

# THE SOCIAL CREDITER

FOR POLITICAL AND ECONOMIC REALISM

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## OPEN LETTER TO ALL COUNCILLORS

### THESE FACTS CALL FOR IMMEDIATE ACTION

There are two reasons why a restatement of the facts which justify a demand for lower rates without reduction in social services is called for at the present time. One is the advanced stage this campaign has reached in many towns and the rapid growth of public support for it in all parts of the country. The other is the gross manner in which it has been misrepresented by certain critics.

The primary fact upon which this demand is based is that banks create credit, and by virtue of the almost costless process by which these credits are created (they are mere book-entries) they can and should be made available to Municipal Authorities for a nominal service charge of ONE payment of  $\frac{1}{2}$  to 1 per cent, which would amply compensate the banks for the cost incurred.

First of all let us deal with the denial which some, but not many, critics are rash enough to make—that banks CAN and HAVE created credits.

In order to deal with this denial conclusively and to demonstrate the utter ignorance or mischievousness of those who make it, it is only necessary to refer to the financing of by far the largest productive undertaking in all history—the production of all the munitions and equipment used in the Great War.

This war resulted in an INCREASE of the National Debt of approximately £7,000 million.

The nature of a large part of this debt has been explained and put beyond all dispute by many eminent authorities since the war.

A director of the Bank of

England, Sir Josiah Stamp, in his book "Currency Problems in Finance and Government", page 243, states: "People were induced to subscribe to War Loan by raising loans at the Bank on the security of the War Loan itself."

The deposits in the banks rose from a total of £900 million in 1914 to over £2,000 million in 1918. Referring to these deposits another Director of the Bank of England, Sir Robert Kindersley, says in the *Harmsworth Business Encyclopaedia*:

"Deposits of the commercial and private banks amount to about £2,000 millions, but this large total has not, of course, been created by the deposit of actual cash, but has resulted in great measure from credit created by the banks by lending money (credit, not cash). The difference between actual cash in its own till, plus its balance at the Bank of England, which are "Bank Reserves," and the total of the deposits, represents approximately the extent to which the bank may be said to have manufactured deposits by the creation and sale of credit."

Further evidence as to the operations of the banks in creating credits which have accumulated into the National Debt, is provided

by the Cunliffe Committee. This Committee consisted of eight bankers, two treasury officials and an economist and was presided over by the governor of the Bank of England. In their report presented to the Government in 1918 they say:

"The credits created by the Bank of England in favour of its depositors . . . caused a large increase in the deposits of the Bank. Further, the need of the Government for funds wherewith to finance the war in excess of the amounts raised by taxation and by loans from the public has made necessary the creation of credits in their favour with the Bank of England. Thus the total amount of the Banks deposits increased from, approximately £56,000,000 in July, 1914, to £273,000,000 on July 28, 1915 . . . The balances created by these operations passing by means of payments to contractors and others to the joint stock banks have formed the foundation of a great growth of their deposits, which have also been swelled by the creation of credits in connection with the subscriptions to the various War Loans."

Mr. R. G. Hawtry, Assistant Secretary to the Treasury, has given us an authoritative statement on the way the banks created credits to finance the war. In his article entitled "Money" in the *Encyclopaedia Britannica*, Volume 15, 14th Edition, he has written:

"The overwhelming exigencies of war drive a country to supplement its tax revenue by borrowing money on a great scale. The amount that can be borrowed from investors is limited to what they can be induced to save. It may not be enough. The Government can neither relax its efforts nor leave its liabilities unpaid. It has recourse to temporary borrowing. Banks lend by creating credit; they create the means of payment out of nothing."

It is as well here to deal with a bogey which is always put forward by propagandists for the "Status Quo" in order to scare the

### On Other Pages

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public and prevent them from making reasonable demands.

Without, of course, suggesting that Mr. Hawtry is such a propagandist, he follows this statement by admitting that "inflation occurs." Everyone knows that inflation *did* occur during the war. But it remains a fact that the war could not have been carried on if the credits created by the banks (the credits which caused inflation) had not been made available.

The present rearmament programme is largely financed by credits *created* by banks. If another war were to occur, this country could not carry on that war unless the banks created the credits to finance it. Whilst it is not admitted that it is NECESSARY for inflation to occur, inflation is occurring now. Inflation will occur if another war comes.

That inflation does occur, does not in any way alter the FACT that banks HAVE CREATED and DO create credit, and that the cost to the banks of creating these credits would be amply compensated by one payment of  $\frac{1}{2}$  to 1 per cent.

Instead of paying a reasonable sum to the banks for the costs of the created credits, which form a large part of the National Debt, the British taxpayer has paid over £6,000 million in interest charges since the war and is still paying £230 million annually; and the debt is larger now than it ever was.

Even if it could be argued that no part of the *local* government debt consists of credits created by the banks (and there is no doubt

that a large part of this debt was created by banks), it still remains true to state that if such a large project as the *last* war could be financed by such credits, or any *future* war would have to be financed by such credits, there is no valid reason why the banks cannot create and make available to Local Authorities credits for *present* municipal developments.

The facts stated above and the evidence quoted in regard to them are a sufficient reason by themselves for councillors throughout the country to insist that their councils should INSTRUCT local banks to provide credits, at a service fee reasonably related to the costs involved, for needed municipal developments — developments for which competent technicians, labour and materials EXIST.

A council has not even begun to discharge its responsibility in regard to this matter until it has passed a resolution in Council recognising the facts, and instructed the banks to provide the requisite credits. *Until* it has taken this action, Councillors, and not the banks, must necessarily be held as responsible by the ratepayers for the quite unnecessary loan charge payments which form a drain upon their incomes.

Quite irrespective of any action which it is deemed necessary to take in regard to the EXISTING Local Government Debt in the light of these facts (and it can be stated here quite definitely that it is in no way necessary to repudiate any part of that debt, or the interest upon it, which can be shown to consist of the savings of private citizens) the

banks must be made to provide the credits, which they can and do create, as credits and not as debts and at a reasonable service fee for all future and present municipal developments.

