

THE NEW AGE

INCORPORATING "CREDIT POWER"

A WEEKLY REVIEW OF POLITICS, LITERATURE, AND ART

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NOTES OF THE WEEK.

It is about two years since Messrs. Eyre and Spottiswoode published the first number of *The Banker*. It was priced at the popular figure of one shilling. We reviewed it at the time, and have made many references to its contents since. In the January issue of this year there was an announcement that in future it would be enlarged by the inclusion of a supplement entitled "The Underwriter." The enlargement has since taken place, and the size has been increased from about 160 pages to about 200 pages, inclusive of advertisements, which occupy about thirty pages in both the old and the new series. This represents an addition of 25 per cent. to the direct charges for production, and something very much less than 25 per cent. to the total charges. Yet the price of the new series was increased by 150 per cent. It is now half-a-crown per copy. We think it reasonable to infer that the group behind this publication have changed their ideas as to the dimensions and character of the public to whom they address themselves. Commenting on its first appearance we described it as the "Strand Magazine" of banking and credit. It is now no longer that, and we think we are safe in assuming that the proprietors' intention is to discourage its circulation outside professional, or affluent private, circles. The awakening interest of the one shilling public in credit questions seems to have caused some embarrassment to the interests who started out to educate it. Thomas Paine, in his pamphlet on British finance (1796) which we publish elsewhere, uses an arresting phrase which has a direct bearing on this restriction of circulation.

* * *

"Mr. Pitt continually talks of credit and the national resources. These are two of the feigned appearances by which the approaches to bankruptcy are concealed. That which he calls credit may exist, as I have just shown, in a state of insolvency, that is always what I have before described to be . . . suspicion asleep."

So the arousing shilling is told to go and make a noise somewhere else.

Now there is another publication which has exhibited the bedside manner and price of half-a-crown for more years than we can remember. This is Messrs. Waterlow's publication, *The Bankers' Magazine*, which reaches its 1,000th number this month. Our readers will do well to buy this issue (and a piece of smoked glass!). Its first article, indexed in heavy type, is entitled, "An Economic Nightmare. Glimpses of the Dream World of THE NEW AGE Social Credit Movement." The article is by a Mr. Josselyn Hennessy, and runs to the length of eleven pages. It is a critique of the main arguments in the pamphlet *The Veil of Finance*. We do not propose at present to analyse Mr. Hennessy's exposure of this "lobster nightmare"—as he calls it in one place—but rather to discuss a very much more important matter, namely, the circumstances attending the publication of the article, and the selection of *The Veil of Finance* as its text. We may first assume that Mr. Hennessy was commissioned to write it by the editor, Mr. Arthur W. Kiddy, whose name is familiar to our readers. We also infer the reason from a passage in the opening paragraph:—

"He [the reference is to Mr. Edwin Cannan] points out that the public feebly thinks that there must be something in suggestions, which to the economists are absurd, because the economists 'are disinclined to publish a refutation . . . as the Astronomer Royal is to answer the theorists who declare that the world is flat.'" (Our italics.)

It appears as if the interests behind *The Bankers' Magazine* have come to the conclusion that as a matter of tactics it is now advisable to publish something which can afterwards be described as an exposure of Social Credit fallacies, and so dispose of the charge that they have shirked the challenge. That the charge, as our readers are too well aware, has been frequently repeated, and evidentially supported by us; and at last there is reason to suppose that it has been taken up by certain influential people who have gone to the bankers and said: "These fellows keep boasting that you are afraid of them. We suppose there is an answer: hadn't you better do something

about it?" We remember reading once a remark made by a well-known Judge apropos of a certain controversy. He said in effect: "When I want to arrive at a judgment on the merits of a case involving matters outside my own experience, I carefully note, not so much the technical arguments used, as the collateral evidence revealed by the methods and demeanour of the contesting parties." Whatever criticisms can be brought against the higher-industrial subjects of the banker-kings they certainly do not lack sagacity, and in the present case, although they may not trouble themselves with the technical *pros* and *cons* of the credit question, they are watching what happens, and drawing interim conclusions. More than that, to instance the Federation of British Industries and its questioning attitude regarding the fixing of the Bank Rate some year or two ago, they are not any longer blind believers in the divine right of bankers to tell everybody what to do without giving reasons. Under some such pressure as is thus indicated, we think the action of *The Bankers' Magazine* was decided upon.

But it will not do. Without meaning any disrespect for Mr. Hennessy, and without belittling our own writings, neither he nor we are the principals who should be discussing this issue *for the first time under authoritative auspices*. The Social Credit Theorem was discovered by Major C. H. Douglas, and not by Mr. Arthur Brenton. It was announced and expounded by its discoverer seven years ago in *Economic Democracy*, and was subsequently elaborated in *Credit Power and Democracy* and *Social Credit*. All these authoritative works are still on sale, and their author is still alive. None of them has yet been replied to by any responsible representative of the existing credit system. Yet throughout the eleven pages of the article in question there is not one mention of Major Douglas's name, or of any one of his books, notwithstanding that on the cover of *The Veil of Finance* appears the statement that the scheme of which it treats "exists in Major C. H. Douglas's Proposals," while inside the back cover is a bibliography containing the particulars above written. On the other hand *THE NEW AGE* is mentioned two or three times, and the name of Mr. Brenton something like sixteen times. We concede that these references do afford clues to the original authorship of the Social Credit Theorem, and we welcome them on that account. But why, having gone thus far, does Mr. Hennessy so rigidly avoid naming Major Douglas? His proper procedure would have been to say: "I notice that a Mr. Brenton has written a pamphlet setting forth Major Douglas's Credit Theorem. The pamphlet is all nonsense. What has Major Douglas to say about it?" Of course, that would be tantamount to offering Major Douglas space in *The Bankers' Magazine* for a statement of his views, in which Mr. Brenton's "nonsense" might be repudiated in some part and, conceivably, made sense of in another. But no; evidently this is to be the traditionally Irish "private fight." We exonerate Mr. Hennessy from volitional complicity in this exclusion: we feel sure it was a matter of editorial policy.

In form the article is equivalent to an advertisement of *THE NEW AGE*, but in substance it is not. The kind of people who read *The Bankers' Magazine* are not the ordinary public who read lines, but an extraordinary public who read between the lines. They will probably interpret the appearance of the article as a cypher signal that *THE NEW AGE* is on the Index of the Anglo-American high-financial oligarchy, and that everybody who wants to enjoy its favours must do what he can to restrict the circulation of this journal. Naturally, *THE NEW AGE*

has been kept within bounds in some such way for the last nine or ten years; but during that time the financial drought has been so quickly drying the industrial grass that to-day it is on the point of spontaneous combustion, and a tiny spark from anywhere may set things ablaze. Hence this cryptic mobilisation of fire-extinguishers. Fancifully we can see even Kibbo Kift campers being dogged by constables with sprinklers. To test the truth of this theory it will be useful for our readers to watch and see if any reference to the article is made in the Press. Nobody can assert that a subject on which *The Bankers' Magazine* thinks fit to spend eleven pages immediately next to its editorial notes, and to index in black letters on its "Contents" page, is a subject unimportant for the daily and weekly instructors of the public to discuss. For instance, apply Mr. Hennessy's chosen analogy and imagine that the scientific weekly journal, *Nature*, revealed *for the first time* that a group of people were asserting that the earth was flat, and commissioned a writer to argue with one of their pamphleteers to the length of a page or two. The mere fact that it did so, quite apart from the error or otherwise of the theory, would constitute a "story," and all the journalists would be after it. But there will be no rush after the present "story," although the theorem and proposals embodied in it are on the face of them twice as fantastic, and twice as interesting to the public, as any cosmographic speculations.

As to the content of Mr. Hennessy's criticism most readers familiar with the *Veil of Finance* will have no difficulty in answering it. When he lays down as a postulate (p. 546):—

"Banks can only lend their own capital plus a proportion of what their customers deposit with them," naturally he is able to prove to his own satisfaction that the arithmetical calculations used in this pamphlet to illustrate principles of credit-issue and accountancy are erroneous. But here he is at issue not only with what he calls "the group which publishes *THE NEW AGE*" but also with Mr. McKenna, who has inverted the postulate, and said that every bank loan creates a deposit, and every repayment of such loan destroys it—as was pointed out and specially emphasised on page 20 of the *Veil of Finance*. This is all we wish to say at present. The defenders of the existing system must make up their minds on how it works. We suggest for a beginning that *The Bankers' Magazine* publish figures showing the aggregate capital and deposits of the banks of the world in 1914 and in 1918, and commission Mr. Hennessy to show how a "proportion" of the first total grew into a multiple thereof in the second total.

