

# THE SOCIAL CREDITOR

## FOR POLITICAL AND ECONOMIC REALISM

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3d. Weekly.

### CENTRAL MORTGAGE BANK OF CANADA

(An address given by L. D. BYRNE to a group of business men in Edmonton).

*[This legislation is copied direct from the Lands Improvement Corporation, a subsidiary of the Bank of England whose provisions practically hand over all profits but no risks, of landowning to the Banks.*

*C. H. Douglas.]*

Having watched the tactics of big business and finance in matters of legislation for many years, I have become a very suspicious person on all questions of legislative action involving the interests of financial concerns which purports to be directed against them and for the people. After a great deal of shadow boxing, they usually seem to do pretty well and the people for whose benefit the legislation was passed do not seem to come off nearly as well.

I mention this because the particular piece of legislation we have under consideration—the Central Mortgage Bank Act—was produced like a rabbit out of a hat without any warning, in the dying days of an unusually long and unusually sterile Parliamentary session and, while everyone's attention was centred on the triumphant tour of their Majesties, it was rushed through Parliament with almost indecent haste.

The healthy reaction of a person who knows how these matters are arranged can be summarised in the

following questions:

Why is this thing being produced at this time? If it was indeed such important legislation, surely its sponsors would have brought it before Parliament at a time when it would receive the undivided attention of the entire nation? Why did they delay until the King's and Queen's visit was the big news? Did they just think of it? What is the reaction in financial circles? And is it by any chance aimed at Alberta?

So I first turned to see what the reaction was in financial circles. There was no protest. There were no resolutions being passed by irate lending institutions or Chambers of Commerce or anything like that. I read in a financial paper that the lending institutions were in favour of the principle of the legislation—but they were reserving judgment on its provisions. This seemed an amazing overnight conversion after their previous attitude in the matter of debt adjustment—if indeed the Act was to be so beneficial to the people.

Now let us examine the provisions of the Act. I will summarise them:

- (a) The Central Mortgage Bank is, for all practical purposes, to be a subsidiary of the Bank of Canada.
- (b) All trust, loan, mortgage and insurance companies are eligible to become members.
- (c) The Central Mortgage Bank will be entirely Government owned, having a subscribed capital of \$10 million to be held by the Government through the Minister of Finance.
- (d) The Bank is authorised to raise \$200 million by selling debentures

in the open market and by the issue of non-transferable debentures bearing 3% interest for 20 years, repayable by equal half-yearly payments over the period.

- (e) All member corporations will be required to adjust their mortgages on the following bases:

- 1. All interest in arrears for more than two years to be wiped out.
- 2. The balance of principal and interest to be reduced, where necessary, to 80% of the appraised value of the property.
- 3. Repayment of this to be made in equal annual or monthly amounts over a period of 20 years at 5% per annum, urban mortgages, 5½%.

- (f) The foregoing to apply to all farm debts but in the case of urban debts to be limited to amounts not exceeding \$7,000 on one family and \$12,000 on two family homes contracted prior to 1936.
- (g) The Central Mortgage Bank to reimburse member corporations to the extent of 50% of all write-offs by issue of non-transferable debentures at 3% repayable over 20 years.
- (h) Member corporations to obtain funds for new mortgages from the Central Mortgage Bank at not less than 1½% below ruling rates for new mortgages.
- (i) Ruling rates for new mortgages to be 2% above the rate at which the Dominion can borrow in the

#### On Other Pages

Mrs. Palmer's Page

"Learning to Drive"

"Whose Service is Perfect Freedom" (IV)

Douglas on Religious Freedom

U. R. A. A.

"Blue Print for Paradise"

open market for long terms, with a minimum of  $5\frac{1}{2}\%$  for urban mortgages.

- (j) New mortgages will be accepted only if the amount does not exceed 50% of the valuation in the case of farms and 60% in the case of urban properties.
- (k) A clause in the Act exempts its application in any province where the existing debt legislation interferes with the rights of the lending institutions to enforce their claims under this Act.

That, broadly, is an outline of the provisions of the Act and on the surface it appears to be plausibly attractive to debtors. Let us now consider just what they will mean in practice.

We will take an extreme case—step by step.

Suppose a farmer in a dry area owes \$5,877 on property worth \$4,500 at the present valuation. Of this, \$1,877 represents arrears of compound interest, assuming 8% per annum for a period of 5 years, and that he has paid nothing during that time; further, that no fines or other costs have been added. I want to load the case so as to exaggerate the lending institution's losses and the debtor's benefits.

Of the arrears of interest amounting to \$1,877, only \$640 in respect of the last two years of the period is payable. Therefore, \$1,237 has to be written off.

This reduces the total of principal and accrued interest to \$4,640. But 80% of the valuation of \$4,500 is only \$3,600. This means that another \$1,040 must be written off—making a total reduction in the debt of \$2,277.

Of this amount the Central Mortgage Bank re-imburses the lending institution to the extent of \$1,138. And the lending institution bears the loss of the balance.

Now I want to stress that I have taken an extreme case. We will consider the result in other cases presently. Let us see in the example I have given just how all parties concerned have fared.

The original principal owing the

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lending institution was \$4,000—for which it has collected no interest for 5 years—thereby increasing the total to \$5,877.

It now has the total debt reduced to \$3,600 and it collects \$1,138—making a total of \$4,738.

In other words, in place of a hopeless debt, without any prospect of collecting principal and interest in full, the lending institution has the original principal of \$4,000 restored in full. Of this \$3,600 remains on loan with the full protection of the Courts as to both principal and interest payments at 5%—and \$498 in respect of principal plus \$640 in respect of back interest in the form of debentures carrying 3% interest and repayable over 20 years under Government guarantee. This \$738 represents a little less than 4% interest compounded for the previous years.

It may appear to be a hardship that the lending institution gets only 5% of the outstanding loan—and only 3% on the debentures—but it has the funds invested safely, backed by the credit of the entire nation, and repayable over a period of 20 years and it is saved the costs of collection.

Let us now see how the farmer fares. True, he has his debt reduced by \$2,277. That is the gilded bait. He has to pay principal, interest and taxes to the Mortgage Bank, and this constitutes a first charge against his crop—and he is committed rigidly to make these payments for 20 years. The first ten years will be the worst.