In the face of the universal demand for lower rates with no decrease in social services which exists and the widespread and rapidly increasing knowledge of the facts here stated, councillors who do not take the simple action of pressing for a recognition of these facts in the council chamber and for action in regard to the banks which these facts demonstrate to be reasonable, can quite unequivocally be stated as being grossly negligent of their responsibilities to their electors.

In critical times like these it is of vital importance to the people of this country that responsibility for not taking actions which are urgently needed to remedy dangerous wrongs should be clearly and publicly allocated to the INDIVIDUALS who ARE responsible. There are plenty of people in this country alive to this necessity and determined at all costs to carry it out.

How many councillors are there with the good sense to recognise the urgency of this matter, and to represent the ratepayers' demand instead of obstructing it by inaction? JOHN MITCHELL.

Note—This letter is available in circular form from the U.R.A.A., price 4/- for 50. It is hoped that there will not be many towns in Great Britain where someone will not be found to send a copy to each local councillor. This can be done inexpensively by putting them into addressed envelopes and delivering them personally at the Town Hall.

## Loan Interest for Eastbourne Drainage Scheme

The following letter was read from the hon. treasurer of the Eastbourne and District "Lower Rates" Demand Association:

Gentlemen,

Re the Proposed New Drainage Scheme.

We understand that the Borough Council are contemplating carrying out new drainage re-organisation works and that the cost will be approximately £250,000.

Anything that is for the

common good has our heartiest approval, but if the cost is to be met by borrowing money on the usual terms then this Association on behalf of the 8,000 ratepayers of Eastbourne who have signed a demand for lower rates and assessments without any decrease in social services desire to make the most emphatic protest. It is appalling to think of plunging the ratepayers further into debt to the extent of £250,000 and it is not

necessary.

It is an acknowledged fact that banks can and do create credit practically costlessly. The evidence in support of this is incontestable and is borne out by such authorities as the Rt. Hon. Reginald McKenna, Mr. R. G. Hawtrey and the Treasury, the Government Reports of the Cunliffe, MacMillan and Australian Commissions and many others.

Two paragraphs from the recent

Australian Report may probably make the matter quite clear to the Council and dispel any doubts there may be:—

“Section 503: The central bank in the Australian system is the Commonwealth Bank of Australia. This bank is a public institution engaged in the discharge of a public trust. As the central bank its special function is to regulate the volume of credit in the national interest, and its distinctive attribute is its control of the note issue. Within the limits prescribed by law, it has the power to print and issue notes as legal tender money, and every obligation undertaken by the central bank is backed by the power of creating the money with which to discharge it.”

“Section 504: Because of this power, the central bank is able to increase the cash of the trading banks in the ways we have pointed out above. Because of this power, too, the central bank can increase the cash reserves of the trading bank; for example, it can buy securities or other property, it can lend to the Government or to others in a variety of ways and it can even make money available to Governments or to others free of any charge.”

The *Encyclopaedia Britannica* supports the statement that when banks create credit they lend neither their own nor any other persons' money but create an addition of absolutely new money to any previously in existence. As it is proved beyond any fear of contradiction that bank credit which functions as money can be created practically costlessly, this Association contends that the Council should carry out the ratepayers' demand and request the banks to make such credit available for this drainage scheme on reasonable terms.

We therefore trust that the Council will give this Association and the ratepayers generally an assurance that they are prepared to consider seriously the financial possibilities suggested, otherwise every project carried out for the betterment of the town must result in a continuous increase in the rates.

Yours faithfully,  
BERTRAM C. JONES.

**Deputation Suggested**

Councillor Wood said it was

brought home to him a few weeks ago that the cost of interest and repayment of a loan of £5,000 would be £10,000. People would sit up and take notice if they knew the Corporation were paying anything like 80 per cent. over a period.

Councillor Benson-Dare said he knew certain discount houses in London were prepared to lend to Corporations of this country, money for public works at a discount of one per cent. He would like the Borough Treasurer to see a deputation from the Association who would inform him who those discount houses were. He (the speaker) had made enquiries into that matter and had found that a certain person was trying to stop those discount houses lending that money.

The Mayor: You know we have already received a deputation?

Councillor Benson-Dare: Before I came here.

The councillor then moved that a deputation be received by the Borough Treasurer, and Councillor Wood seconded.

**Waste of Time**

Alderman Wheeler said that when he was Mayor he and the Borough Treasurer received a deputation from the Association, and the proposals put forward were simply unworkable. It would be a waste of time to receive another deputation.

Councillor Benson-Dare: Things have moved since then.

Alderman Hill remarked that after 30 years' business experience in London he could honestly say he had never heard such nonsense as was contained in the Association's letter.

Councillor Benson-Dare: It is absolute fact.

Alderman Hill said it was absolute nonsense for Councillor Wood to suggest that they were paying about 80 per cent. for something. There was hardly another Corporation in the Country that borrowed money as cheaply as Eastbourne. Last year the Borough Treasurer negotiated with a well-known firm in London on extraordinary low terms.

**“Nonsense”**

Councillor Mayor Bird described

as absolutely incorrect a statement in the Association's letter that the Commonwealth Bank of Australia, which they referred to as the central bank, granted money for nothing. From eight years' experience of dealing with that bank, he contradicted that statement. The bank used to charge 3 per cent. on an overdraft and 3½ on credit. To say they advanced money for nothing was nonsense.

Alderman Knight moved as an amendment that the letter be referred to the Borough Treasurer for his observations thereon, the same to be submitted to the Finance Committee or the Council. It was purely a question of finance. No-one would be more grateful than the Borough Treasurer, and no-one more pleased than himself (the speaker), if they could get money for next to nothing.

Councillor Morgan seconded the amendment, which was carried by 18 votes to four.

The Mayor said he had only one observation to make: He was surprised there were only 8,500 people in Eastbourne who wanted a lower rate.

—From a report in the *Eastbourne Chronicle* of a meeting of *Eastbourne Town Council* on June 5th, 1939.