Sir Alfred Mond announces the formation of a private limited company called the Finance Company of Great Britain and America, Ltd. It will have a moderate capital, namely £2,040,000, but will have access to what are termed "illimitable" supplies of credit—an amount in the neighbourhood of £500,000,000 being named by some Press commentators. The Board of the new company is:—

Sir Alfred Mond, chairman.
Sir Harry McGowan, deputy chairman.
Mr. Albert Henry Wiggin (chairman of the National Bank and Chase Securities Corporation).
The Marquis of Reading.
Lord Colwyn.
Mr. Harold John Mitchell.
Mr. Henry Mond.
Mr. Clarence Graff and Mr. James Henry Gannon (vice-president, Chase National Bank), joint managing directors.

Most of the credits, Sir Alfred Mond says, would come from the United States. Americans would be

given the opportunity of "investing their vast wealth profitably." The *Daily News* report says:—

"When it was put to Sir Alfred Mond that the scheme rather suggested that American capital would be given a strong hold on British industries he made it clear that he preferred the word 'co-operation' to 'exploitation.' 'For some time,' he went on, 'it has been felt by the leading men of business in this country and the States that a corporation of this kind is necessary. 'We would prefer to finance British industries, but we shall be prepared to finance undertakings not only in the British Empire and the United States, but in Europe generally. We shall take up any undertaking we think worth while in any part of the world.' 'The scheme may have an important effect on the reorganisation of industries in difficulties. 'Sir Alfred hinted that the Corporation might take up amalgamation of iron and steel works and other heavy industries. 'The average investor to-day,' he added, 'is guided only by the prospectus of a new enterprise. He has not a solid body of men with first-class knowledge to support a new proposition. We shall provide that backing.'"

The company will be "assisted" by an American committee, under the chairmanship of Mr. Albert H. Wiggin, the other members being presidents and chairmen of American banks, security corporations, and corporations engaged in insurance, motors, foundries, locomotives, paper, railways, and steel. Sir Alfred Mond and Sir Harry McGowan are also members, and will "provide a liaison" between it and the board of directors.

After our comments of the last few weeks on mergers this new departure speaks for itself. In character and magnitude it puts a roof over all other trusts and amalgamations. The board of directors is virtually an Anglo-American Cabinet, subserving American financial policy. If it does what it hopes to, we might just as well shut up Parliament and pension off our Ministers. We are not sure that we ought not also to close the Bank of England, or at least re-name it as a branch of the Federal Reserve system. In this context we notice that at the last meeting of super-bankers in Paris a few days ago the representative of the Bank of England was Mr. W. W. Stewart, who came from New York to be the economic adviser to this Bank. Whether Mr. Norman went to Paris as his private secretary or whether he has retired, we do not know; at any rate, his name was not mentioned in the report of that meeting. Since Mr. Stewart came as an "interpreter of conditions and trends in the money markets of the United States" (see press extract in *THE NEW AGE* of March 29, page 257), where all the money now seems to come from, the disappearance of Mr. Norman is logical enough. Where the balance of knowledge, power, and initiative lies in Anglo-American "operation," as Sir Alfred Mond interprets it, is to be seen in the Press extract just referred to, where the Federal Reserve Board claims that it is "entirely capable of correctly interpreting the situation in the British money market at any time, so that the advice of any British expert imported for that purpose would be unnecessary." To measure the significance of this, suppose that the American Government had announced that it no longer required to import a British Ambassador, that the State officials in Washington were competent to interpret British policy without his assistance. There would be leading articles in all the London newspapers. But no newspaper has so much as noticed the above announcement, which in its nature is a much graver affront to Britain. Nothing that Signor Mussolini has said since he took office can equal this for veiled insolence.

That the present Government deserves it all is not deniable. Consider Mr. Baldwin's action in regard to rubber restriction—how in the course of a few days

he broke the British market, and incidentally let American speculators loose among the overcoats hanging in the Mincing Lane cloakroom. Since then Mr. Baldwin's decision to abolish restriction altogether must disorganise the industry as well as impose a financial strain on its shareholders. Whether the result will be that Sir Alfred Mond's American investors will be able to pick up the plantations at scrap prices remains to be seen. At any rate nobody in the City is unaware that New York foreknew what has since happened, and presumably had its plans laid long before London woke up to the danger.

But whatever the new Finance Company does will not become known. It is a private limited company, and will not be obliged to make public its balance sheet. For all the people of this country will know it may become the owner of British coal, steel and cotton. Steel is earmarked already. Or it may throw its resources into German and Belgian coal, French steel and Indian cotton. It can do which ever it chooses, and none the wiser. As to the general objective of its policy, this must be guessed at in relation to America's growing unemployment problem. It is not to be supposed that the American "investors" are being mobilised simply to provide work for non-Americans. The mere fact that the American advisory committee is packed with sellers of American products shows what the game is. Sir Alfred Mond seems to have constituted himself salesman-in-chief for the embarrassed American industries.

In the face of these things it is like a paragraph in *Alice in Wonderland* (the manuscript of which has been bought for America) to hear Mr. Lloyd George imputing dynamic power to a British Cabinet.

"Mr. Baldwin is like a ticket collector who has wandered—heaven knows how—into a signal box—(laughter)—at the most important junction in this country. There he is, surrounded by levers. He has no idea which to pull; and someone says, 'Pull that one,' and he pulls it. 'He does not know why or what train it is or which way it is going. And, then, occasionally, he stumbles clumsily against levers and pulls them without intention! The sooner you get him out of the signal-box the better for this country. (Hear, hear.)' (Report in *The Star*.)

This passage so struck "Poy," the *Evening News* cartoonist, that he produced a picture showing Mr. Baldwin leaning out of the signal-box window and addressing a small figure underneath typifying the British elector, "I don't know how it is, but every time I pull a lever I hear a thud." In the background there are collisions, with engines and people all mixed up in the air. It is amusing enough in one sense, but grotesquely untrue. Whatever levers Ministers of State enjoy the option of pulling have long since been disconnected from the main lines of the reality. If the mechanism works anything at all, it is merely some rusty points in the City, only true part of "Poy's" picture is the collisions. But these are caused by levers worked in the City, not at Westminster. Mr. Lloyd George's analogy comes as a good example of political hypnosis. All the disasters are attributed to the politician, whether he be Mr. Baldwin, Mr. MacDonald, or even Mr. Lloyd George himself, and not one of them takes notice of the suggestion that they are directly connected with financial policy. Track-inspection may be good engineering policy, but not yet practical politics. So the verdict of the Official Receiver's Court continues to be "Death from natural causes."

It is announced that a huge gramophone combine is pending. The American Victor Talking Machine Company, which already owns a controlling interest in the British Gramophone Company, has bought a

large group of shares in the Columbia Gramophone Company. The issued capital of the three companies totals £12,000,000, having a present market value of £35,000,000. The *Evening Standard* says that the group, if formed, will probably buy up smaller companies manufacturing cheap dance records, and comments:—

"If this is successful, American financial interests will dominate the musical tastes of millions of people, both here and abroad, who depend very largely upon the gramophone for both popular and classical music." To-morrow something else will occur to engross its attention.

Admirers of Thomas Paine, who, of course, know him as the author of *The Age of Reason* and *The Rights of Man*, will probably not know that he wrote a pamphlet attacking the British financial system. It was published in 1796. Nobody seems to have heard of it; and on reading it (by the courtesy of one of our supporters who took the trouble to copy it out for us verbatim) we are not surprised. We publish it elsewhere, for reasons which will be obvious at the present critical time. Apart from the facts and reasoning in it, the work is worth retrieving for its literary quality alone. As a specimen of unrippled lucidity applied to the exposition of an abstruse subject, it is a model for present-day writers; and we hope they will pay attention to it from that point of view. We do not propose to discuss his argument; we only wish to remark on the *freshness* of this essay of 131 years ago. On its technical side our readers may like to enter into a discussion later on.

Views and Reviews.

"OLIVES OF ENDLESS AGE."

By W. T. Symons.

If the overwhelming complexity of modern national and economic affairs is to be surmounted, the central question for the healing of the nations is one of direction. Shall we leap national barriers with cosmopolitan finance as guide, in the hope that a regenerated political power will arise to control the super-political masters of the world, infuse benevolence into their purposes, and convert their ruthless anti-nationalism into a vital internationalism? Can we establish a balanced apex of power in this way, which will then flow down through all the ways of men, solving racial and economic rivalries by means of a super-national government operating international law?

Shall we, on the other hand, denounce the reduction to insignificance of the individual will and of the racial unit as a destruction of cultural values, an inversion of natural progression; and claim that no aggregation of powerless men and powerless nations, however docile and however completely deprived of the means of doing wrong, can create that world of our heart's desire in which responsible human beings will live in peace, and give birth to the undiscovered riches of the human soul—in life, in art, in commerce, in government? Rather that society must be built up from vital individuals, and international harmony from strong members.