Now assume he gets no crop—or a poor crop. What will be his position? What will happen if prices are low? Can he be protected? My understanding of the Bill is that he will be completely at the mercy of the Mortgage Bank—i.e., the Bank of Canada. He will not get his loan adjusted if there is any protecting legislation.

Let me quote a significant statement made by the Minister of Finance in Parliament in connection with this legislation. He said in part:

"This bill offers to provinces an opportunity to end undue interference. The bill is designed to warrant the provincial governments or provincial legislatures in exempting mortgages adjusted under this legislation, from provincial legislation which would have the effect of interfering with a contract which had been refinanced by the Dominion. Obviously when the Dominion credit is used in this manner it cannot be subject to the possibility of a province impairing the Dominion security."

So the farmer will have his burden

eased—but only in return for a rigid contract under which he will be helpless to look for protection or assistance from the Government which has jurisdiction over his property rights. Such property rights as he possesses will be transferred to the lending institutions working behind the protection afforded by the Central Mortgage Bank which will operate beyond the jurisdiction of the democratic Governments concerned in this sphere of protecting the rights of their citizens.

I will deal further with the significance of this presently.

And how will the farmer fare in obtaining credit facilities in the future? Well—it will be just too bad for him, because he is cluttered up with a first lien on both his property and his crop.

Now, where do the farmer's other creditors come in? They are not protected at all—unless they happen to have taken a second mortgage on the property. But in most cases, second mortgages will be held by other institutions—banks, machine companies and so forth. So the individual creditor is not likely to get a look-in.

And what about the taxpayer? He will have to foot the bill for the huge debt which the Central Mortgage Bank will incur in compensating the lending institutions for 50% of the loss they sustain from the write-offs rendered necessary to make their frozen debts liquid.

Before I proceed to draw your attention to other aspects of the Act and the implications of the matters already discussed—may we go back to the example we were considering to see just what the position would be if the case was not quite so extreme. Let us assume the same amount of outstanding loan of \$5,877—with \$1,877 being accrued interest for 5 years at 8 per cent. But instead of taking the present valuation of the property at \$4,500, let us assume it to be \$6,500.

The amount of interest for two years remains the same—namely, \$640. Therefore, \$1,237 of accrued interest has to be wiped off.

Of this, \$668 is paid by the Central Mortgage Bank to the lending institution and the debt now stands at \$4,640.

So the lending institution has its original principal intact with \$640 accrued interest—all safely invested and guaranteed for 20 years. And in addition, it has collected \$668.

In all, it receives \$1,308 in respect

of unpaid interest—or the equivalent of nearly 6 per cent. per annum compounded over the period. Can you imagine anything more satisfactory to the lending institutions—and all backed by the credit of the nation and the taxpayer.

Next, I want to draw your attention to some other features of the Act.

Thus far we have been talking only about the lending institutions. What about the private lender who is a mortgagor? It is too bad that he is just an individual—because this legislation only considers individuals in the capacity of debtors—and debtors to institutions.

Private lenders cannot become members of the Central Mortgage Bank and if they cannot be members they cannot get the compensating benefits from any adjustment they might make in the debts owing to them. So if the debtor is hard pressed and the only hope of obtaining payment is in the scaling down of the debt, then the individual creditor must bear the loss. Of course, he has the additional privilege, as a taxpayer, of helping to subsidize the lending institutions in the protection they are afforded to meet their losses.

Well, suppose he does scale down the debt to a figure within the ability of the debtor to pay. That is the joker in the Act. If the reduced debt is 50 per cent. of the value of farm property or 60 per cent. of urban property, the debtor immediately transfers to the Central Mortgage Bank and obtains a loan from one of the member lending institutions. The individual creditor is paid off—the lending company has a gilt-edged investment, and the creditor, after meeting the entire loss of the debt adjustment he made, is left with the residue of his capital to invest in some less secure proposition.

Let me read you a quotation from the *Financial Post* commenting on the effect of the Act:

“The chief beneficiaries of the bill are the large lender and the small borrower. To compensate for a possible narrowing of profit margin on future operations the member company gets government backing for its business. Loan and mortgage companies get the advantage of new business which will be diverted from law firms.

“Trust companies, as members of the central bank, gain a virtual monopoly of the estates business, since lawyers will no longer be able to compete with this huge machine in investing the funds of estates.

“From the standpoint of business generally it is felt that the proposed \$200 millions central bank loan may provide

simply another gilt-edged channel for investment which otherwise might have gone to expand private industry.”

“The legislation does not attack directly the problem of mortgage credit generally, a problem which has been made more acute in recent years through previous debt legislation. It does, however, increase the supply of mortgage money to such an extent that the potential mortgagor will inevitably find it easier to obtain a loan.

“At the same time, the regulatory aspect of the legislation will, it is believed make lending companies more willing to accept mortgages on properties which might have been placed before this in the doubtful class.

“In cases where the interest rate is above 5 per cent. and the principal below a 50 per cent. or 60 per cent. margin, he might take advantage of the provisions of the Interest Act to pay off the old loan. In cases where the principal is above the 50 per cent. or 60 per cent. he must contrive himself to pay off this margin or continue with his old mortgage.

“To this extent the legislation may be said to discriminate against this class of mortgagor. Over the longer period, however, he will receive indirectly the benefit of lower prevailing rates for mortgages. So that eventually the legislation seems destined to curtail drastically the operations of the private lender.”

I would like to comment on one remark in these *Financial Post* articles.

It is stated that the smaller borrowers will be one of the chief beneficiaries of the Act. This is grossly misleading. While it is true that if his position is hopeless his debt is put on a basis more within his capacity to pay—but the cost from his point of view is tremendous, for he has to put himself unreservedly under the control of the lending institution. For a period of twenty years—which in most cases would mean for the rest of his active life—the borrower is little more than a serf working for the lending institutions under the watchful eyes of the Central Mortgage Bank which essentially represents its member—namely the lending institutions. It is useless to argue that the Central Mortgage Bank will be controlled by Parliament, and, therefore, its administration cannot be harsh. This simply does not happen. It does not happen in the administration of the financial system by the nationalized Bank of Canada, it does not happen in the sphere of tax collections—or in any other sphere where, under cloak of the authority of Parliament, full rein is given to bureaucratic administration. Besides, the Act as drawn makes for harsh administration and this is no accident as I hope to show you.

