thing is to do with the existence of credit in the time-context with the time-context as a reality.

So the proposition that bankers create and destroy credit is not relevant to the proposition that incomes behind costs, notwithstanding that both propositions lie within the technical frame of reference. The first proposition does nothing to explain the latter.

The Construction of Evidence.

What, then, does it mean? It explains somehow in the political frame of reference; it explains why banks are able to deceive the public in regard to amount of credit which could be made available. Since bankers create credit by lending it, and since the loans are recorded as deposits, they are able to get away with the proposition that their ability to lend is limited by their deposits. They pretend that they cannot lend more credit than is held in their deposits.

This they would not be able to do in the hypothetical situation previously outlined. For they would have to restate in their financial statements the existence of the permanent pool of purchasing power made available by side deposits amounting to, say, $2,000,000. Thus they would disclose a reserve of unspent credit amounting to $2,000,000. The public would then be in the position to realize that it was only one-twentieth of the credit potentiality of the banks which was being made actually accessible—on what principle (technical or political) this ratio of accessibility was established.

The bankers' creation and destruction of credit is seen to involve the creation and destruction of evidence as to their (or their people's) credit-resources. That is the real significance of the process. Technically (that is with reference to the cost-income dilemma) it makes no difference as to whether banks draw their loan credits from a permanent visible pool and return it to them, or whether they make or unmake the visible pool which they choose. In either case the error which causes the shock to the government purchasing power will not be corrected, because it proceeds from the account of accessible credits—credits put into circulation—and not merely with by credits (visible or invisible) which are withheld from circulation.

All these helps to explain why it is that banker publicists insist on denying the proposition that banks create and destroy credit against the evidence of their own textbooks. In fact, by asking the reader to explain what credit is and what it means, it is possible, by step, and particularly, in how few steps he can complete his demonstration.

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"Capital Unrest."

We are all familiar with the term "labour unrest," but apparently there is something called "capital unrest." At any rate such is the term used by the Oriental Economist in a comment on the purchase by the Government of the North Manchuria Railway. It reports that there is to be a flotation of 280 million yen of the bonds, and that a syndicate of banks is to be organised specially for taking up this issue. The South Manchuria Railway Company, which operates the acquired railways, will provide a temporary loan of 50 million yen for operating expenses. This company will take over the North Manchuria Railway under a management agreement with the Manchouko authorities. The syndicate banks headed by the S.M. Railway will issue the required lines will be operated on the most rational basis, and in such a way that there will be no danger of capital unrest in the management. The concluding statement in the report is that if the syndicate and management could understand the share of the Manchouko bonds in this investment, "part of the flotation will be taken up by the Government Bank of Deposit as a temporary arrangement."

The Point of the Pen.

By R. Langler.

XXXI.—THE CONQUERING WORM.

I was attracted to Mr. Hans Zinser's most interesting book, Rats, Lice and History, by a passing reference, "a book that a specialist should have no interests beyond his chosen field" I agree with Mr. Zinser that one type of intellectual occupation should, in all but exceptional circumstances, increase the capacity for comprehension of comprehensible phenomena. I was interested in the scientist, examined his questions of art, and when he wrote, "This chapter is received with contemptuous shrugs by the professional liter."

"I feel tempted to add," I was received with the treacly liter."

There are the and writers," just as the are scientists and scientists. In speaking of art, Mr. Zinser significantly quotes from Havelock Ellis, think, therefore, that the artist, Lice, says, "In brief, the validity of the income cannot be helped. The alternating visibility and invisibility of credit, but it is decided as to its existence and nature by these alternations.

The problem after the war was how to rehabilitate in civil life a couple of millions of men accustomed to regard lawyers as the guardians of the oppressed. Mr. Winston Churchill, in his History of the King's reign, says that "the first years of the war" was solved by means of what he describes as a "judicious" inflation of credit. During the years 1918-1920.

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the literary will be contemptuous—just as I regret his surprise when he discovers an original and accurate "scientific" description in Homer. Personally, I am never surprised when I find a scientist possessing fine artistic perceptions, for I agree that one type of intelligent occupation should, etc.; but I regard the modern divorce of art and sciences as a great tragedy, and I wish more scientists valued art as Mr. Zinser does. The doctor’s work is accurate and precious as that of the scientist, and it would be better for the world if this were generally understood. Once the poet was called The Maker and the apologist had died, and the world was one good one, and the driving force was science, and the honest artisan as well as poet: but the distinction between poet and artisan being a difference in degree but not of kind. My own view of history is one of an incessant struggle between the scientist and the artist. The purpose of the scientist is to replace the Man of Art, and, with this view Mr. Zinser would appear to agree in the following passage:

Infectious disease is merely a derangeable instance of a widely prevalent tendency of all living creatures to save themselves by way of self-centered efforts, the things they require. Whenever they find it possible to take advantage of the constructive labours of the whole, they find it in their interest to use this derangement of the least resistance. The plant does the work with its roots and its green leaves. The cow eats the plant. Man eats both of them, and bacteria (or instinctual bankers) eat the man. Life on earth is an endless chain of parasites which would seem to the complete annihilation of all living beings unless the incorruptible workers of the vegetable kingdom constantly renewed the supply of suitable nitrogen and carbon compounds which other living things can filch. In the last analysis man may be defined as a parasite on a vegetable.

Mammology.

[An article by Sir Ernest Bennett’s speech at the ninety-fourth annual meeting of the United Kingdom Pro- ducic Institute, March 25, 1935.]

Mammals, in other words, as a group, must give pride of place to a new department of human knowledge, daily becoming more widely recognized and studied, namely, mammology.