In one or other of these directions thinking must run, although each may see in the other an essential reciprocity, and admit that world unity requires the achievement of the double goal.

Mr. Brailsford takes the former direction; and his book* is as true to principle in its constructive vision as it is admirable in the judgment with which the crowded world-survey is clarified.

What a picture emerges! The tragic misdirection by which the seeds of future wars were recklessly sown at Versailles, in wanton disregard of

racial and cultural affinities, amongst the peoples enclosed within the re-drawn frontiers of European countries; the impotence of the League of Nations even to notice the wrongs perpetrated since the inception of the League by the Great Powers amongst its members; the terrible conflicts over Export markets and Raw Materials; the limitations and perversions of productive power on the national, continental, and even world-wide scale by financial policy. All these are fully exposed; and Mr. Brailsford's response to the inevitable enquiry: Is our civilisation doomed to follow the preceding historical parallels? is a good one. He sees the resemblance to any former time as far less arresting than the "stimulating difference." The magical development of world communication and world interdependence goes on through all the din of military and economic strife. Modern civilisation conceives its task to be the unification of the earth. "We resemble the Romans only in so far as we shrink from that destiny."

Mr. Brailsford observes that the ancient fear of barbarian invasion haunts us still; but that to-day it undergoes a startling change. The "barbarian" now claims a superior civilisation! The fear of Russia—far more immediate than the apprehension of a "yellow peril," of Pan-Islam, or of the dark force in the teeming Negro race—is not that of civilisation against barbarism, but of vested interests against an attack which would bring those few who have achieved power above the reach of State and Law, to a common level with the whole world of men and women which they handle as a toy for their inhuman sport.

An interesting examination is made into the possibilities of establishing world peace on the basis of a three-fold unity—Pan-Europa, Pan-America, and Pan-Asia under Russian leadership. But the economic interdependence of the whole world is seen to be as complete as its political rivalries are divisive. Convincing proof is given that the same *real* relation continues between sovereign States as existed before the League was created. The fantasy of Socratic questioning addressed to the military and naval authorities of the Great Powers shows conclusively that the sacrifice of State sovereignty on the altar of an *unqualified* arbitration agreement is impossible, but is yet the minimum necessity for reality to enter the counsels of the League on matters of world peace. The "gap" in the Arbitration clauses and the requirement for a unanimous vote on matters of conflict between members doom the League to impotence from the start. Moreover, that crucial international weakness remains in a world ridden by modern imperialist doctrine, which has gone so far in support of overseas investment that "private capital can call up, to guarantee its profits, the clerks of the Foreign Office and the admirals of the Fleet." And when the principles of blockade developed by the British during the Great War are added, the position is desperate. "In any future war which enlists World Powers, there can be no neutrals. Neutrality, when issues are at stake which must affect all our destinies, becomes a dereliction of duty."

Against the drive of these forces Mr. Brailsford's hopes rest in the gradual extension of the League's economic organisation, until its success in playing off individualist against international aims gains for it authority sufficient to inflict economic injury upon recalcitrant units, and thus to overcome their insistence upon nationally-conceived objectives. The attainment of a "Great Society" of nations, acting in amity together, is conjectured as coming about by the lessening importance of the national unit, until true internationalism emerges on somewhat parallel lines to the almost unobserved adoption of religious toleration in modern life.

These are faint hopes. They leave immediate national and economic rivalries untouched, except so far as the Combine and the Trust break through. But Trusts and Cartels are instruments of that general subjection under which the consumer, "everyman," is victimised and the whole standard of life dictated in every country by powers outside, uncontrollable by the political Governments, subject only to the over-lordship of Finance, which has its own objectives, neither national nor international.

Mr. Brailsford writes:—

A change in the American Bank rate has its instant reactions in Europe. . . . One reads that the chiefs of the national banks of England, France, and Germany have met the heads of the Federal Reserve Bank in New York. The world looks on in awe. . . . It recalls a similar meeting seven years ago, at which the decision was taken to plunge the world into all the horrors of deflation. Rarely do statesmen meet with power so absolute in their hands. . . . The casualties from that earlier meeting in New York must have run far above ten million unemployed in Europe alone, and behind each million there stood two or three millions of women and children. . . . The imagination fails to grasp the gigantic changes in the distribution of wealth which may follow from such decisions. The process of deflation must have added nearly 2,000 million pounds . . . to the possessions of the *rentier* class in England, merely by raising the value of the War Debt.

This power, which over-rides "The Powers," remorseless in pursuit of a fantastic world-mastery and safety, at the expense of all men and all cultures, is clearly shown to be the energetic centre of world affairs. Had Mr. Brailsford followed his own clue he would have written an epoch-making instead of an interesting book.

"The Powers" have at least responsibilities; cultures to be preserved; men and women to be fed; the problem of securing the preservation of life at the centre in a world which places the means at the circumference, to be drawn through submarine-infested waters. But financial power, naked and unfeared, stalks on its own encumbered with responsibility, stalks on its own way, dispensing at best the miserable security of slavery to the mass of mankind in exchange for its unimpeded progress. Mr. Brailsford sees the fact, but misses its unique significance, probably misled by his own dictum, that *whatever lessens the importance of ownership* makes for world peace. But ownership is anathema to Finance, a limitation of its irresponsible dominance! The world may be unified by Finance. The question is: At what cost? Must the price be universal servility?

This is the situation that is new in world affairs. No such apex of Power could have been pictured by earlier civilisations, even in dream. It is the guidance of Inertia by Irresponsibility occupying the seat of Wisdom.

The question to which no consideration is given in this volume is whether a sovereign State or any other economic unit might oppose the impersonal domination of Finance, and refuse any longer to be led into the disastrous turmoil of this Power, and frantic Governments at dictation of the which restrains the natural exploitation of the world's resources and requires a certain degree of national strife for perpetuation of its unquestioned sway. This is the apotheosis of inhumanity. Starvation, ignorance, conflict are maintained as the liquid culture in which Finance propagates disease throughout the world. But it is not infallible, it must take short views. It was shaken by its error in 1914; Governments rushed to its aid and immensely increased its power, but the confidence-trick will not work again. Can cosmopolitan Finance survive such another misjudgment of the presence that human nature can bear? Is not its magnificence a bubble that may be pricked? May not

this terrible engine of prostration in its rôle of master have within its development the possibility of beneficence as servant? May not the abstraction of power from the responsibility of "things"—which constitutes the Money system—become mobile in the World's interest instead of in its own?

The secret lies here: power withdrawn from the responsibility of ownership *may be exercised at any point*. Raw materials, foodstuffs, *may be heaped up out of reach of those whose lives depend upon them*; but it is sheer fiction to speak of Finance in similar terms. It is no-thing, it is no-where. Every aggregate of cultural values has the power to express itself in money tokens, and to break the spell imposed by London or Wall Street; and every individual within that "credit area" has the power to contribute his conscious part to solution of the world problem. *He is consumer*; for whom the world economic process moves.

Mr. Brailsford has contributed a monument of enlightened suggestion for operation in a world set free from economic falsehood, but his utmost hopes rest upon abandonment of national self-determination under circumstances in which he demonstrates unanswerably that it cannot be done. Weakness masquerading as strength does not unite. The paradox of mankind is the same as the paradox of the man; each unit must put itself right, and the aggregation of strengths will make a genuine unity. The abandonment of sovereignty by a Power that is in truth a Fear will not bring peace. But the casting of its lot into the community of nations by a people self-determined and trading with the world on lines of its own capacity and its own needs would inaugurate that true internationalism which is essential for the service of all the world's units. The country which cancels financial over-lordship by establishing its own credit system at the focal point of all the evil, in *prices*, draws every one of its citizens into participation in its release and its attainment of real power—fearless because functional; safe because claiming no other's place in the sun. To such a country "Olives of Endless Age" would be accorded by the world; for it would indeed inaugurate Peace upon Earth. Then Candide, so charmingly and ironically introduced by Mr. Brailsford as a visitant again to earth, might be justified in finding that all worked for the best in the best possible of worlds.

Drama.

Thunder in the Air: Duke of York's.

That Barrie has described "Thunder in the Air" as better work than his may be true inasmuch as, whatever may be said of his work, Barrie is a generous-hearted critic. That the play might have been written by Barrie, however, as some critics have suggested, is out of the question. Its thought is clearer than Barrie's, and more in accord with experience than with sentiment. thought takes precedence over sentiment. Barrie's fulfilment of adolescent dreams is excellent medicine for those who need it, but, as usually true of medicine, it is poison for most of those who like it. While Mr. Robins Millar, the author of "Thunder in the Air," also makes dreams come true, his method shows that they are dreams. Instead of carrying us away, he brings us back. If his name had been Pirandello, and expositors had announced his arrival, the vocal public would by this time have been engaged in scientific discussion of Mr. Millar's psychological drama. If the play does not succeed the reason will be that the public which has already seen it found the thinking too hard.