**A MODEL REPLY**

**“Lower Rates” Demand Association and its Critics**

Sir,—When the “Lower Rates” Demand Association's letter was read to the Town Council, Alderman Wheeler declared that the proposals of the Association were unworkable and that it would be a waste of time to receive a deputation. Alderman Hill roundly described our proposals as “nonsense” and put forward thirty years' experience in business in London as qualifying him to pronounce an opinion on the financial methods of banks. The Borough Treasurer, to whom our letter was referred for his observations, has previously declared himself as opposed to adopting the methods set out in our Lower Rates Demand.

Now it must be noted that  
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## THE JAPANESE SITUATION

As it is the English taxpayer who will have to foot the bill in more sense than one if the Anglo-Japanese 'affair' is allowed to develop, he would seem to be well advised to seek, before it is too late, an explanation of the puzzling fact that we in England have decided to lengthen school terms until evacuation schemes have been completed *because* the English and French at Tientsin have refused to hand over four Chinese (allegedly involved in a murder-case) to the Japanese puppet Government in China.

Those who have read the memorandum "Warn Europe"\* will recall how the weakened Europe we know to-day and the push towards the dictatorship of America and Russia (the two countries in which their power is greatest) over the rest of the world are directly due to the activities of a few banking groups.

In view of the present situation in the East the following brief description of the early activities of the financial house of Kuhn Loeb & Co., (of which Jacob and Mortimer Schiff, Felix, Paul and Frederick Warburg, Otto Kahn and Bernard M. Baruch have all at some time been directors) is of some interest.

It is based on the monumental biography of Jacob Henry Schiff, for forty years a director of the firm, by Dr. Cyrus Adler, in collaboration with Mortimer Schiff.†

### China:

As early as 1892, Jacob Schiff was in communication with American nationals in China concerning the possibilities of loans to the Chinese Government. At the time of the Sino-Japanese war one of the ablest of American diplomats of the day John W. Forster approached Kuhn, Loeb and Co., for a Chinese Government loan of £1,000,000, and the following year Schiff had succeeded in interesting his closest friend, the English financier, Sir Ernest Cassel, (Sir Ernest, like Schiff, was born in Germany) in Chinese railway

financing.

The Boxer Rebellion, so-called, that occurred shortly afterwards, was the first of the more recent anti-foreign demonstrations.

In February, 1901, Schiff wrote to the American General Wilson in China:

"To obtain the large loan China will have to raise in order to enable her to pay the indemnity which is to be demanded from her by the Powers, an entirely new system of taxation will have to be created . . . and the revenue from this must be made sufficient for the Government's internal needs . . . as well as for its enlarged indebtedness."

"To create such a revenue will take time, and its management will probably have to be placed under the control of a mixed commission of representatives of the Powers."

"In such an arrangement our Government can and should take a leading part."

Apparently the working out of the new system of taxation *did* prove a lengthy business for during the years that follow no mention is made of the Chinese nation or its financial needs.

### Japan:

Under heading of *Schiff* we find the following in the *Jewish Encyclopaedia*:

"Kuhn, Loeb and Co., subscribed for and floated the large Japanese war loans in 1904 and 1905, in recognition of which the Mikado conferred on Schiff the Second Order of the Treasure of Japan."

If we care to know the reason why Mr. Schiff should engage in these, at the time, most unusual and risky lendings to a distant Government, we may turn to the realistic memorandum supplied by His Excellency Korekivo Takahashi, at the time of the Russo-Japanese war vice-president of the Bank of Japan, and Financial Commissioner of the Japanese Government to London and New York, and later president of the Yokohama Specie Bank:

"Mr. Schiff's move to throw

in his lot with Japan was taken before her first decisive victory (at the battle of the Yatu). Schiff had a grudge against Russia on account of his race. He was justly indignant at the unfair treatment of the Jewish population (in Russia) . . . and for this it was deemed fit to admonish the ruling class (of Russia) by an object lesson. Mr. Schiff saw in the war a welcome opportunity to give effect to his cherished idea, and he decided to exercise whatever influence he had for placing the might of American resources on the side of Japan. Schiff continued to be unfailing in meeting the needs of the Japanese Government in respect of the sinews of war."

English and American bankers (Schiff and Cassel) collaborated in the flotation of the first two Imperial Japanese Government War Loans (of 10 and 12 million pounds respectively) but according to the memorandum a new feature characterized the third loan; namely:

" . . . the opening of a channel for receiving subscriptions in Germany . . . the means of distributing our bonds in Germany was arranged through the connection of Mr. Schiff with Messrs. M. M. Warburg of Hamburg (note: the head of this firm was Max Warburg, brother of Felix and Paul, who were both directors of Kuhn, Loeb and Co., New York), who acted as agents of the issuing banks."

Approaching the consortium for the fourth time the Japanese statesman found the British participants rather hesitant, but Mr. Schiff:

"definitely assented to the view of the Japanese Government. He thought it desirable that the German interests should be included . . . the German group consisted of the Deutsch-Asiatische Bank, with whom eleven leading banks were connected, and Messrs. M. M. Warburg of Hamburg.

"The Russian Government must have been influenced by the announcement of the Japanese loan."

Not long afterwards negotia-

\* In *The Social Crediter* of May, 1939, and separately from United Ratepayers' Advisory Association, Sentinel House, Southampton Row, London, W.C.1.

† New York, 1929.

tions for peace were commenced at Portsmouth, U.S.A., through the initiative of President Theodore Roosevelt (in whose presidential campaign Jacob Schiff had enthusiastically participated, for which service he received the President's written acknowledgement after the election).

"I think," the Japanese concludes his memorandum, "that Mr. Schiff must have derived some measure of satisfaction, at any rate, from the changes that took place in the Czarist Government. As regards the internal conditions of Russia, the march of events was, on the whole in the direction of his vision, for the political and social fermentation of the country became increasingly active during and after the war."

After the defeat of Russia, Mr. Schiff changed his tone. At the time of the Peace Conference he wrote to Takahashi:

"What I do apprehend, however, is that the money markets of the United States, England and Germany will no longer be prepared to finance Japanese requirements to any large extent."

Nevertheless Mr. Schiff continued to take a lively interest in the Japanese Nation, its present as well as its future. Takahashi tells us that when he visited Schiff at his New York residence the latter "not only tendered me advice on matters of immediate concern, but he was mindful of the prospective economic development of Japan."