(To be continued).

## Failure of Dutch Banking House

Following the death of Mynheer Fritz Mannheimer, a close friend of M. Paul Reynaud, the French Finance Minister, the banking house of Mendelssohn and Co., of Amsterdam, refused payment. The firm has applied for permission to suspend payments.

Mendelssohn and Co., is the chief of a group of banking interests which was recently reported to have offered financial backing to General Franco to reconstitute Spain, and to have planned to send M. Van Zeeland to investigate financial and economic conditions there. The scheme fell through.

## Selfishness and Unselfishness

It has been pointed out that one of the results of authority is that words are absolutely distorted from their proper and simple meaning, and are used to express the obverse of their right signification. What is true about Art is true about Life. A man is called affected, nowadays, if he dresses as he likes to dress. But in doing that he is acting in a perfectly natural manner. Affectation, in such matters consists in dressing according to the views of one's neighbour, whose views, as they are the views of the majority, will probably be extremely stupid. Or a man is called selfish if he lives in the manner that seems to him most suitable for the full realisation of his own personality; if, in fact, the primary aim of his life is self-development. But this is the way in which everyone should live. Selfishness is not living as one wishes to live, it is asking others to live as one wishes to live. And unselfishness is letting other people's lives alone, not interfering with them. Selfishness always aims at creating around it an absolute uniformity of type. Unselfishness recognises infinite variety of type as a delightful thing, accepts it, acquiesces in it, enjoys it. It is not selfish to think for oneself. A man who does not think for himself does not think at all. It is grossly selfish to require of one's neighbour that he should think in the same way, and hold the same opinions. Why should he? If he can think, he will probably think differently. If he cannot think, it is monstrous to require thought of any kind from him. A red rose is not selfish because it wants to be a red rose. It would be horribly selfish if it wanted all the other flowers in the garden to be both red and roses. —Oscar Wilde.

D. M. R., deputising for Mrs. Palmer, writes on—

## WOMEN AND SOCIAL CREDIT

For women this age is generally considered an age of emancipation. I suppose this means that women have a vote equally with men, that they no longer feel it necessary to dress in the unbecoming fashions of an age of pretence defining the waist in wasp-like proportion while leaving the hip measurement to the kindness of imagination. Their "education" calls for greater consideration and their clamour for access to more avenues of employment has succeeded, for we have women doctors, women M.P.'s, women organisers of all kinds of concerns, and also women routine workers, women machine-minders and indeed women machine extensions. So the women's place is no longer in the home—perhaps more women have no home in which to take a place. The claims for equality are being satisfied. We can walk side by side with the men, scramble for the same overcrowded buses, race to the same busy restaurants for lunch, collect the pay envelopes at the same desk, and spin out their contents in the same manly way. Now we may cry "Eureka!"

But have we found it? This wonderful equality, what is it? It was men's freedom that women coveted. It was their freedom to choose their lives, and live them unfettered by the chains and claims of false orthodoxy, which women had hoped to share. What is it that we share now? Do we want equality with men in the lives they lead to-day?

It is not necessary here to describe the pitiable position of not only ourselves in England but of human beings in every "civilised" country in the world—"financialised" would perhaps be a more accurate adjective. Enough has been written about unemployment conditions, slums, restricted production, bankruptcies, armaments, war, but perhaps not about *fear*. Mrs. Palmer once enumerated the fears which beset us: fear of bringing children into a world of uncertainty, fear that they wont have the right education, fear that they wont secure employment, fear of losing it when they have it, fear of illness, fear of old age, fear of war. The fear of poverty has driven women into industry whether they like it or not. Their cheaper labour is much sought after and they have been forced into bitter

competition with men. They have succeeded in doing what were men's jobs but they have kept low a standard of living which could long ago have been very much higher than it is now.

If we think over the things which interest women most we soon see the relationship between women and money. Take marriage first. The best motives for marriage are often overshadowed by other considerations: marriage for escape from uncongenial work, marriage for the modicum of security which it has to offer, marriage when and where economically convenient. The most natural and delightful relationships become distorted by money considerations. The husband becomes a symbol of salaried security. When this security fails, he becomes the symbol of uncertainty and failure. All the finer characteristics of married people are likely to be lost in the absorbing effort for security of some sort at any cost, often at the cost of the sacrifice of the man's whole individuality.

Let us next consider nursing. Nursing has always been one of the noble callings to women for their service. To-day there is probably more discontent in the nursing profession than any other. Economy cuts leave nurses underfed, overworked, and far from fit to execute their difficult work satisfactorily either to themselves or to their patients. The petty economies that are

practised in hospitals to-day are an insult to intelligence. All the things conducive to efficiency, and harmonious working are to be had for the asking; only shortage of money stands in the way and the hospital wheels groan and stick with false encumbrances.

How many women, choosing education as their career, do so with an earnest desire to help children and young people to discover their powers, and develop them to the fullest extent, only to find that all their energies are demanded for *moulding* the children to suit the economic world so that they may be winners in the unfair and hideous race for well paid jobs? They are asked to prepare children for the world so that they may feel its injustices the less; indeed they are asked to dope them that life may not be too stark for their heaven-sent sensitiveness. That divine instinct of curiosity must carefully be—what do they say, sublimated? The Oxford dictionary says that to sublimate means to convert from solid state to vapour by heat and allow to solidify again! The teacher who takes the matter into her own hands and defies the diabolical aims of an education system dictated by the money power finds her way impeded by money difficulties at every turn. And in any case, most of her pupils must contribute to the family income as soon as possible and this is most easily accomplished by turning them into factories where they earn a little more but learn nothing and develop few other faculties than those of listening and obeying.

These are only two spheres in which women find that the money problem is their greatest. In all others they are similarly harassed. Their love of doing things is often thwarted by the consideration that money must not be 'wasted'. Their love for beauty can only find outlet in the cheapest ways and a false standard is imposed upon their taste. They have no emancipation regarding their vote for good quality. They must buy, not the most beautiful but the materials they can afford, and are, therefore, forced to increase the production of undesirable goods by their restricted money vote. They must even follow the sacred household duties of cooking and making and cleaning in ways they would scorn if they had no need to think 'economically'. Their

### Rendezvous

Mrs. Palmer

is at home to friends on Wednesday afternoons from 3 to 5 p.m.