To give, in fairness to Barrie, respects in which Mr. Millar's play is below the Barrie standard, setting and atmosphere are not prepared with the

* "Olives of Endless Age." By Henry Noel Brailsford. (Harper and Brothers, 10s. 6d.)

mastery that Barrie alone, of living dramatists, possesses. The scene is an English home such as Barrie might have chosen, but not such as Barrie would have created. Major Vexted and his wife, the Reverend Arthur Stanes, and his wife, Miss Newton, Pamela Bentley—who had been engaged to the prodigal Ronnie Vexted, who did not return from Ypres—what a gathering Barrie would have made of them. But he could not have made them do what Mr. Millar made them do afterwards.

That the party should indulge in a spiritualistic séance showed how their minds were inclined. The Major lumped spiritualism with Mr. Ford's history. The boy was a scamp, he said, and better left in hell even if he could be called up; forgiveness was for the weak. But the Major could no more avoid the images which, wherever they come from, spiritualistic probings do call up, than the rest of the family, nor the father's longing, suppressed as it had been, that the boy might not have been a "rotter" through and through. When, towards the end of the second act, the Major agreed to see the boy after first refusing, I felt that the dramatist had blundered. The overwhelming pathos of what followed, together with its illumination of Major Vexted's mind, caused me to withdraw my criticism. "Thunder in the Air" is neither propaganda for nor against spiritualism. "When I look on Thy creation," wrote the mystic, "everywhere I see Thy face; and Thy face is my face, and my face Thy face." The author of "Thunder in the Air" has composed a work of thoughtful drama in which the psychology of memory and conscience is dealt with extraordinarily well, and in which the technical difficulties of holding up the mirror to the unconscious are overcome with great skill. Although some of the scenes draw tears, invariably the work returns to thought and sanity. If Mr. Millar can fix all the characters of a play with the firmness given in this one to three he is destined to count in the realm of drama. Hilda Bayley's performance as Mrs. Stanes was a good piece of restrained emotional acting. J. Fisher White's Major and Violet Vanburgh's Mrs. Vexted were both excellent. Robert Haslam's Ronnie, good as it was, seemed a little too gay at the first appearance. Helena Pickard gave an excellent bit of work as the maid.

Baby Cyclone: Lyric.

This is a play about a dog—if a Pekinese may be called a dog—to which Jessie Hurley gave the devotion that law and religion agree were by right her husband's. Jim Hurley, however, performed an act of valour worthy to rank him as the Cyrano of America. Pretending to take the creature for a promenade, he sold it to a passer-by, who offered him twenty pounds, for a pound. Upon Mrs. Hurley resorting to hysteria in the street, he gave the fool who rushed in to protect her a black eye, and sensibly moved off to an observation post. As he told his wife's rescuer afterwards, she always finished up in somebody else's house when a question of rights arose. The woman who bought the pup—later called by the policeman, whose eye for the picturesque qualified him highly for the journalistic side of policeman's work, "a Park Lane blood-ahnd"—turned out to be the fiancée of the man you ever hear of such a coincidence? Mr. George M. Cohan, however, is freely excused his coincidence. Until it comes in sight his farce contains too much telephoning and too much patter. But the field set—and it does not take long—the Pekinese attains its place in a babyless world. It becomes the centre of the whole philosophy of marriage.

Mrs. Hurley and the future Mrs. Meadows, their blood up, are determined to possess that dog or die, and the two men, though neither so determined nor

so explicit until they are reinforced by allies, are equally anxious to be rid of it, and to break its monopoly of feminine attention. Although Mr. Cohan frankly terms his play a farce, its character and psychology, along with its satire of modern manners and the institution of marriage, entitle it to be called true comedy. The only reason to the contrary is that the men win in the end—in tragedy the man stands fast and is hanged, in comedy he gives in and is allowed to live, whereas in farce he conquers and reigns triumphant over his domain. If anyone wants to draw a moral from "Baby Cyclone"—and satire always points a moral—it is that when, in these new times and new manners, the bride-to-be says no children the husband-to-be will display foresight by responding, no animals. "Baby Cyclone" should run at least six months on its merits. While it continues more young husbands will be kept late from home than in any previous six months since peace was declared; and they will vote their evening as good as a week-end by the sea. Whether the play will be as welcome to the Pekinese tribe is doubtful. Even they, however, may be glad of the new status the play will give them—as dogs, not dolls.

One interest in this play was to see how Kathleen O'Regan, whom London has been able to see up to now only in serious comedy or tragedy parts, would frame in farce. The answer is that she will be an all-rounder. She performs Mrs. Hurley in deadly earnest with richly humorous effect. It is a delight to hear her showing her husband how the recovery of her dog proves that he ought to resume attendance at chapel, or charge his act of selling the animal as unpatriotic. Joseph Coyne and Sebastian Smith are masters of acting. It would be a splendid thing for the stage if young actors would realise how these experienced men—O. B. Clarence is another example—transmute their lines. When they like their costs study and merits it. When they appear the figures they represent are persons with histories, futures, and all the complexity of mind, feeling, and prejudice that make a human being. When Sebastian Smith, for example, as Mr. Webster, says that he has been married twenty-seven years, we can recall his wedding, and experience every day of its endurance. Another magnificent performance was given by Alfred Drayton as the policeman, whose every phrase conveyed a reservoir of meaning. Frank Vosper's overwrought Jim Hurley was vigorous and comic.

Other Men's Wives: St. Martin's.

Mr. Walter Hackett's farcical comedy takes place near Le Toquet, where English people, breathing the air of France, become naughty of speech and virtuous of deed, instead of the reverse, as at home. The morality of stage-farce makes one realise how proper England would be if the Lord Chamberlain became Dictator, with a staff of *peris*. Situations which, in real life, would satisfy a judge prejudiced against the very principle of divorce, merely rouse the parties on the stage to heroic self-control. They will bear even discomfort for goodness' sake, to the degree of sleeping on the floor of an ante-room where a murder has been committed with a skeleton key of the sacred bedroom in their pocket, and the vision of Siegfried in their dreams. Reputation matters not—it is the virtue within that counts. Mr. Hackett's play begins with the arrival at a wayside hotel of an English gentleman and another man's wife, who, being known by type if not by name, are shown to a private dining-room with a bedroom annexe. But Mr. Hackett cuts their entertaining dialogue short of its predestined end by a murder in the next room, for it is still as true as when Montaigne said it that to kill a man we can have a clear field and the light of day—or theatre—whereas to bring one into existence darkness and

privacy are more appropriate. From the murder onward the play is a mixture of crime, suspicion, changing identities, and adultery that never happens. In the end everybody goes home to England good and therefore happy, the lovely lady who metamorphosed from *femme de chambre* into adventuress, and from adventuress into pure-souled loyal friend, marrying the English gentleman whose deeds, thanks to the cleverness of woman, redeemed his intentions. Mr. Hackett's dialogue is brilliantly witty, and Marion Lorne's performance as the lady-errant, slow of thought but fairly right of suspicions, was a triumph of comedy. She gave the audience hysteria by the most economical means conceivable. But the plot is as bewilderingly involved as a text-book on relativity, and taxes the ability of one of the most technically accomplished actresses in London by the amount of explanation she is required to make in the second and third acts. Fay Compton, the actress referred to, manipulates the troublesome lines as cleverly as human skill could hope to do, but the changes and surprises are sprung on us too often, and before we have recovered from the earlier ones.

PAUL BANKS.

The M.M. Club.

MAJOR DOUGLAS ON "THE COTTON CRISIS."

At the meeting of the M.M. Club on Wednesday, April 4, Major Douglas said that, as he saw the cotton position, there were three basic physical factors:—

1. Prior to the war, Lancashire supplied a very large amount of the finished and semi-finished textile products of the world. She supplied them because she had Free Trade and a monopoly in the Lancashire climate. That monopoly had vanished because the invention of humidifiers had enabled the Lancashire climate to be imitated in any part of the world.
2. Besides producing textile goods, Lancashire produced at least as good textile machinery as any produced elsewhere, and this has been steadily exported for a large number of years, with the result that in many parts of the world cotton mills are technically as well equipped as in Lancashire.
3. The control by the Lancashire cotton industry, through its buying power, of all the raw material has very considerably decreased during the last fifteen years.