#### "Peace":

Immediately after the signing of the Portsmouth treaty, the American railway magnate E. H. Harriman, who acted as a kind of department manager for Kuhn, Loeb and Co., concluded a memorandum for an agreement with the Marquis Ito and the Marquis Katsura of Japan, for joint American and Japanese ownership of the South Manchurian Railway (which had been transferred to Japan by the Peace Treaty). The scheme was vehemently opposed by powerful Japanese statesmen and as late

as 1908 we find the head of Kuhn, Loeb and Co., still writing to Takahashi on this matter:

"May not the moment have come to again take up the question of whether the burden of financing the South Manchurian Railway had not better be lifted from Japan's shoulders?"

But the Japanese thought not, and the matter was dropped. In the same year, however, the long standing Chinese question appeared to be reaching a solution. Tang, the Governor of the province of Teng-Tien, arrived in America for the purpose of negotiating a loan of \$200,000,000 to reconstruct the whole Chinese fiscal system. Kuhn, Loeb and Co., expressed their readiness to consider the loan. The negotiations, however, were suddenly ended by the death of the Empress Dowager, and the consequent compromise of Tang's position as a negotiator.

(Imperial families, Mr. Schiff found in his long career, had a curious and awkward way of putting obstacles in the way of the efforts of modern bankers to financially reorganise their Empires, so it must have been a great satisfaction to him that he lived to see the day when the Imperial families of Germany, Austria, Russia and China had all vacated their various thrones).

During the summer of 1910 a conference in Europe resulted in the formal constitution of the International Chinese Consortium, consisting of the leading bankers of the United States, England, France, and Germany.

Shortly afterwards the Chinese began to negotiate a fiscal reform loan of \$50,000,000 providing also for Manchurian developments.

On January 5th, 1911, Schiff wrote to Takahashi, agreeing to the proposal that Japanese bankers should participate in the international group. Japanese and Russian bankers were then admitted into the Consortium, which proceeded to offer a reorganisation loan.

On June 18th, Schiff wrote to his friend Cassel:

"New York cabled me that

the American portion of the Chinese loan has been over-subscribed five times and that Kuhn, Loeb and Co., have received the largest subscriptions."

In 1913, a Committee (set up by Congress in 1912 as a result of the public clamour against "Dollar Diplomacy") it was found that a money trust existed, that one of the most important groups was that associated with Kuhn, Loeb and Co.

#### Second War:

That Schiff's interest in the East did not abate even during the strenuous first years of the war is seen by a letter written to Takahashi, June 18th, 1915:

"China needs the administrative talent and efficiency which Japan can so well instil into the Chinese Government and into the development of her great natural resources."

He enlarged upon this subject in a letter to Frank Polk, Counsellor to the Department of State on October 10, 1916:

"My conviction is that it is better for China if Japan be permitted to play the role of Big Brother to her than if this be opposed . . .

"Japan, because of her own experience, . . . of the ability and efficiency of her people and government, and for other reasons, understands better than perhaps China herself, and certainly better than any other nations, the needs of China and the manner in which it will be possible to organize China into a modern state and should be rather encouraged than discouraged in this task . . . in which she has already gone a good way forward . . . the proper remedy appears to be that we get alongside of Japan in this labour of modernization, which has to be done in China and for which China needs outside help and co-operation." "What will be needed more than anything else by China is money . . . I verily believe that with our own and the Japanese Government working hand in hand in China the money needed from time to time by China, huge as these sums in the

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## THE SOCIAL CREDITER

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## MOVEMENT?

The Oxford University Press is to engage in battle—the battle of the pamphlets.

So, while one university strives to stem the deluge of propaganda which for years has found its departments a ready channel, another openly enters the lists.

The irony which led *The Times* to publish Dr. Chapman's letter announcing this new Oxford Movement on Whit Monday (how they steal our liberties while we play!) was unconscious. Dr. Chapman's pamphlets, he said, will 'aim' (no 'I promise to pay' here!) "at giving short, accurate, and *independent accounts*" of facts.

Independent upon what? Independent upon facts? Independent upon the previous selection of the accountant? Accountants are queer people, saturated in false theories of the nature of money. Or is it that the facts selected for accounting are to be independent of other facts of which no account is to be given?

The propaganda business must be booming. The week in which the old medicine does not arrive in a new bottle daily is becoming rarer. Internationalism—i.e., something, whatever it is that is *not* favourable to the continued existence of nations—is rampant. Even the Great Names are getting mixed and 'Tory' Peers walk arm in arm with Trade Union Officials, New 'Labour' Knights and the Fine Flower of British Literature (or perhaps it should be Federal Literature?). The envelopes all bear the London post-mark (or one illegible) thus favouring the suggestion that the Capital is becoming more mixed even if it has not (as some say) become what

Berlin was before they cleaned it up.

Oxford must have noticed it. So Dr. Chapman enlists the co-operation of scholars to provide the *ordinary* citizen with the facts he "needs to know in order to form *his* opinions." "It is hoped that, *coming from an academic source*" the series "may have a *special weight* of its own."

Our opposition seems to be getting rattled and anxious. It is scarcely credible that Dr. Chapman's pamphlets will outweigh as evidence of Intellectual Freedom in the Universities of the Great Democracies the overwhelming evidence now extant of the contrary. If they do, it will be a very happy and important moment in the life of a great country.

How subtle is the suggestion that it is the *source* gives *weight*!

Have you noticed the play there is with the label "free" attached to institutions?

The notion that democracy and 'free' institutions can co-exist is an insane notion. In a democracy, it is men who are free while institutions (and all of them) are tied hard and fast in an external, absolute and inescapable bondage to the sovereign interest of men, owing their very existence to the dictatorship of men who make and unmake them. You cannot build a Christian order—or any order at all that will hang together for ten minutes—upon any other doctrine than that of the innate profanity of institutions.

O Oxford, the future of England depends upon its purpose not upon its pamphlets.

### Bankers Beheaded

In the book "Secret Agent in Japan" by Amleto Vespo, the story is told of how Marshal Chang Tso-lin (Chinese Administrator of Manchuria 1922) dealt with some bankers.