(other times by appointment).

Tea and biscuits 3d.

It is hoped that visitors to London will make a point of calling at that time.

On Wednesdays August 16, 23 and 30, and September 6

**Mrs. Hewlett Edwards**

will receive visitors. Mrs. Palmer will be away on holiday.

Note the Address:

**4, Mecklenburgh Street,  
London, W.C. 1.**

(first floor bell).

so-called emancipation from household drudgery is almost useless since by the time the electricity bills, telephone bills, and all the many modern conveniences have been paid for, there is no money left to spend on unprofitable but most engaging hobbies.

The history of mankind, says Van Loon, has until one or two hundred years ago, been the story of an hungry creature in search of food. Social crediters realise fully that material poverty is unnecessary. The search is ended but there appears to be a group of people who strongly desire to obscure this fact. The present age is one of increasing leisure in which we should be able to rejoice but that the chronic shortage of purchasing power prevents us from having access to the material wealth which would make our leisure secure and fruitful. The distressing difficulties of our time are not physical difficulties and are therefore not natural. The money system is not producing happy results and social crediters know that it is not sacred or unadjustable. It operates to deter our every advance into freedom, it bases our lives upon a lie—the lie of economy and scarcity. It acts as a conditioning agent. We cannot properly know the nature of men and women for they would undoubtedly behave differently if they lived in freedom and security. Financial independence of individuals would remove most of the falsities motivating our actions. It would mean that both men and women would control the conditions under which they work. If we are to acquire this independence we must not forget that, besides being men and women we are all human beings. As such we seem to have had two enemies: the one a natural enemy, a scarcity of food supplies and the consequent precariousness as to the possibility of supporting life; this leads to fear, hatred of others and to war. This enemy has been defeated by the ingenious ways in which human beings have used the resources of the earth. The other, a money power which imposes a false scarcity and economy leading to fear and resulting in hatred and war. This second enemy is now being driven into the open field of battle and can be routed immediately the armies mobilise themselves into ordered array.

We are part of the army which can effectually oppose this, our greatest, enemy. We have the power to make an irresistible demand upon our parlia-

mentary representatives. It is idle to say we cannot get what we want. It is like saying a perfect printing machine is no good because, not having set the type, we cannot get any ordered output. Our demands must be clear and unmistakable. We know that all the anxiety, neurosis, ugliness, poverty, suicides are unnatural and unnecessary and imposed upon us by a fallacious debt system. We have to resist this monstrous imposition and make democracy work. We must loudly assert that the continuance of the money tyranny is intolerable and demand that each and every obstruction to material welfare shall be removed. We must resist every untrue statement about overproduction, the delicacy of the financial system, the greed of other countries, the necessity of bigger and bigger exports, and believe only our own eyes, judging only by comprehensible results. In everything we do, as Major Douglas has said, if we wish to be free men and women we must *act* as free men and women.

There are many opportunities which we can take. In all our associations and organisations we can dismiss the notion that committees dictate policy—"policy is the end for which we strive—policy is a matter for public concern." At present democracy is not working because we have not learnt that first there must be clear expression of policy and then the executives appointed to achieve the desired result must be held responsible but must not be interfered with. In matters concerning our town, our club, our church we should see that this is understood and that democratic principles are practised. Where we see people associating for a specific objective we can help them to secure it. An outstanding example of this at present is the move to get lower rates with no decrease in social services. The mobilising of this demand for a result which could be seen and understood by everyone is a clear example of how democratic principle should be practised.

If women desire equality with men, we must see that men's lot is worth sharing. Men and women must work together. Enthusiasm is not a vice; it is an aid to unity at present, I believe, purposely discouraged and discredited. As social crediters who see so clearly the wonderful possibilities of modern life we can rouse a determined enthusiasm for life—LIFE in capital letters.

D. M. R.

## Social Credit Records

*The Editor,  
The Social Crediter.*

Dear Sir,

I should be glad if readers and others who respond to Mr. Bardsley's request for information would be so good as to forward any communication they may care to make in triplicate.

The trouble involved in so doing is small relatively to the labour which would fall either upon Mr. Bardsley or upon some one else if everything had to be recopied; and it is desirable that more than one set of documents should, if possible, be preserved "in case of accident."

To give wider publicity to Mr. Bardsley's invitation, two paragraphs from his letter published in the issue of August 5th may be quoted:—

If your readers will kindly send me their authentic recollections, more particularly of the period 1918 to 1930, I will file them carefully for future reference by others, and deposit them in a place approved by the Secretariat.

To any reader who will compile a year by year summary of events I shall be specially grateful.

Mr. Bardsley made it clear that while he had not immediately in mind the preparation of a full factual history, but only a short history of the idea, he naturally wished his factual basis to be correct.

*Director of Information,*

Social Credit Secretariat.

12, Lord Street, Liverpool, 2; August 9th, 1939.

## Baldwin in U.S.A.

Lord Baldwin, who seems to be becoming an Authority on Democracy, is at the moment, in the United States for the purpose of speaking at a dinner arranged by the Congress of Education and Democracy.

According to *The Times* report he said "that he was afraid the new factor of air power would cause such destruction in any conflict on a large scale that it would leave behind a 'ghastly legacy' of hatred among nations such as no war had ever left before, but this would not deter the British from doing their duty. The spectacle of force trampling on the liberty of man and the danger of any single Power dominating Europe had, he said, caused an intense hardening among the British people."

## THE SOCIAL CREDITER

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12, LORD STREET,  
LIVERPOOL, 2.

## LEARNING TO DRIVE

The beginner, in learning to drive a car, is first shown how to use the controls; and then he drives, the instructor sitting next to him. Instruction is necessary, but no amount of teaching will make a driver: only practice in driving can do that.

It is the same in learning to live: and again the same in learning to live in accordance with a fuller apprehension of the realities which form the background of life—that is, to live as a social creditor. Some idea must be gained of what those realities are, but no exhaustive pondering over these is more than just exhaustive pondering. The game begins when first we put these ideas into some form of action. A casual word across the office desk may expose the futility of some objective; and sparks have been struck on more than one Directors' Board by reports which brought up forgotten fundamentals.