Superimposed upon the physical factors there is the situation resulting from the war. During the war textiles were in great demand for all sorts of purposes. Very heavy profits were made in the industry, and many mills were extended or financially re-floated. This extension was carried out in an almost unique way. It was done by the actual operatives providing share capital often on the basis of subtraction from wages or savings. For instance, in a 10s. share only one shilling would be called up, and the credit of this uncalled capital was used as the basis for bank loans. The money provided these extensions was guaranteed by a very large number of very small shareholders not at all financially solid, and instead of actually providing money they provided one-tenth of the money and nine-tenths of the liability.

The deflation period came. The mills were over-capitalised and could not hope to pay dividends. The banks began to press the mills and the uncalled capital was called up. The amount collected, however, merely went to pay interest on the bank loans, so that the actual capital never got into the hands of the mills at all.

These calls have been slowly made because everybody in Lancashire is bankrupt. The overdrafts are not reduced, the mills have no capital, the machinery—in many cases, very fine machinery—is being sold abroad at scrap prices, thus enabling foreign competitors to operate with practically no overhead costs and so sell at lower prices. The position in which the second great industry of the country is to-day is very serious.

In answer to remarks made by various members, Major Douglas stated that it had occurred to him very forcibly during the last two or three years that, whether consciously or unconsciously, there was a very simple sequence of events. Some little incident comes up and on that situation is hung a very important measure, the people being stampeded into doing something which covers a great many more things than would be justified by the first incident. He instanced the recent pistol raids, after which the *Evening*

Standard seized the occasion to agitate that it should be made a penal offence for anyone to have revolvers. That idea was applied in Ireland, with the result that gunmen had practically a free hand, and the law-abiding householder had in many cases been shot down defenceless.

On the pretext of this situation in Lancashire, we are having let loose on us a flood of propaganda for amalgamation of the cotton industry. "Everybody," i.e., all the newspapers, say the only way to save the industry is to bring it under central control.

Major Douglas narrated a significant anecdote. On taking up some work abroad he was asked to sign a contract to which he saw an objection. A meeting with the solicitor was arranged, and clause after clause was gone into. On coming to the seventh—the objectionable—clause, the solicitor read it with the comment, "Of course there is nothing in that. Let us pass on." Major Douglas allowed him to read the following clause—No. 8—and then said, "Now let us turn back to clause No. 7."

To apply this anecdote, he pointed out that a tremendous amount of attention is now being directed to "Clause 8" instead of the important "Clause 7." The Press is directing the attention of the public to the over-capitalisation of the cotton industry, and explicitly saying or assuming that the only way to deal with the matter is amalgamation. In the only way to deal with the matter is amalgamation. Instead of considering whether amalgamation is necessary they simply go on to "Clause 8" and discuss the various forms which amalgamation should best take.

Major Douglas quoted from *The Times* of April 3 the report of a speech made by Mr. Hopkinson in Parliament:—

"Mr. Hopkinson said that the real trouble in the American section of the cotton trade was that, in case after case, the loans and the debenture payments on the mills were in excess of the actual profit-earning value of the mills. The correct policy for the local banks now to pursue was to disentangle themselves at the earliest possible moment without too much regard to what would happen to the cotton trade. It was highly desirable that the local banks should be in as strong a position as possible."

He characterised Mr. Austin Hopkinson as one of those gentlemen congenitally incapable of not letting the cat out of the bag. It was astounding that such a speech should have been printed. The real trouble was that the loans and debentures were more important in the bankers' estimation than the mills.

In reply to a suggestion that general principles should be put in the forefront and not technicalities, Major Douglas said that the cotton position could not be dealt with on general principles. There was a very important difference involved. It was the same difference as involved between collectivism and individuality. It is possible to put forward general principles for a thing collectively, but for anything to be done some specific person has to do it. Specific action becomes concrete and starts with an individual at a specific point. *The introduction of Social Credit will never take place as a general proposition.* It must begin somewhere.

The reason he had fixed on "The Cotton Crisis" for discussion was that here we have a specific question. He suggested that the first thing to do was to ascertain the money position. *The introduction of Social Credit will never take place as a general proposition.* It must begin somewhere. The reason he had fixed on "The Cotton Crisis" for discussion was that here we have a specific question. He suggested that the first thing to do was to ascertain the money position, in the finance of the mills, between the share-received from bank loans and that received from shareholders and used in purchasing machinery—i.e., how much has come from liquid assets and how much from imponderables. Based on and proceeding from that, the Social Creditors in the Lancashire district should oppose any attempt to scale down the holdings of the shareholders. Any scheme which leaves the shareholder without a share representing his actual money contribution, even a 1d. one, should be fought. He considered the amount which the Lancashire textile industry can produce should be definitely put down on paper—so many mills, so many spindles, so many man-hours—and the relation of these to the possible market, faced.

He agreed with a member that what is wanted is to bring the banks out into the open, and one of the objects he had in writing *THE NEW AGE* articles on accountancy was to show how the banks take control without appearing to do it. They imposed an extraordinarily Machiavellian policy. That policy was a policy without taking any responsibility for that policy. Turning to a point raised by another member, Major Douglas said "The fact is that the machine brings a factor into prices, but it does not bring a factor into the wages."

Asked if the attention of the coal scheme drafted by himself and Mr. Orage, he replied in the negative. He considered that would be in the nature of "Clause 8." He wanted them to realise "Clause 7," namely, that the banker was in the position of power and should be got out into the open.

The Decline and Fall of the English System of Finance.

By Thomas Paine.

(Published in Paris "19th Germinal, 4th year of the Republic, April 8, 1796.")

Nothing, they say, is more certain than death, and nothing more uncertain than the time of dying; yet we can always fix a period beyond which man cannot live, and within some moment of which he will die. We are enabled to do this, not by any spirit of prophesy or foresight into the event, but by observation of what has happened in all cases of human or animal existence. If, then, any other subject, such, for instance, as a System of Finance, exhibits in its progress, a series of symptoms indicating decay, its final dissolution is certain, and the period of it can be calculated from the symptoms it exhibits.

Those who have hitherto written on the English System of Finance (The Funding System) have been uniformly impressed with the idea of its downfall happening *some time or other*. They took, however, no data for that opinion, but expressed it predictively, or merely as opinion, from a conviction that the perpetual duration of such a system was a natural impossibility. It is in this manner that Doctor Price has spoken of it; and Smith in his *Wealth of Nations* has spoken in the same manner; that is, merely as opinion without data. "The progress (says Smith) of the enormous debts, which at present oppress, and will, in the long run, most probably ruin all the great Nations of Europe (he should have said Governments) has been pretty uniform." But the general manner of speaking, though it might make some impression, carried with it no conviction. It is not my intention to predict anything; but I will show from data already known, from symptoms and facts which the English Funding System has already exhibited publicly, that it will not continue to the end of Mr. Pitt's life, supposing him to live the usual length of a man. How much sooner it may fall I leave to others to predict.

Let financiers diversify systems of Finance as they will, it is nevertheless true that every system of credit is a system of paper money. Two experiments have already been had upon paper money: the one in America, the other in France. In both those cases the whole capital was emitted, and that whole capital, which, in America, was called continental money, and in France assignats, appeared in circulation; the consequence of which was, that the quantity became so enormous and so disproportioned to the quantity of population, and to the quantity of objects upon which it could be employed, that the market, if I may so express it, was glutted with it, and the value of it fell. Between five and six years determined the fate of those experiments. The gold and silver have been issued in the same abundant manner as paper had been and confined within the country as paper money always is by having no circulation out of it; to speak on a larger scale, the same thing would happen in the world could the world be glutted with gold and silver as America and France have been with paper.

The English System differs from that of America and France in this one particular, that its capital is kept out of sight; that is, it does not appear in circulation. Were the whole capital of the National Debt, which, at the time I write this, is almost 400 million pounds sterling, to be emitted in assignats, or bills, and that whole quantity put into circulation as was done in America and in France, those English assignats or bills would sink in value as those of America and France have done; and that in a greater degree, because the quantity of them would be more disproportioned to the quantity of population in England than was the case in either of the other two countries. A nominal pound sterling in such bills would not be worth a penny. But though the English System, by thus keeping the capital out of sight, is preserved from hasty destruction as in the case of America and France, it nevertheless approaches the same fate, and will arrive at it with the same certainty, though by a slower progress. The difference is altogether in the degree of speed by which the two systems approach their fate, which, to speak in round numbers, is as 20:1; that is, the English System, that of funding the capital instead of issuing it, contained within itself a capacity of enduring twenty times longer than the system adopted by America and France; and at the end of that time it would arrive at the same common grave, the Potters field of paper money.

The datum I take for this proportion of 20:1 is the difference between a capital and the interest at 5 per cent. Twenty times the interest is equal to the capital. The accumulation of paper money in England is in proportion to the accumulation of the interest upon every new loan;

and therefore the progress to dissolution is twenty times slower than if the capital were to be emitted and put into circulation immediately. Every twenty years in the English System is equal to one year in the French and American systems.