The book in which this story appeared is vouched for by H. J. Timberley, China correspondent, *Manchester Guardian*, and by Edgar Snow, author of "Red Star over China."

The author says:

"Marshal Chang Tso-lin... did wonders for Manchuria... made life pleasant for the peasants, so that the population grew from 10 million to 30 million in a comparatively short period. He made up for lack of education and culture by having an exceptional intelligence and a phenomenal memory.

He caught the directors of the private banks in flagrant manipulation of the paper currency of the country, called them together, and said, 'It is clear to me, as it must be equally clear to you, that you have been making vast fortunes by manipulating the currency of Manchuria and ruining the peasants and merchants. I have warned you in the past that I hold you responsible and you failed, but now listen to me: If in your position you are unable to check this speculation you are incompetent; if you are able, but do not choose to do so, then you are at fault. In either case you deserve death.'

Five minutes later the heads of the nine bankers were rolling on the ground in Chang Tso-lin's court-yard."

—*From The New Era, April 14, 1939.*

### Definition

It is to be noted that individualism does not come to the man with any sickly cant about duty, which merely means doing what other people want because they want it; or any hideous cant about self-sacrifice, which is merely a survival of self-mutilation. In fact, it does not come to a man with any claims upon him at all. It comes naturally and inevitably out of man. It is the point to which all development tends. It is the differentiation to which all organisms grow.

—*Oscar Wilde.*

# CALL TO ARMS

By CHARLES JONES

"It is easy to fall into the simple error that God has a book of rules for making flowers. But no living thing is compelled into the contours of a pattern. If God has a rule it is that in infinite characters and in self-determined diversity the essential spirit of life shall continue. Life obeys the functional law of its being, and all beauty, all virtue, all progress arises from . . ."

That's the precious sort of thing I sometimes write in spare time, thinking, no doubt in conceit, that such bits are "*Pensées*"—like Pascal, you know. But this quotation is a beginning that came to no end, not even the usual one in the waste paper basket. Such things are usually recognisable the morning after as being . . . well, not Pascal. Actually, before completing this one, I was interrupted by young John Feaverfew, assistant clerk to the rating officer in the village here, and finding that scrap of paper six months or so after his first visit reminds me of him.

I remember his coming clearly. He lounged into my office, about five foot ten of slender youth, as supple as a snake. He has a reddish face, somewhat unformed and comic because it hasn't settled into a man's lines yet. His eyes are good to look at, a good deep blue like germander speedwell: honest. He has not been much of a success in the rating office, and that perhaps is no great wonder, for the untrained instincts of youth stretch a little beyond the mean arts of extortion, and boys only take to things within reason, at first.

Anyhow, he grinned at me, but lugubriously.

"Hello, John!" I said, "how are you?" The usual opening.

"Fed up!" he replied, with unexpected venom. Some secret anger wiped the grin off his face.

"Sit down," I said, seriously; and he cracked in the middle like a snake that has been hit with a stick, and thrust his long, thin legs out as he slumped into a chair.

"Now what is the trouble?" I asked.

"I don't want this damned job."

he drawled, "I've come off out of it. Demand notes and receipts, and every fool who comes to pay on the last day blowing off at you as if you were a bum bailiff. Nothing but demand notes and blankety receipts and fatheads who don't know who they ought to be grumbling at."

"Well, what *do* you want, John?" I asked quietly, sympathetic I fear, to this lively rebellion.

"I *did* want to be a carpenter," he said, slowly. "But there's little enough good work for craftsmen, Dad says. They make doors and window frames and things with machines now, y'know, plane up the stuff with one machine, mortice with another. I suppose it's all right for saving time, but I wanted fine hand work. It's all right y'know to look at a good job and think how you did it yourself."

"Yes?"

"Well, I'm not going to bust saying Yessir, Nosir, to a lot of red-faced ratepayers. I can't do what I want, but there's the Army and Navy. I shall join up. What d'you think? There must be a bit of meat in a life like that."

It is perhaps as well that I was too bewildered to know *what* I thought at that moment. Dad, I was given to understand, was against it, and that might delay John until he was twenty-one. But I gathered that the least terms on which he would accept the status of manhood was that he should have a man's life. He wasn't going to plod in despair up the cul-de-sac of a clerical existence which red blood rebelled against. Not he. Before he left he conjured a brave picture of hardship and adventure in foreign stations, medals, and promotion.

\* \* \*

A few days ago he came to the office again; flung through the door and stopped dead, mantling red in his passionate way. I remembered what he had meant to do? Yes! Well, he had been hindered in his proper ambition and now he had fallen to the press gang. Conscripted!

Instead of twisting with snaky looseness he was taunt with indignation. His tall figure was like a stiff arrow; his face brilliant with petulance; his eyes obdurate with the passionate hardness of youth.

He broke his news again, with fresh gall.

"But what's wrong, John?" I asked, "You wanted to be a soldier anyway."

"I don't wanna be a blasted conscript," he hissed from the corner of a drawn mouth.

John poured the full vial of his wrath. He was going to refuse to obey orders; he was going to play merry hell with rules and regulations; he was going to be England's worst soldier. Altogether he made a comic and highly-coloured picture of a patriot in revolt.

I couldn't help laughing.

\* \* \*

But when he had dashed through the door, I wondered about the complacent fools who think there is a book of rules for making good soldiers. Surely we want the best stuff in the best condition in days when an army in action will have to be, not a herd of robots, but a democracy of thinkers, believing in what they fight for, and using brains and stout hearts amid horrors to achieve it. Men can only act in accordance with the functional law of their being, and the ultimate law of being is freedom. Free men fight for freedom.

I pondered a little.