After a time the instructor will set you problems; to reverse into an eight foot gateway, or to drive down a 1 in 4 hill with a gate at the bottom. Can you do it without being told how? If so you will soon be an independent driver.

It is little problems such as these which life sets for the realist; and in many ways, not only in campaigns, but in every day carrying on. But life has more controls than are comprised in the levers, pedals and steering wheel of a car; and a greater variety of problems than can be met, even on the street of Birmingham on a foggy day. No one would think of attempting to teach and explain the precise movements of each control in every possible problem to be met with; the instructor is satisfied if you can control the car; in addition to that he will stir your imagination with the sort of contingencies likely to arise, and you must settle these for yourself, going steadily until use brings the

automatic reaction which comes with practice.

There seems to be a certain polarity about most forms of action. One drives to get somewhere; but also to avoid a smash. If you concentrate on getting there to the exclusion of safety you will not arrive; and you will not start out if you think of nothing but safety. In practice action slides from pole to pole; on a clear road you let her out, and as obstruction appears you pull her in.

This element is to be seen in fundamentals too. The ability to choose or refuse alternatives as they arise—freedom—is the essence of the correspondence with reality; without it, as we see, humanity will come to a sticky end. Yet there would be but few alternatives to choose lacking the other factor, which is to work in co-operation with others; and that is limitation; a choice of limitation to secure the advantages of social credit. An individual who, having a practicable alternative, still chooses to limit himself is free; but in practice the distinction is there; and he who "knows his stuff", knows when to concentrate on freedom (as, politically, in policy) and when to agree to limitation in some "hierarchy" for the purpose of gaining a desired objective.

The same polarity is to be seen in the pull between the need to get results in our endeavours to secure the transfer of the *control of initiative* to the People; and the need to engage the individual's initiative in doing it. In these perverted times the way to get quick results is to say precisely what is to be done, to repeat that ten times, and then give it a little emphasis. And yet economic democracy will not be gained until the initiative comes from *the public*; using some simple mechanism for its enforce-

ment as surely as the skilled driver, holding the car steady on the road, presses the accelerator.

Again the point is to know when to issue and adhere to instructions, and when to arouse and pursue initiative. And so, from these two points of view, there is room for a variety of advice, each piece suited to its own occasion; sometimes as studiously clear and simple as can be written: and again, a less direct approach, not so easy but provocative of thought and initiative in its development and application.

"Brake hard . . . now put her into second, sound your horn and pass that bus". That remark, however tactful in tone and appropriate to the occasion, is unlikely to meet with an enthusiastic response from the skilled driver. He knows how to use his machine, and has the initiative to use it to get where he wants to be. And the time will come when all of us, knowing what we want and accustomed to the simple mechanism required to secure it, will take a similar line in respect to proffered comments.

But not yet; we are still in the initial stages . . . that is still something to look forward to. H. E.

### MEMORANDUM OF RECENT CONVERSATION

PARTIES: *A well-known Social Crediter and a "German" refugee.*

G.R.: "What do you think of these crises?"

S.C.: "I don't think of them. What do you think?"

G.R.: "We have great hopes."

S.C.: "Yes?"

G.R.: "We think there will be a European war."

S.C.: "Ah! Why should there be a European war?"

G.R.: "How else can Hitler be put down and we get our property back?"

S.C.: "Yes, I see."

This conversation occurred in an English country house where the "German" refugee was a guest.

## The NEW ERA

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# WHOSE SERVICE IS PERFECT FREEDOM (IV)

By C. H. DOUGLAS

It has been our habit to flatter ourselves that during the past 150 years or so we have made great progress, and we have used the word 'progress' as though it defined itself. Now the fact is, that nearly all of what we call progress is a-moral. Or to put the matter another way, there is no *moral* progress except moral progress, and the use of better tools in no way ensures better objectives.

These observations seem to me to be necessary because it is frequently stressed, although again, I think, somewhat over-stressed, that the Jews, as a race, have contributed largely to the advance of civilisation, and civilisation, as I suggest, is a misnomer unless it involves moral progress. Jews have, for instance, been notably prominent as chemists, and the chief use of chemistry, at the present time, is to provide high explosives with which the population of the world may blow itself to pieces, or poison gases to ensure to mortals a more painful death.

I believe it has only to be pointed out to be admitted, however, that the sphere in which the Jewish race operates so largely as very nearly to control it, is in that sphere which was regarded by the Middle Ages as the sphere of 'black-magic', but which we now term 'suggestion', or 'the psychology of the unconscious' and imagine that thereby we are saying something modern and scientific.

The outstanding instance of this is in the hypnotism which has been exercised over the whole world by the financial system, so that almost without exception people have come to believe that bits of paper are more important than fields of grain, and figures in a book are a measure of the solid worth of a human individual and the only passport to a tolerable existence. But the hypnotism of finance, while perhaps the most important exhibit of black magic or the misuse of suggestion, is by no means alone, either in the mediaeval or the modern world. In the former, Jews obtained control over chivalry by the hypnotic propaganda associated with the Crusades, and the money-lending transactions which were required to make the Crusades possible. The Knights Templars, in the first instance one of the strictest orders of chivalry, became corrupted by Jewish freemasonry

of a particularly vicious character, so that, largely by their infection, the high idealism of chivalry, which was associated with the universal church, crumbled into ruins. In the modern world, high-pressure salesmanship, fantastic advertising, the portrayal upon the moving picture of a type of society which, fortunately, does not exist to any extent outside Jewish-controlled Hollywood, the filthy "crooning" of Bowery melodies by the British Broadcasting Corporation, are all instances of this almost diabolical faculty for destroying a "just relationship between the mind and things". The conspiracy in the Jewish-controlled press to misrepresent world economic problems as primarily concerned with the provision of employment, the continuous misdirection of the Labour Party (now a War Party), the use of every opportunity to filch away individual initiative and to centralise it in practically anonymous and international financial institutions supported by a propaganda which distorts and perverts any information the general population may acquire, are simply modern 'black magic'. In the face of a world which by these methods and policies has been brought to a condition rightly described as Insanity Fair, we are so bemused that we imagine that still more 'Government' (delegated power) will save us, and that anyone can manage our business better than we can manage it for ourselves. Every civilisation in history has perished of precisely this cause—that 'leaders' and institutions have been allowed to assume powers for the exercise of which they could not be brought to account, and which we have no justification for resigning, while at the same time functional indiscipline has been advocated and practised.