Having thus stated the duration of the two systems, that of funding upon interest and that of emitting the whole capital without funding, to be 20:1, I come to examine the symptoms of decay approaching to dissolution that the English system has already exhibited and to compare them with similar symptoms in the French and American systems.

The English funding system began 100 years ago; in which time there have been six wars, including the war that ended in 1697.

1. The war that ended in 1697.
2. The war that began in 1702.
3. " " " " " 1739.
4. " " " " " 1756.
5. The American War that began in 1775.
6. The present war that began in 1793.

The National debt, at the conclusion of the war which ended in 1697 was 21 millions and a half. (See Smith's *Wealth of Nations*, chapter on Public Debts.) We now see it approaching fast to 400 millions. If between these two extremes of 21 millions and 400 millions, there exists some several expenses of all the including wars, there exists some common ratio that will ascertain arithmetically the amount of the debt at the end of each war, as certainly as the fact is now known to be, that ratio will in like manner determine what the amount of the debt will be in all future wars, and will ascertain the period within which the funding system will expire in a bankruptcy of the Government; for the ratio I allude to is the ratio which the nature of the thing has established for itself.

Hitherto, no idea has been entertained that any such ratio existed, or could exist, that could determine a problem of this kind, that is, that could ascertain, without having any knowledge of the fact, what the expence of any former war had been, or what the expence of any future war would be; but it is nevertheless true that such a ratio does exist, as I shall show, and also the mode of applying it.

The ratio I allude to is not in arithmetical progression, like the numbers 2, 3, 4, etc.; nor yet in geometrical progression, like the numbers 2, 4, 8, 16, 32, 64, etc.; but is in the series of one half upon each preceding number; like the numbers 8, 12, 18, 27, 40, 60, 90, 135.

Any person can conceive that the second number 12, is produced by the preceding number 8; and that the third number 18 is in like manner produced by the preceding number 12, and half 12; and so on for the rest. They can show also how rapidly the sums increase as the ratio proceeds. The difference between the first two numbers is but 4; but the difference between the two last is 45; and from thence they may see with what immense rapidity the National debt has increased, and will continue to increase, till it exceeds the ordinary power of calculation, and loses itself in ciphers.

I come now to apply the ratio as a rule to determine all the cases. I began with the war that ended in 1697, which was the war in which the funding system began. The expence of that war was 21 millions and a half. In order to ascertain the expence of the next war, I add to 21 millions and a half, the half thereof, 10 millions and $\frac{3}{4}$, which make 32 $\frac{1}{4}$ millions and a quarter for the expence of that war. This 32 $\frac{1}{4}$ millions added to the former debt of 21 $\frac{1}{2}$ millions, carries the National debt to 53 $\frac{3}{4}$ millions. Smith in his chapter on Public Debts, says, the National Debt at this time was 53 millions.

I proceed to ascertain the expence of the next war, that of 1739, by adding, as in the former case, one half to the expence of the preceding war. The expence of the preceding war was 32 $\frac{1}{4}$ millions; for the sake of even numbers say 32 millions; the half of which, 16, makes 48 millions for the expence of that war.

I proceed to ascertain the expence of the war of 1756, by adding, according to the ratio, one half of the expence of the preceding war. The expence of the preceding war was taken at 48 millions, the half of which 24 makes 72 millions for the expence of that war. Smith (Chap. Public Debts) says the expence of the war of 1756 was 72 $\frac{1}{2}$ millions.

I proceed to ascertain the expence of the American War of 1775 by adding, as in the former cases, one half to the expence of the preceding war. The expence of the preceding war was 72 millions, the half of which, 36, makes 108 millions for the expence of that war. In the last edition of Smith (Public Debts) he says that the expence of the American war was more than 100 millions.

I come now to ascertain the expence of the present war, supposing it to continue as long as former wars have done, and the funding system not to have broken up before that

period. The expence of the preceding war was 108 millions, the half of which 54 makes 162 millions for the expence of the present war.

It gives symptoms of going beyond that sum, supposing the funding system not to break up; for the loans of the last year and the preceding year are 22 millions each, which exceeds the ratio compared with the loans of the preceding war.

It will not be from the inability of procuring loans that the system will break-up. On the contrary, it is the facility with which loans can be procured that hastens that event. The loans are altogether paper transactions, and it is the excess of them that brings on, with accelerating speed, that depreciation of funded paper money that will dissolve the funding system.

I proceed to ascertain the expence of future wars, and I do this merely to show the impossibility of the continuance of the funding system and the certainty of its dissolution.

The expence of the next war after the present war, according to the ratio that has ascertained the preceding cases, will be . . . 243 millions.

The expences of the next war . . .	243,000,000
Second war	364,000,000
Third war	546,000,000
Fourth war	819,000,000
Fifth war	1,228,000,000
	3,200,000,000

which at only 4 per cent. will require taxes to the nominal amount of 128 millions to pay the annual interest besides the interest of the present debt, and the expences of the Government, which are not included in the account. Is there a man so mad, so stupid, as to suppose this system can continue?

When I first conceived the idea of seeking some common ratio that should apply as a rule of measurement to all the cases of the funding system, so far as to ascertain several stages of its approach to dissolution, I had no expectation that any ratio could be found that would apply with so much exactness as this does. I was led to the idea merely by observing that the funding system was in a state of continual progression, and that whatever was in a state of progression might be supposed to admit of at least some general ratio or measurement that would apply without any very great variation.

But who could have supposed that falling systems, or falling opinions, admitted of a ratio apparently as true as the descent of falling bodies? I have not made the ratio any more than Newton made the ratio of gravitation. I have only discovered it, and explained the mode of applying it.

To show at one view the rapid progression of the funding system to destruction, and to expose the folly of those who blindly believe in its continuance, or who artfully endeavour to impose that high belief upon others, I exhibit in the annexed table the expence of each of the six wars since the funding system began, as ascertained by the ratio, and the expence of six wars yet to come ascertained by the same ratio:—

First Six Wars.	Second Six Wars.
1— 21,500,000	243,000,000
2— 32,250,000	364,000,000
3— 48,000,000	546,000,000
4— 72,000,000	819,000,000
5— 108,000,000	1,228,000,000
6— 162,000,000	1,842,000,000
	5,042,000,000
	443,750,000

Those who are acquainted with the power with which even a small ratio, acting in progression, multiplies in a long series, will see nothing to wonder at in this table. Those who are not acquainted with that subject, and not knowing what else to say, may be inclined to deny it. But it is not their opinion one way and mine the other that can influence the event.

The table exhibits the natural march* of the funding system to its irredeemable dissolution. Supposing the present Government of England to continue, and go on as it has gone on since the funding system began, I would not give twenty shillings for £100 in the funds to be paid twenty years hence. I do not speak this predictively; I produce

* The actual expence of the war of 1739 did not come up to the sum ascertained by the ratio. But as that which is the natural disposition of a thing, as it is the natural disposition of a stream of water to descend, will, if impeded by its course, overcome by a new effort what it had lost by that impediment, so it was with this war and the next (1756) taken collectively; for the expence of the war of 1759 re-stored the equilibrium of the ratio as fully as if it had not been impeded. A circumstance that serves to prove the truth

the data upon which that belief is founded, and which data it is everybody's business to know who have anything to do with the funds, or who are going to bequeath property to their descendants to be paid at a future day.

Perhaps it may be asked that, as Government, or Ministers, proceeded by no ratio in making loans or incurring debts, and as nobody intended any ratio, or thought of any, how does it happen that there is one? I answer that the ratio is founded in necessity, and I now go to explain what that necessity is.

It will always happen that the price of labour, or of the produce of labour, be that produce what it may, will be in proportion to the quantity of money in a country, admitting things to take their natural course. Before the inventing of the funding system, there was no other money than gold and silver; and as nature gives out those metals with a sparing hand, and in regular annual quantities from the mines, the several prices of things were proportioned to the quantity of money at the time, and so nearly stationary as to vary but little in any fifty or sixty years of that period.

When the funding system began, a substitute for gold and silver began also. That substitute was paper, and the quantity of it increased as the quantity of interest increased upon accumulated loans. This appearance of a new and additional species of money in the Nation soon began to break the relative value which money and the things it will purchase bore to each other before. Everything rose in price; but the rise at first was little and slow, like the difference in units between the two first numbers 8 and 12 compared with the two last numbers 90 and 135 in the tables.