It is true that the quest of freedom has been a chequered and faltering pursuit. But what is the whole story, if not the triumph of free men, or men who felt themselves to be free, over slave and mercenary and conscript. Did not tiny citizen armies of Greece rout the enormous hordes of Persian slaves? Did not the freer men of the Roman Republic destroy the troops of Carthage in their turn? The yeoman archers of England who had loosened the feudal yoke outmatched the serfs of France at Crécy. But men charged with the

(continued on page 11)

## News and Views

### Reichsbank Statute

Some interesting developments are taking place at present in the German economy. On June 15th last, there came into operation a new Reichsbank statute destroying the independence of the bank and placing it directly under the control of the Fuehrer. Foreigners can take no part in the affairs of the bank; the president is directly responsible to the Fuehrer and although there still exists a board of directors it has advisory powers only. (The social credit idea of individual responsibility seems to have penetrated into Germany). Apart from these changes in administrative technique the whole structure of the credit system is altered.

Although the value of the mark in gold is nominally fixed, the bank is under no obligation to pay gold against marks. The note issue is to be determined, not only by the amount of gold and currency available but also by the bills and cheques, treasury bills, securities, and the varying daily demands, as determined by the calls on deposit accounts.

Herr Funk states, however, that the stability of the currency is no longer to depend on the amount of cover available, but upon the establishment of a constant relationship between the credit issued and the 'turn-over' in consumable goods manufactured by German labour.

*Freies Deutschland*, the organ of the German Social Democrats, in a recent article criticises the proposals on the following grounds:—

- (1) That there is no mechanism available to the State, for determining the 'turn-over' in consumable goods. (The writer points out that in the Marxian theory of value this would be determined by hours of labour).
- (2) That many of the goods produced in Germany to-day are not consumable goods and never appear in the markets.

In conjunction with the recent issue of tax-bonds by the German Government these plans would seem to represent a distinct move towards

a financial technique on social credit lines. The criticism that the State has no means of determining the 'turn-over' in consumable goods can be dismissed at once. Such a mechanism, if it does not already exist in the Reich, could easily be established.

The real point of interest lies in the second criticism. In the absence of further particulars it is impossible to determine how far the Reich intends to issue new credit step by step with increase in productive capacity. The tax bonds would appear to represent, at least in part, new money issued to finance capital production. The production of capital goods is, however, not an end in itself but only a means to an end, which is consumption. The idea of the nature of real wealth so familiar to social crediters appears, so far, to have escaped the notice of the leaders of the third Reich. It is to be hoped that we shall not have a practical demonstration of the effect of the introduction of a social credit financial technique divorced from those conceptions of the true basis of a democratic society which were developed by Douglas.

### The Russian Experiment

In an after-luncheon address on "I search for Truth in Russia," to members of the Edinburgh Rotary Club recently, Professor Charles Sarolea emphasised the importance of understanding the Russian Problem.

"I have been searching for truth in Russia for the past fifty years," he said, and added that he could not explain the bewildering complexity of the Russian problem in twenty minutes . . . he would discuss the Anglo-Russian agreement as a business proposition, a political partnership, the failure of which would involve not only the ruin of tens of thousands of shareholders, but the loss of millions of valuable lives in every nation.

It was essential that they as citizens should surround themselves with as much information as possible about the Russian problem. The Russian people have been engaged on the most colossal Socialist and Communist experiment the world had ever seen. Until 20 years ago Russia was an agricultural

country. To-day practically 95 per cent. of the people had been industrialised. Never had a social experiment been made in more favourable circumstances. From the beginning the Soviet Government had held all the trump cards.

It was reasonable to expect that after 20 years of experiment Russia would be on the highway to prosperity. It ought to be the greatest economic and political power in the world. For the first fifteen years reactions were entirely favourable, but for the past five years there had been an extraordinary change in the literature about Soviet Russia. Professor Sarolea referred to accounts by various writers of Socialist or Communist sympathies whose conclusions in general were that of 20 years of Soviet government had meant hopeless failure on the economic plane, while on the political plane Russia was the most unmitigated slave State the world had ever known.

Referring to the shorthand reports of criminal trials held in Russia, he said that on the authority of the Soviet Government itself 90 per cent. of the men in key positions were traitors, or spies, or embezzlers, or inefficient or saboteurs. If they discussed the position judicially, they must come to the conclusion that there was something rotten in the State.

War was the supreme test of the strength of any nation, the solidity of any State. Would the Russian nation, their partner, stand the test or would the Soviet State again betray their allies, as the Soviet Government betrayed the Allies in 1917?

British foreign policy during the past few years had been very unlucky. They always seemed to be backing the wrong horse. They pinned their faith to the League of Nations, which was now a corpse. They had backed the Abyssinian horse with the result that the Emperor with the umbrella was now wandering about the world. They had backed Czecho-Slovakia, which had been wiped off the map of Europe. Now they were backing the horse of the Apocalypse ridden by the man of iron, Stalin.

(continued on page 11)

Mrs. Palmer's Page

## SECOND CLASS EXPERTS

You will remember that a few weeks ago, Lord Dawson of Penn suggested that there should be state grants in the form of weekly allowances for children, to help maintenance and secure good feeding. He thought this would make it easier for young couples to rear families.

As I noted at the time, he did not state where the money was to come from. There is a growing number of people in this country who know that such allowances could be paid from newly-created, debt-free money provided by the Bankers,\* without any increase in rates and taxes whatever. —

It is possible that Lord Dawson knows where the money could be obtained without penalising anyone. If he does, he should say so, like another great doctor, Lord Horder, who wrote in an article in the *Sunday Times*:—

"I would put the Ministers of Health, Agriculture and Transport into a room together and keep them there until they had settled the problems of food production and food distribution in this country. The only person I would allow them to send for to help in their deliberations would be the *Governor of the Bank of England*. The penalty for not getting the job done would not be that they were to be called honest men, but that they were to be fired."

Lord Horder is a first-class expert himself, and knows an expert's duty—to produce the results which the people desire. It is not necessary for us to explain to the ministers of the crown and the governor of the bank how they should create this debt-free money. Lord Horder would as soon expect his patients to instruct him with regard to the prescription he proposed to write. But his patients do expect results in respect of better health, and the mothers of this country have a right to demand enough money to buy good food for their children.

We are, however, blest with a large number of second rate experts who believe themselves wise enough to instruct the first rate

experts as to the best *method* of doing their work.

Every general practitioner knows the patient who says "You know, doctor, I have just been reading up my case in the medical encyclopaedia, and I think . . ."