Now the only rational meaning which can be attached to the phrase "moral progress" is firstly a continuous approach to Reality (which includes and perhaps is, real Politics), and secondly, the ordering of our actions, in the light of such approach, so that they tend towards our own and the general good. And if, as may be held, Reality and Good, or God, are synonymous, these two come to much the same thing.

So far, then, from the Jewish Race having contributed to a genuine civilisation, they have, ably assisted by the Puritan products of Old Testament

education, been its greatest obstacle and have succeeded in the objective to be found in every one of their major declarations of policy—that all non-Jewish Races are "Goyim" (cattle) and that no civilisation not dominated by Jews and served by Gentile slaves shall be permitted to function.

*C. H. Douglas*

(To be continued).

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**1918 -- 1939**

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## Douglas on Religious Freedom

July 27, 1939.

Major C. H. Douglas,  
Fig Tree Court, Temple, London, England.

Dear Major Douglas,

As you no doubt know, we are expecting a Federal election this Fall, and in the province of Quebec the Social Credit Movement is running candidates. The French-Canadian is predominantly Roman Catholic, and he is utterly opposed to Communism or anything that smacks thereof.

The old parties are endeavouring to link Social Credit with Communism in order to defeat the Movement, and though the leaders of the Movement are fully aware of your views on the matter, they have requested me to write you asking for definite statement for use in the campaign as follows:—

1. Private property.
2. Individual initiative.
3. Religious freedom.
4. Communism, Socialism, Collectivism.

If you will be so kind as to give your views briefly on the above by air-mail, we shall be indebted to you.

With best personal regards,

I remain,

Yours sincerely,

(signed) RALPH L. DUCLOS,  
President, The Douglas Social Credit  
Bureau of Canada.

Ottawa, Canada.

August 14, 1939.

R. L. Duclos, Esq.,  
D. S. C. Bureau of Canada,  
55, Metcalfe Street, Ottawa, Canada.

Dear Mr. Duclos,

In reference to your letter of July 27th, the answers to your enquiries are as follows:—

(1) Regarding private property, I personally divide this into two categories, (a) that which is used by the owner for his personal family purposes, and (b) that which he merely administers, not receiving the product but receiving a money income from it, fundamentally as a return for the responsibility of administration. In regard to (a) I regard interference by Governmental bodies as completely undesirable and to be restricted to an absolute minimum. In regard to (b) I am in favour of a similar freedom from interference, with the exception of the freedom to transfer, either at death or otherwise. A certain amount of social control seems pragmatically necessary in regard to this.

(2) I do not recognise any initiative except individual initiative. No corporate body, as such, whether governmental or otherwise, ever had or could have any initiative. In consequence, purely routine matters may, in certain circumstances, be reasonably administered by corporate bodies, subject always to change by individual initiative without too much difficulty.

(3) The only meaning I can give to religious freedom in the sense used by you is freedom of expression in regard to all philosophical matters, or all ceremonies connected with them. In regard to these, it seems unnecessary to say that I am in favour of absolute and unfettered freedom. It has to be recognised, however, that every genuine philosophy has a policy attached to it. Just as we should

refuse common consent to allow the preaching of a philosophy which advocated murder as an essential part of the policy proceeding from the philosophy, so certain philosophies may constitute a social danger. I consider, myself, that the "chosen race" philosophy of the Jews, with the idea that the whole world is destined to be ruled by a Jewish Junta, and the idea that there is one morality as between Jews and no limitation of morality in the dealings of a Jew with a non-Jew, comes under the category of anti-social and seditious propaganda.

(4) To answer this would require a definition of Communism, Socialism and Collectivism. So far as I have been able to obtain any definition, all of them contain the fundamental idea that some institution or organisation has superior rights and presumably superior virtues to the individuals from which it proceeds. I regard this as being the most dangerous myth, and its exploitation in one form or another as the mechanism of the world's distress.

The general sovereignty of any institution, which is satanic, should, however, be carefully distinguished from the functional sovereignty of a technique.

With kindest regards,

Yours sincerely,

Temple, London.

C. H. DOUGLAS.

From "The Times", 12th August, 1939:

### New Zealand Loan in London

A heated discussion on the terms of conversion of the New Zealand loan in London arose recently when the former Prime Minister, Mr. Forbes, moved an Opposition amendment urging the Government to state that they did not sympathize with and contradicted any suggestion of repudiation of their debts, to affirm the Dominions determination to fulfil its obligations, and express its appreciation of the United Kingdom Government's generous terms.

Mr. Forbes strongly criticized a speech made earlier in the debate by Mr. Lee, Parliamentary Under-Secretary for Housing, in which Mr. Lee spoke of the conversion as an unconscionable bargain and of the harsh and exacting terms dictated by Mr. Montagu Norman.

Mr. Lee said a man would be a fool or a knave to pretend that the terms could be lived up to. In the next five years New Zealand would have to find an extremely large sum for debt service and principal, and if compelled to repay interest and principal would soon be in the position of Britain with the American debt, driven to make token payment. Unless New Zealand obtained low interest and had all loans refunded on a long-term amortization plan no Government could meet their obligation.

Mr. Forbes declared that this criticism was not warranted by the generous terms. It was wrong to create an impression damaging to New Zealand's reputation for honesty and fair play.

Mr. Fraser, Deputy Leader of the Government, denied that Mr. Lee's speech contained any suggestion of repudiation and emphatically asserted that New Zealand would honour her debts. The Government had already definitely and expressly repudiated any suggestion that in any circumstances they could possibly contemplate such a wholly reprehensible and dishonest course, the very mention of which would be ruinous to the country's interests. The conditions of conversion were not what they liked or felt they had the right to expect, but considering Great Britain's financial position and the condition of the Dominion's sterling funds he considered the terms were the best possible at the moment, and the Government accepted them.

The Opposition expressed satisfaction at Mr. Fraser's emphatic assurance that all debts would be fully honoured. The amendment was rejected on a party vote by 39 to 21.