It was, however, sufficient to make itself considerably felt in a large transaction. When, therefore, Government, by engaging in a new war, required a new loan, it was obliged to make a higher loan than the former loan, to balance the increased price to which things had risen; and as that new loan increased the quantity of paper in proportion to the new quantity of interest, it carried the price of things still higher than before. The next loan was again higher, to balance that further increased price; and all this in the same manner, though not in the same degree, that every new emission of continental money in America, or of assignats in France, was greater than the preceding emission, to make head against the advance in prices, till the sion, to combat could be maintained no longer. Herein is founded the necessity of which I have just spoken. That necessity proceeds with accelerating velocity, and the ratio I have laid down is the measure of that acceleration; or to speak the technical language of funded paper money, which the increasing depreciation of funded paper money, which and of Bank notes continues to multiply. What else but this can account for the difference between one war costing 21 millions, and another war costing 160 millions?

The difference cannot be accounted for on the score of extraordinary efforts or extraordinary achievements. The war that cost 21 millions was the war of the confederates, historically called the Grand Alliance, consisting of England, Austria and Holland, in the time of William III., against Louis XIV., and in which the confederates were victorious. The present is a war of a much greater confederacy—a confederacy of England, Austria, Prussia, the German Empire, Spain, Holland, Naples and Sardinia, eight powers against the French Republic singly, and the Republic has beaten the whole confederacy. But to return to my subject—

It is said in England that the value of paper keeps pace with the value of gold and silver. But the case is not rightly stated; for the fact is, that the paper has pulled down the value of gold and silver to a level with itself. Gold and silver will not purchase so much of any purchasable article at this day as if no paper had appeared, nor so much as it will in any country of Europe where there is no paper. How long this hanging together of money and paper will continue makes a new case, because it daily exposes the system to sudden death, independent of the natural death it would otherwise suffer.

I consider the funding system as being now advanced into the last 20 years of its existence. The single circumstance, were there no other, that a war should now cost nominally one hundred and sixty millions, which when the system began cost 21 millions, or that the loan for one year only (including the loan to the Emperor) should now be nominally greater than the whole expence of that war, of the ratio more fully than if the interruption had not taken place. The war of 1736 was languid; the efforts were below the value of money at that time; for the ratio is the measure of the depreciation of money in consequence of the funding system; or, what comes to the same end, it is the measure of the increase of paper. Every additional quantity of it, whether in bank notes or otherwise, diminishes the real though not the nominal value of the former quantity.

shows the state of depreciation to which the funding system has arrived. Its depreciation is in the proportion of 8 for 1 compared with the value of its money when the system began, which is the state the French assignats stood in a year ago (March, 1795) compared with gold and silver. It is therefore that I say that the English funding system has entered into the last 20 years of its existence, comparing each twenty years of the English system with every single year of the American and French systems, as before stated.

Again, supposing the present war to close as former wars have done, and without either producing revolution or reform in England, another war, at least, must be looked for in the space of the twenty years I allude to, for it has never yet happened that twenty years have passed off without a war, and that more especially since the English Government has dabbled in German politics and shown a disposition to insult the world and to engross the commerce of the world with her navy.

The next war will carry the National debt to very near seven hundred millions, the interest of which at 4 per cent. will be twenty-eight millions, besides the taxes for the expenses of Government, which will increase in the same proportion, and which will carry the taxes to at least forty millions; and if another war only begins it will quickly carry them to above fifty, for it is in the last twenty years of the funding system, as in the last years of the American and French systems, without funding, that all the great shocks begin to operate.

I have just mentioned that paper in England has pulled down the value of gold and silver with itself, and that the pulling down of gold and silver money has created the appearance of paper money keeping up. The same thing and the same mistake took place in America and in France and continued for a considerable time after the commencement of their system of paper, and the actual depreciation of money was hidden under that mistake.

It was said in America at that time that everything was becoming dear, but gold and silver could then buy those dear articles no cheaper than paper could, and therefore it was not called depreciation. The idea of *dearness* established itself for the idea of depreciation. The same was the case in France. Though everything rose in price after assignats appeared, yet those dear articles could be bought no cheaper with gold and silver than with paper, and it was only said that things were dear. The same is still the language in England. They call it *dearness*. But they will soon find that it is an actual depreciation, and that this depreciation is the effect of the funding system, which, by crowding such a continually increasing mass of paper into circulation, carries down the value of gold and silver with it. But gold and silver will, in the long run, revolt against depreciation, and separate from the value of paper, for the progress of all such systems appears to be that the paper will take the command in the beginning and gold and silver in the end.

But this succession in the command of gold and silver over paper makes a crisis far more eventful to the funding system than to any other system upon which paper can be issued, for, strictly speaking, it is not a crisis of danger, but a symptom of death. It is a death stroke to the funding system. It is a revolution in the whole of its affairs.

If paper be issued without being funded upon interest, emission of it can be continued after the value of it separates from gold and silver, as we have seen in the two cases of America and France. But the funding system rests altogether upon the value of paper being equal to gold and silver, which will be as long as the paper can continue carrying down the value of gold and silver to the same level to which itself descends, and no longer. But even in this state, that of descending equally together, the Minister, who ever he may be, will find himself beset with accumulating difficulties, because the loans and taxes voted for the service of each ensuing year will wither in his hands before the year expires, or before they can be applied. This will force him to have recourse to emissions of what are called Exchequer and Navy Bills, which, by still increasing the mass of paper in circulation, will drive on the depreciation still more rapidly. It ought to be known that taxes in England are not paid in gold and silver, but in paper (bank notes). Every person who pays any considerable quantity of taxes, such as maltsters, brewers, distillers (I appeal for the truth of it to any of the collectors of excise in England, or to Mr. Whitbread) knows this to be the case. There is not gold and silver enough in the Nation to pay the taxes in coin, as I shall show; and, consequently, there is not money enough in the Bank to pay the notes. The interest of the national funded debt is paid at the Bank in the same kind of paper in which the taxes are collected. When people find, as they will find, a reservedness among each other in giving gold and silver for bank notes, or the least preference for the

former over the latter, they will go for payment to the Bank, where they have a right to go. They will do this as a measure of prudence, each one for himself, and the truth or delusion of the funding system will then be proved.

I have said in the foregoing paragraph that there is not gold and silver enough in the Nation to pay the taxes in coin, and consequently that there cannot be enough in the Bank to pay the notes. As I do not choose to rest anything upon assertion, I appeal for the truth of this to the publications of Mr. Eden (now called Lord Auckland) and George Chalmers, Secretary to the Board of Trade and Plantation, of which Jenkinson (now called Lord Hawkesbury) is President. (*This sort of folks change their names so often that it is as difficult to know them as it is to know a thief.*) Chalmers gives the quantity of gold and silver coin from the returns of coinage at the Mint; and after deducting for the light gold recoined, says that the amount of gold and silver coins is about *twenty millions*. He had better not have proved this, especially if he had reflected, that public credit is *suspicion asleep*. Of this twenty millions (which is not a fourth part of the gold and silver there is in France, as is shown in M. Neckar's Treatise on the Administration of the Finances) three millions at least must be supposed to be in Ireland, some in Scotland, and in the West Indies, Newfoundland, etc., etc. The quantity, therefore, in England cannot be more than 16 millions, which is four millions less than the amount of the taxes. But admitting there to be sixteen millions, not more than a fourth part thereof (four millions) can be in London, when it is considered that every city, town, village and farmhouse in the Nation must have a part of it; and that all the great manufactories which most require cash are out of London. Of this four millions in London, every banker, merchant, tradesman, in short, every individual, must have some. He must be a poor shopkeeper indeed who has not a few guineas in his till. The quantity of cash, therefore, in the Bank, can never, on the evidence of circumstances, be so much as two millions: most probably not more than one million; and on this slender twig, always liable to be broken, hangs the whole funding system of four hundred millions, besides many millions in bank notes. The sum in the Bank is not sufficient to pay one-fourth of only one year's interest of the National debt, were the creditors to demand payment in cash, or to demand cash for the bank notes in which the interest is paid: a circumstance always liable to happen.

One of the amusements that have kept up the farce of the funding system is that the interest is regularly paid. But as the interest is always paid in bank notes, and as bank notes can always be coined for the purpose, this mode of payment proves nothing. The point of proof is—can the bank give cash for the bank notes on which the interest is paid? If it cannot, and it is evident it cannot, some millions of bank notes must go without payment, and those holders of bank notes who apply last will be worst off. When the present quantity of cash in the bank shall be paid away, it is next to impossible to see how any new quantity is to arrive. None will arrive from taxes, for the taxes will all be paid in bank notes; and should the Government refuse bank notes in payment of taxes, the credit of the business of discounting merchants' bills, for every merchant will pay off those bills in bank notes and not in cash. There is therefore no means left for the Bank to obtain a new supply of cash, after the present quantity be paid away. But besides the impossibility of paying the interest of the funded debt in the country who are holders of Bank notes that came into their hands in the fair way of trade, and who are not stockholders in the funds; and as such persons have had no hand in increasing the demand upon the Bank as those who have had who, for their own private interest, like Boyd and others are contracting, or pretending to contract, for new loans, they will conceive they have a just right their Bank notes should be paid first. Boyd has been very sly in France, in changing his paper into cash. He will be just as sly in doing the same thing in London; for he has learned to calculate; and then it is probable he will set off for America.