\* \* \*

Lord Dawson's suggestion of state allowances for children has been widely reported. Now should be the time for every woman who has any influence at all to back up this unexpressed demand for more food and a higher standard of living, and show her fellow women how they could bring pressure to bear on their elected representatives on the local councils, as well as on those at Westminster. We should expect women who took part in the struggle for the vote to understand this particularly well. Of what use is a vote unless we use it to get the results we want from our Government?

But enlightened and enfranchised women have sadly failed to grasp this vital point. Many of them spend their time in trying to become second-class experts, drawing up schemes for this, that and the other, how to teach the working class woman to cook and spend her money, how to teach people to employ their free time, plans too numerous to mention. They see themselves as a sort of voluntary and unofficial civil service.

They think that they are doing good. They are, in reality, some of the greatest menaces to progress

and real freedom.

A member of the National Council of Women, which is affiliated to the National Council for Equal Citizenship, is advocating a scheme for providing Family Allowances.

The following report is taken from the *Birmingham Gazette* of June 13th:—

Mrs. A. D. Mathews spoke about the special session given to the question of "Family Allowances," and as a member of the old Suffrage Executive Committee her points had rather special weight.

The scheme was (a) that 5s. per week, per child should be raised out of taxation and paid to the parents, and (b) that additional allowances should be paid out of children's pools constituted as statutory organisations on the lines of Approved Societies. These would be contributed to by workers in different economic grades, and the contributions and allowances based on the standard of living for children customary in each grade.

(c) Children's Income-tax rebates should be abolished.

Such a scheme was one way of making the State responsible for the family, and through it there was a real hope of obtaining equality between men and women said Mrs. Mathews.

Not for one moment do I question the good intentions of Mrs. Mathews. She wants to provide parents with enough money to feed and clothe their children as they should be fed and clothed. But things are so serious now that we cannot afford to consider peoples intentions. To put forward such a scheme is one of the worst things she could do. Its adoption would lead directly to a rise in prices, a fall in the standard of living for all, a further drop in the birthrate in the middle "classes" (or perhaps I should say "grades"? This seems to be the term accepted now by those who take the snobbish attitude of the Left wing with regard to the superiority of Labour) for what use will 5/- a week be to a man who has lost his income-tax rebate, especially when he has to pay higher taxes in order that he may pay himself 5/- a week!

The workers, no doubt, will enjoy paying a few more pence a week in order that their married comrades may receive an additional allowance based on their customary

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Square Station, five minutes  
from King's Cross.

It is hoped that visitors to London will make a point of calling at that time. Tea and biscuits 3d.

\* Banks create credit. It is a mistake to suppose that bank credit is created to any important extent by the payment of money into banks." —*Encyclopaedia Britannica*, Vol. 3. "Banking and Credit."

standard of living (!!), even though they have to postpone their own weddings to do it. Thousands of second-rate experts will get frightfully excited working out the correct allowance due to each "economic grade", a lot more work will be made, and the salaries will all be paid out of taxation. When manufacturers find they have to pay more taxes they will raise the prices of the goods on sale in the shops, and then we shall pay more for our butter, bacon, shoes, sweets and furniture. A good deal of the 5/- a week will thus be lost in increased prices, but what matter? We shall have dragged down those who are up, and made things "more equal all round," even though it be the equality due to more and more State control, and more and more slavery to the work complex.

Why doesn't Mrs. Mathews say to the workers, "We see there are beings more fortunate and free than ourselves; let us be like them," instead of spending hours and hours in studying an elaborate scheme designed to take away the little extra happiness that some of us may be fortunate enough to have?

The answer is that, kind-hearted though she may be by instinct, her reason has become

fogged by unrealities, so that she believes that the money system is something as real and unalterable as the sun, raid and wind, or day and night, and that we must adapt ourselves to this system. She believes this against the evidence of her five senses, which tell her hour by hour that there are plenty of workers, plenty of materials, and plenty of goods in the shops, so that there is quite enough for every child to have all the food and clothing he needs. But she never stops to think this out. Looking at everything upside down, putting money values above human life, she is spending herself in helping the bankers and financiers to rivet the chains of their iniquitous system of taxation more firmly upon us.

More and more Government control, less and less freedom, more centralisation, more sovietisation, that is what she is striving to give us!

Taxation is quite unnecessary in an age of plenty. When there is abundance, what point can there possibly be in taking purchasing power away from one section of the people in order to bestow it on another? This will not mean that the shopkeepers will be able to sell

more goods. And if the purchasing power is taken away in order to repay debts to the banks, who promptly destroy it by crossing it from their ledgers, so that there is still less money available to buy the goods in the shops, we should think this the act of maniacs unless we had come to the conclusion that the poverty of the people was the result desired!

If Mrs. Mathews should by chance read this article, let me counsel her to leave methods and schemes alone, and think only of the results which she would like to see in the homes of England.

I take it that she wants every child to have a dividend of its own. So that it can be suitably fed and clothed. Then she should realise that Lord Horder's spirit is the right one—we have got to bring pressure to bear on our representatives and insist that they pass our demands on to the Government experts. Those who wish to work on these realistic lines should write to the Secretary of the United Rate-payers' Advisory Association, at Sentinel House, Southampton Row, W.C.1.

"Tell us what you want and we'll show you how to get it!"

B. M. PALMER.

### The Japanese Situation *(continued from page 5)*

end may be, could to a great extent be found in our money markets . . . our own country would gain tremendous advantages . . ."

It was during the early years of the war that the British Ambassador to Washington, Sir Cecil Spring Rice wrote to a friend:

"Since the death of Morgan (which occurred in 1913) the German-Jewish bankers (referring to Kuhn, Loeb and Co.), are all-powerful here."

#### Second "Peace"

After the war the old "spheres of influence" by which the European diplomats had divided China up into sections were abolished by international agreement. There was established an international financial consortium, which, it was agreed, should henceforth attend to all foreign financing undertaken in China. The agreement constituting the consortium was signed on October 15, 1920. The

signatories included: Britain (The Hongkong and Shanghai Banking Corporation); France (Banque de L'Indo Chine); Japan (Yokohama Specie Bank) and the United States.