Sir Ernest Bennett is a competent exponent of this science, introducing his hearers and readers to the vital principles which, in the natural sciences, are the life blood of the good life. He claims that there’s an influence upon public affairs, and an extension of this influence might well be a source of strength and contentment. His thoughts are long-distance, thoughts that take the place of the hand-to-mouth opportunism in public affairs. Elaborating this, he lays it down that science recognizes that sacrifice must come before benefit, and deny a policy of something for nothing. Insurance, as the future is more important than the present. These are the foundations—economic, ethical and moral—upon which scientific welfare depends.

Mammologists, he says, are the men who will give us our tomorrow, that is a moral and ethical principle that the sacrifice of our today will ensure food for ourselves, or our children in the future. Insurers now bear a greater proportion relative to the National Debt. In 1935, long-distance thinkers (good people in the inside) may perhaps suggest that the National Debt to the tune of 61 per cent, but the weakness of this generation for public debt has reduced the over to 14 per cent. Thus, for instance, we have come from a more public borrowing until we have done some more private saving; i.e., private sacrifice must precede private benefit, the sacrifice of the man, the mammonologist, however, be carried away with an excess of the spirit of sacrifice, for sacrifice must be properly balanced.
Tax Avoidance in France.

[Reprinted from The New Age of July 8, 1916.]

The Observer’s French Correspondent writes an interesting article on the banking habits of the French people. The ordinary Frenchman carries with him far larger amounts of cash than an Englishman would think of holding. It is rare among the middle classes, and almost unknown among the small but prosperous peasant farmers to have a banking account. The peasant distrusts bankers; partly because of what he has heard of fraudulent banks, but far more because he hates the idea that anybody—even his best friend, and even his wife, and far less a mere banker and his clerks—should know what he possesses.” He hates it because he is convinced that the taxing authorities are in the secrets of all the banks, and that if he allows the banker to know what he has, he will soon be called upon to pay taxes on it.

There are many of them who now no longer invest; they hoard notes. The stubbornness of the anti-bank habit extends above private individuals. Only last week the writer of the article records that the accounts department of a public body refused to accept a cheque from a business man. This man appealed to a higher authority, but was told that although several Finance Ministers had recommended the acceptance of cheques, none had yet dared to go so far as to try to enforce it. The writer concludes his article with an amusing description of the lengthy process of paying in, and especially cashing, a cheque at a French bank, commenting that “I do finally get the money, and escape from the precincts of the bank literally regretting a wasted morning.” It would almost seem as if the banks themselves went out of their way to become unpopular—as if they have other and larger fish to fry than minding the accounts of private individuals. In this connection there are some startling figures in existence, showing the high proportion of bank commissions, and so on that were often off the proceeds of the French Government’s Loan Rationals during the war.

The situation goes far to explain the difficulties which beset the French Finance Minister during the present time of crisis. He can budget for any scale of taxation of income he likes; but how impose it when the taxpayer is the only fellow who knows what he is getting? The French equivalent of a British Inspector of Taxes cannot demand the production of the citizen’s pass-book. He does not possess such a thing; nor wants to, nor, as we have seen, regards a pass-book as a virtual declaration of his income. Nor, again, would things be much easier if he did possess one, because the attitude of the taxing agents themselves suggests more of a tax-payer’s than of a tax-collector’s psychology.

A story was told in the Press not long ago of an Englishman who started business in a French town. Upon receiving the form for the return of his income he naturally entered it relatively true figures and returned it. What was his surprise a day or so later to be waked up by a deputation from his fellow townspeople praying him to be, as we should put it, a “sport” and not to tell the tax-dodging market by blacklegging on his taxable neighbours. Would he please drastically reduce the amount. What did he do? He did them the story does not record—probably because he was discreetly reticent in his narration of the incident; but one is more inclined to know how his neighbours came to hear of his proclivity for truth-telling except through the friendly warning of the official who received the income-tax return from him.

All these things go to suggest how efficient must be the power of resistance in France to repressive financial policy. If only France would get the cheque habit, says the Observer’s correspondent, “many public advantages would be gained.” Quite so, but these “public advantages” turn out to be advantages always to be wished for but never shared. “Certainly one should do his duty by the State,” says the Frenchman; “but what is the State? It is the parcel of part, it is not to be Caesar. If neither you nor your neighbour allows himself to be impoverished, the State must assuredly remain prosperous.” An unsellable piece of theorizing. Not only that—but it works. There is a lot to be said in favour of Englishmen reverting to the cash habit.

LETTERS TO THE EDITOR.

THE ROYAL BROTHER.

Sir,—The fact that no journal other than The New Age can sense the modern significance of the five minutes’ halt at Temple Bar by the Royal Jubilee Procession is a notable tribute to your consistent analysis of the source of all our troubles. The most humane of men would assist at the “killing” function; and, as Balzac has it, the admiration would be administered in a soft voice.

Do you reproduce the paragraphs from last week’s Notes? Let the thrush of High Holborn (Barnes Common more likely) sing his song twice over, after giving it “once over” to the symbol that must disappear if the world is to be worth living in.

ROYALIST.

[The “symbol” was the City’s “Pearl Sword.”—probably alluded to in the biblical admonition about the casting of pearls.—Ed.]

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, or 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 bank accounting, resulting in the reduction of the national income to a condition of perpetual scarcity, and bringing them face to face with the alternatives of widespread unemployment of men and machines, or at present, of international complications arising from the struggle for foreign markets.

The Douglas Social Credit Proposals would remove this defect by increasing the purchasing power in the hands of the community to an amount sufficient to give 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, necessarily giving rise to the “vicious spiral” of increased currency, higher prices, higher wages, higher costs, 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 the apparent financial conditions under the present system). The technique for effecting this is fully described in Major Douglas’s book.

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