Space reserved by

Secretary: John Mitchell

## THE UNITED RATEPAYERS' ADVISORY ASSOCIATION

Sentinel House, Southampton Row, London, W.C.1. Telephone Chancery 7248.

## THE FIRST STEP

We print here a letter written to a Campaign Organiser in answer to the questions quoted below. It is not recommended that this sort of detailed explanation should be indulged in in letters to the Press. It is published here as a help to campaigners who may get similar questions asked them by individual councillors.

The right tactics with councillors is to apply pressure until they have to do something and turn round and say "well, what do we do next?"

## QUESTION

1. "The demand which is made upon the banks will be based upon, among other things, the valuation placed upon the assets of the Local Authority."

(a) Why should this be? Are the assets to be in the nature of a security? This would seem to imply repayment of the advance some time; else why the restriction of the value of the assets?

(b) Is the advance to be repaid at any time, or is it to be considered as a gift? (This is rather clumsily put, but what I want to know is "If an advance of £50,000 is involved, does a payment of £500, i.e., 1 per cent, close the deal?")

## REPLY

Dear X,

Replying to your letter of the 26th of July and Councillor Y's question:

(a) Quite clearly the Local Authority's capital resides in reality in its assets (assets already constructed and potential assets represented by available skill, manpower and material, etc. Its financial capital should be an exact reflection of its real capital. Whereas it is at present made to appear through financial misrepresentation that it has only a debt and no assets. The first principle of any sound accountancy, therefore, must be that all assets should be monetised and reflected in monetary capital, and this monetary capital, at the very least, should not be written off or retired at a greater rate than the depreciation of the real assets. (The financial value of Z's assets are greater than its debt—financial capital depreciated at a greater rate than real capital).

Are the ratepayers of Z given any credit whatsoever for their Local Authority's assets?

(b) The fundamental point which it is essential to establish is that banks create

credit, and the actual work involved in creating these financial credits is negligible. It consists merely of book-keeping. These financial credits are created and issued not against anything which the bank itself produces, but against the *real* credit which the ratepayers themselves produce. It is this real credit which the ratepayers produce which alone has value. Financial credit created by the banks has no value; it is only a reflection of it.

The present arrangement is that because the banks are allowed to claim the ownership of the financial credit they are therefore automatically enabled, directly or indirectly, to claim ownership of the real credit against which it was issued. The true relation, of course, of the banks to the financial credit which they create should be that merely of book-keepers. Financial credit is the community's credit, and should belong to them.

The first principle to establish is, therefore, that when and at what rate the financial credit is "repaid" rests with the Local Authority on behalf of the ratepayers. The first responsibility of any Local Authority in this country is, therefore, to give recognition to these facts. They can do this by resolution in the Council Chamber, and they can do this thing at once as it is within their power, and it is not necessary to wait upon national action.

The first step which recognition of these facts necessitates is the obtaining control of credits which the banks do create. The *final* settlement as to the repayment of these credits is inseparably bound up with national monetary adjustments. This does not in any way absolve the Local Authority as representatives of the ratepayers of their urgent responsibility of giving recognition to the facts, nor does it mean that there cannot be a temporary arrange-

ment based solely upon the Local Authority's position. The facts here referred to, and to which the Z Council has not yet given recognition, show where there is a source of credit for municipal developments which need not in any way restrict their municipal services because of artificial reasons adduced by the excuse—"lack of money", and, furthermore, show that it is quite unnecessary to burden the ratepayers with the present heavy annual payments on loan charges.

In conclusion, I would repeat that the immediate necessity is to take the first step of giving public recognition to the facts.

Yours sincerely,

J. M.,

Secretary and Organiser.

## AMAZING!

Reprinted from the "Christchurch Times," July 15, 1939.

Amazing times, amazing Government. Amazing "decisions", and amazing results. To crown this year of amazing taxation proposals there now comes the tax on workmen's sick pay . . . (the phrase "Sick Benefit" is surely ill applied, for it rarely assumes the nature of anything approaching a "benefit.")

Sick pay is now to become—so it is hoped—chargeable for Income Tax. That is to say for every £1 a workman may collect during days of stress and illness he will receive only 14s. 6d.; this "illness tax" being deducted at source by the Benefit Society before it is handed over. Should the ailing worker be not within the range of the Income Taxation proper, he may later when he is well—if he recovers—apply for the return of his withheld wages . . . and will probably get it . . . within a term of years.

# BLUE PRINT FOR PARADISE

By R. L. N.

"What's Wrong with the Economic System?" by A. W. Knight. (Longman's, London; price 8/6 net).

By considering only certain aspects of a given problem and neglecting others one can arrive, by perfectly logical reasoning, at extremely curious conclusions. The flatness of the earth was at one time triumphantly demonstrated by such methods, which are by no means out-moded: this book, upon which ingenuity and labour have not been spared, is unfortunately a modern instance.

Very early in the argument it is denied that incomes are initiated when the processes of production are undertaken:

"If the point for the initiation of new incomes indeed existed at that point where additional goods were produced, then the social crediters would be right in saying that the distribution of incomes was insufficient to buy the output of productive activity, and the individualist economists at fault in not reaching the same conclusion."

No defence is made of this startling proposition. The author continues:

"But it is only when money is actually spent that incomes are initially created. If no one, for instance, will any longer buy the labour of certain wage-earners, then the incomes of these persons disappear."

To adopt the argument to another purpose, we might say that electricity is not generated in the power-station, but in the switches of the various consumers. It is only when these switches are actually depressed that light and power are initially created. If no one, for instance, will any longer depress a switch, then the current in that wiring disappears.

Without further examination the price system is assumed to be self-liquidating, and the power of the banks to affect the economic system is obviously practically nil. To ensure the stability of the economic system "the amount of money that the whole group of income-recipients—individuals, business firms, institutions—freely save must be offset by equivalent investment." In other words, no one must hoard any money.

Our troubles arise, according to Mr. Knight, because a few very rich people

reach saturation point not only in consumable goods but also in investments, and begin to let their savings lie idle. A depression sets in in consequence which is only arrested later by the fact that, while the remaining successful people are hoarding a large part of their income through lack of confidence, the unsuccessful, in order to live, are forced to draw upon reserves of money they have hidden away—which reserves offset the money hoarded by the successful.