This latter country is represented by exactly the same groups which were mentioned in the Money Trust Report of 1913, and of these Kuhn, Loeb and Co., are, as we have seen, now the predominating group.

A proviso of the agreement lays it down that if any one of the parties is not in a position to take up its share of a loan, etc., to China the others may take up the amount in lieu. As the American group has far more money available for foreign financing than the other participants, the upshot is that China has become virtually a preserve for American High Finance, and more specially for its predominating group.

The amount of respect exhibited by the Consortium for the sovereign independence of China is

shown by the fact that the agreement was only communicated to the Chinese Government after it was signed.

Thirteen months after the agreement had been signed the Washington Arms conference was called. In reviewing its results Senator Lodge, of the Republican party, declared:

"The chief and most important point in the treaty is the termination of the Anglo-Japanese Alliance . . . The Anglo-Japanese Alliance was the most dangerous element in our relations with the Far East."

And ever since, American High Finance (alias Kuhn, Loeb and Co., and its associates) has been 'modernizing' China, directly or indirectly, through the instrument of Japan.

Enough has been said to enable the English taxpayer to judge for himself in defence of whose interest it will be that he, one of these days will have to give up his money and his freedom.

B. J.

(continued from page 3)

none of these gentlemen offers any alternative suggestion. So far as they are concerned, every project for improving the amenities of the town, and even sheer necessities like the drainage scheme, must add to the burden of debt which presses so heavily on the ratepayers. The rates must go up, a larger and larger proportion must be paid to the money lenders, leaving less and less to be spent with the business men of the town. Is that the wish of the ratepayers?

The proposals put forward by the Lower Rates Demand Association appear to be "unworkable" and "nonsense" to Messrs. Wheeler and Hill, but who are they to put their opinions on finance against those of say, the Rt. Hon. Reginald McKenna, chairman of the Midland Bank and at one time Chancellor of the Exchequer? This is what that gentleman said to the shareholders on January 25, 1924: "I am afraid the ordinary citizen will not like to be told that the banks can and do create and destroy money."

Whose authority is greater, that of Messrs. Wheeler and Hill, or that of Mr. R. G. Hawtrey, Assistant Secretary to the Treasury, who says in his book "Trade Depression and the Way Out," "When a bank lends, it creates money out of nothing"? The Lower Rates Demand Association demands that some of this credit shall be created to serve the legitimate needs of the ratepayers of Eastbourne. Messrs. Wheeler and Hill and those who support them say, like those who opposed the abolition of slavery, the making of railways and every new and progressive project, that the demand is "unworkable" and is "nonsense." What do the ratepayers say?

Some opponents of the Lower Rates Demand are genuinely deceived by the popular belief that banks exist by lending money deposited with them, and, by getting a higher rate of interest from borrowers, make profit for themselves. But in his book on "The Theory and Practice of Banking," McLeod says, "The essential and distinctive feature of a bank and a banker is to create and issue credit payable on demand, and this credit is intended to be put into circulation and serve all the purposes of

money." He also says in his book "Credit" that "A bank is therefore not an office for 'borrowing' and 'lending' money; it is a manufactory of credit."

We have all been brought up to believe that "money" is something of which there is a limited quantity and that if one person has more of it, someone else must go without that amount. But "money" is only a ticket to enable the exchange of goods and services to go on. Unfortunately, the issue of "money" is in the control of the banks who thus control the amount of goods and services which shall be exchanged. We have an almost unlimited amount of goods in the shape of raw materials, and our willing and skilled workers are rotting in enforced idleness owing to the arbitrary restriction of money by the Banks.

Councillor Bird described our statements as "incorrect" and "nonsense," but he appears to have overlooked the fact that we were quoting from an Official Report on the Commonwealth Bank of Australia. The statement that the Central Bank "can even, make money available to Governments or to others free of any charge" is not our opinion but is quoted from Section 504 of the Report. If he reads the letter again he will see that the Report says the Bank can make money available. We have not said that it does do this but we do say that if it can it ought to, and that our own banks should do so too for the general good.

No doubt every effort will be made to scare people with catch phrases and labels such as "inflation," but what the ratepayers want to know is, what alternative can Messrs. Wheeler and Hill and Bird offer to ease the intolerable burden of rising rates?

The Lower Rates Demand Association has shown the way out of our present difficulties and has quoted sound authorities to prove its case. Can those who oppose us give equal financial authorities to support them? The ratepayers will not be satisfied to have our proposals dismissed without such evidence. The opinions of members of the Council and of local officials will not stand against those of the chairman of the Midland Bank and

ex-Chancellor of the Exchequer, and the Assistant Secretary to the Treasury.

Yours faithfully,  
BERTRAM C. JONES,  
Hon. Treasurer.  
Eastbourne "Lower Rates"  
Demand Association.

4. Bolton Road.

—From the *Eastbourne Chronicle*,  
17th June, 1939.

### Idolatry . . .

The calf that once was gleaming  
gold  
Is now of ink and paper made,  
And yet of homage twentyfold  
It gains to what it once was paid!  
J. H. PLOOG.  
—From *The New Era*, April  
14, 1939.

### Russian Experiment

(continued from page 8)

Charles Sarolea studied at Liège, Paris, Palermo and Naples before his appointment as lecturer in the French and Romance Department of Edinburgh University, the headship of which he gave up in 1931. He has travelled extensively, particularly in North Africa, America, the Caucasus, the Near East, and India; in 1920 he was invited to accompany King Albert of Belgium on his journey to Brazil and West Africa as political adviser. He has also been interested in publishing, both in France and in England. His own books, which are many, are mostly on political subjects but also include works on literature and philosophy.

### Call to Arms

(continued from page 7)

sad-ended idealism of the Revolution filled the victorious ranks of Napoleon. A half-trained militia won American independence against heavy odds. Yes, three to one the free men win.

John Feaverfew doesn't know how to say it, or how to ransack the history books for the news, but in his bones there is the unquelled ache for freedom, and in his heart he knows how free men make the armies that win battles worth fighting in, and pressed men—the things of their masters—lose them.

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