"Whatever the amount of money which the 'successful' save in excess of investment must be provided by the 'unsuccessful', spending their reserves or past savings. And whatever amount of consumables the 'successful' group produce, and do not themselves consume, must be bought and consumed by the 'unsuccessful'."

(It is significant that the word "sabotage" does not appear in the index!)

Of all the facts that lie outside the frame of this canvas it is perhaps only necessary to name one—the growth of debt. If Mr. Knight, who proclaims a partiality for engineering methods of approach to a problem, is prejudiced against social credit writings, he might refer to the work of an American engineer, Mr. Bassett Jones, whose monograph "Debt and Production" deals mathematically with the astronomical increase in the community's indebtedness to its banking system. If he can explain such an increase satisfactorily, while still assuming that the price system is self-liquidating, we shall all be greatly obliged to him.

The remedy proposed is, as one would imagine, a Planning Commission to control incomes, direct and regulate investment and displace the present controllers of private firms. To fit in with these suggestions, individuals must cease to put their own interests first, and strive only for the "common good." It is, after all, merely foolish to be too modest in one's stipulations.

No attempt is made to reach a reasoned philosophical basis fit to underlie proposals by which whole nations are to live. A condition of "full employment", for example, is accepted by the writer as desirable, although engineers have spent their lives in removing human beings from the productive process.

In a world full of people so far in

the confidence of the Almighty that they know not only what their fellow-men ought to be but also what they ought to become, the social creditor is unique; he has the astounding temerity to declare that he does *not* know what is best for any other person. He is not always even quite sure what is best for himself, but he demands freedom to find out by the method of trial and error, and he insists upon that freedom for the other fellow, too. The difference between him and the Planners can be summed up in one word—humility.

## Books to Read

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—"*Some Hints on Food*", leaflet given to patients leaving East Sussex County Sanatorium.

From the "*Daily Telegraph*," July 26th, 1939:

BRIGHTON, Tuesday.

Councillor Mrs. Edith Richards, sister of Mr. Herbert Morrison, M.P., protested to-day when the Brighton Sewers Board granted permission to a Hove dairy to discharge 1,500 gallons of skimmed milk a day, for a month, into the sewer.

"Surely," she said, "a protest will be sent at the waste of milk, when it is needed so badly in the town."

The chairman, Alderman H. Milner Black, observed that they could only do their duty as a sewers board and grant the application. The engineer, Mr. David Edwards, said the milk was left after the manufacture of ice cream.

When I spoke to Mrs. Richards afterwards, she said: "This milk must be pretty good to need six times its own volume to thin it out for the sewer. I am sure we can fix it up for it to be distributed, but I am doubtful whether the Milk Marketing Board would let us have it."

Mrs. Galbraith, superintendent of the Queen's Nurses, said: "We should be glad of it for our Whitehawk people, our poor people, and old people."

An official of the local dairymen's association said: "The Milk Marketing Board will not allow us either to sell or give away skimmed milk. Nobody without a manufacturer's licence can handle skimmed milk."

"It does seem a sin to have to throw it away, because skimmed milk contains all the vitamins and all the sugar and glucose of ordinary milk. At any rate, it must be more nutritious for the poor than this tinned stuff."

Letter to the "*Daily Telegraph*," July 28th, 1939:

Sir,—It is remarkable that in to-day's issue of *The Daily Telegraph* there should appear on separate pages, first an intimation of 1,500 gallons of skimmed milk per day thrown down the sewers of Brighton because no one without a special licence is permitted to handle skimmed milk, and, elsewhere, an article on malnutrition in our Colonies that observes that a pound spent on dried skimmed milk is worth more than a pound spent on any other form of manufactured milk.

I have stayed this summer in a village in Dorset in a dairying district where all the village people had to use tinned milk for

their children because it was impossible to buy fresh milk. Later on I stayed in a village in Gloucestershire where the only way in which people could buy milk was by calling it "skimmed milk" and under the pretence that the small man with one or two cows was giving it away and not selling it.

This seems to me the worst sort of tyranny and waste.

Yours faithfully,

ELINOR MORDAUNT.

Oxford, July 26th, 1939.

From the *Parliamentary Report*, "*Daily Telegraph*", July 28th, 1939:

Mr. W. Thorne (Soc., Plaistow) asked

the Minister of Agriculture if he would take action to prevent the Hove Dairy Company from pouring into the Brighton outfall sewers 1,500 gallons per day of milk which was the residue from the manufacture of ice-cream.

Sir Walter Womersley, who replied, stated that he understood application was made to discharge separated milk into the sewer up to the maximum stated, but that at no time had the company poured 1,500 gallons of separated milk into the sewer. No milk was at present being disposed of in this way, and in the past only comparatively small quantities had been so dealt with. The Milk Marketing Board was in touch with the company with a view to the avoidance of any waste of separated milk in future.

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**BLACKBURN Social Credit Study Group.** Enquiries to Hon. Sec., 47, Whalley New Road, Blackburn.

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**DERBY and District—THE SOCIAL CREDITER** will be obtainable outside the Central Bus Station on Saturday mornings from 7-15 a.m. to 8-45 a.m., until further notice. It is also obtainable from Paynton's and Sons, Market Hall, and from Morley's, Newsagents and Tobacconists, Market Hall.

**LIVERPOOL Social Credit Association:** Social Crediters and their friends will meet next Thursday, August 24th, at 8-0 p.m., in room No. 4, 98a, Whitechapel, (Tunnel end, left hand side going south) Hon. Secretary, Green Gates, Hillside Drive, Woolton.

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**NEWCASTLE D.S.C. Group.** Literature, The Social Crediter, or any other information required will be supplied by the Hon. Secretary, Social Credit Group, 10, Warrington Road, Newcastle, 3.

**PORTSMOUTH D.S.C. Group.** Weekly meetings every Thursday at 8 p.m, 16, Ursula Grove, Elm Grove, Southsea.

**SOUTHAMPTON GROUP** — Monthly Meeting,—August. The Monthly meeting will take place on Monday, August 14th, (instead of 7th August) at the Adyar Hall, Carlton Crescent, at 7-45 p.m. Members and friends all welcome,—come and see our new meeting place. All communications should be addressed to C. Daish, (Secretary), D.S.C.A., 19 Merridale Road, Southampton.

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