A stoppage of payment at the Bank is not a new thing. Smith, in his "Wealth of Nations," book ii., ch. 2, says, "that in the year 1696, Exchequer bills fell forty, fifty, and sixty per cent; Bank notes twenty per cent; and the Bank stopped payment." That which happened in 1696 may happen again in 1796. The period in which it happened was the last year of the war of King William. It necessarily put a stop to the further emission of Exchequer and Navy bills, and to the raising of new loans; and the peace which took place the next year was probably hurried on by this circumstance, and saved the Bank from bankruptcy. Smith, in speaking of the circumstances of the

Bank, upon another occasion, says (book ii., ch. 3), "This great company has been reduced to paying in sixpences." When a bank adopts the expedient of paying in sixpences, it is a confession of insolvency.

It is worthy of observation, that every case of a failure in finances, since the system of paper began, has produced a revolution in government, either total or partial. A failure in the finances of France produced the French Revolution. A failure in the finances of the assignats broke up the Revolutionary Government, and produced the present French Constitution.

A failure in the finances of the old Congress of America, and the embarrassment it brought upon commerce, broke up the system of the old Confederation, and produced the present Federal constitution. If, then, we admit of reason—by comparison of causes and effects, a failure in the English finances will produce some change in the government of that country.

As to Mr. Pitt's project of paying off the National Debt by applying a million a year to that purpose, while he continues to add more than twenty millions a year to it, it is like setting a man with a wooden leg to run after a hare. The longer he runs the farther he is off.

When I said that the funding system had entered the last twenty years of its existence, I certainly did not mean that it would continue twenty years, and then expire as a life in which death is every day to be expected, and life cannot continue long. But the death of credit, or that state that is called bankruptcy, is not always marked by those progressive stages of visible decline, that mark the decline of natural life. In the progression of natural life, age cannot counterfeit youth, nor conceal the departure of juvenile abilities.

But it is otherwise with respect to the death of credit; for though all the approaches to bankruptcy may actually exist in circumstances, they admit of being concealed by appearances. Nothing is more common than to see a bankrupt of to-day a man of credit the day before; yet no sooner is the real state of his affairs known than everybody can see that he had been insolvent long before. In London, the greatest theatre of bankruptcy in Europe, this part of the subject will be well and feelingly understood.

Mr. Pitt continually talks of credit and the national resources. These are two of the feigned appearances by which the approaches to bankruptcy are concealed. That which he calls credit may exist, as I have just shown, in a state of insolvency, and is always what I have before described to be, *suspicion asleep*.

As to the national resources, Mr. Pitt, like all the English financiers that preceded him since the funding system began, has uniformly mistaken the nature of a resource; that is, they have mistaken it consistently with the delusion of the funding system; but time is explaining the delusion. That which he calls, and which they call a resource, is not a resource, but it is the *anticipation* of a resource. They have anticipated what *would have been* a resource in another generation, had not the use of anticipations anticipated. The funding system is a system of anticipation. Those who established it a hundred years ago, anticipated the resources of those who were to live a hundred years after; for the people of the present day have to pay the interest of the debt contracted at that time, and of all debts contracted since. But it is the last feather that breaks the horse's back. Had the system begun a hundred years before the amount of taxes at this time to pay the interest at 4 per cent. (could we suppose such a system annually, for the capital of the debt would be 5,486 millions, according to the ratio that ascertains the expence of the wars for the hundred years that are past. But long before it could have reached this period the value of bank notes, from the immense quantity of them (for it is in paper only that such a nominal revenue could be collected), would have been as low or lower than continental paper money has been in America or assignats in France, and as to the idea of exchanging them for gold and silver it is too absurd to be contradicted.

Do we not see that Nature in all her operations disowns the visionary basis upon which the funding system has been built? She acts always by renewed successions, and never by accumulating additions perpetually progressing. Animals and vegetables, men and trees, have existed ever since the world began, but that existence has been carried on by succession of generations, and not by continuing the same men and the same trees in existence that existed first, and to make room for the new she removes the old. Every natural idiot can see this. It is the stock-jobbing idiot that only mistakes. He has conceived that art can do what

Nature cannot. He is teaching her a new system—that there is no occasion for man to die, that the scheme of creation can be carried on upon the plan of the funding system, that it can proceed by continual additions of new beings, like new loans, all live together in eternal youth. Go count the graves, thou idiot, and learn the folly of thy arithmetic.

But besides these things there is something visibly farcical in the whole operation of loaning. It is scarcely more than four years ago that such a rot of bankruptcy spread itself over London that the whole commercial fabric tottered, trade and credit were at a stand, and such was the state of things that to prevent or suspend a general bankruptcy the Government lent the merchants *six millions* in Government paper, and now the merchants lend the Government *twenty-two millions* in their paper; and two parties, Boyd and Morgan, men but little known, contend who shall be the lenders. What a farce is this! It reduces the operation of loaning to accommodation paper, in which the competitors contend, not who shall lend, but who shall sign, because there is something to be got for signing.

Every English stock-jobber and Minister boasts of the credit of England. Its credit, say they, is greater than that of any country in Europe. There is a good reason for this, for there is not another country in Europe that could be made the dupe of such a delusion. The English Funding System will be made a monument of wonder, not so much on account of the extent to which it has been carried, as of the folly of believing in it.

Those who had formerly predicted that the funding system would break up when the debt amounted to 100 or 150 millions erred only in not distinguishing between insolvency and actual bankruptcy, for the insolvency commenced as soon as the Government became unable to pay the interest in cash, or to give cash for the bank notes in which the interest was paid, whether that inability was known or not, or whether it was suspected or not. Insolvency always takes place before bankruptcy, for bankruptcy is nothing more than the publication of that insolvency. In the affairs of an individual that insolvency exists concealed and before bankruptcy, and that insolvency is concealed and carried on till the individual is not able to pay 1s. in the £. A government can ward off bankruptcy longer than an individual, but insolvency will inevitably produce bankruptcy. Whether in an individual or in a government, which the Bank quantity of bank notes payable on demand, which the Bank has issued, are greater than the Bank can pay off, the Bank is insolvent, and when that insolvency is declared it is bankruptcy.

Among the delusions that have been imposed upon the Nation by Ministers, to give a false colouring to its affairs, and by none more than by Mr. Pitt, is a motley, amphibious coloured thing called the *balance of trade*.

This balance of trade, as it is called, is taken from the Custom House books, in which entries are made of all cargoes exported and also of all cargoes imported, in each year; and when the value of the exports, according to the price set upon them by the exporters or by the Custom House, is greater than the value of the imports, estimated in the same manner, they say the balance of trade is so much in their favour.

The Custom House books prove regularly enough that so many cargoes have been exported, and so many imported; but this is all that they prove, or were intended to prove. They have nothing to do with the balance of profit or loss, and it is ignorance to appeal to them on that account; for the case is that the greater the balance of trade appear to be according to the Custom House books. For example, higher will this thing called the balance of trade appear to be according to the Custom House books, consequently those cargoes taken by the French this year; consequently those cargoes will not appear as imports on the Custom House books, and therefore, the balance of trade, by which they mean the profits of it, will appear to be so much the greater as the loss amounts to; and, on the other hand, had the loss not happened, the profits would have appeared to be so much the less. All the losses happening at sea to returning cargoes by accidents, the higher on the side of the exports, and the balance appear at sea it would appear to be all profit on the Custom House books. Also, every cargo of export that is lost were they all lost at sea it would appear to be all profit on the Custom House books. This year the side of the exports and appears as profit. The ignorance of the balance of trade will appear high because the losses have been great by capture and by storm. The ignorance of the British Parliament in listening to this hackneyed imposition by Ministers about the balance of trade is astonishing. It shows how little they know about national affairs, and Mr.

Grey may as well talk Greek to them as make motions about the state of the nation. They understand fox hunting and the game laws.

I now come to show the several ways by which bank notes get into circulation. I shall afterwards offer an estimate on the total quantity or amount of bank notes existing at this time.

The Bank acts in three capacities. As a bank of discount, as a bank of deposit, and as a banker for the Government.

First, as a bank of discount. The Bank discounts merchants' bills of exchange for two months. When a merchant has a bill that will become due at the end of two months and wants payment before that time the Bank advances that payment to him, deducting therefrom at the rate of five per cent. per annum. The bill of exchange remains at the Bank as a pledge or pawn, and at the end of two months must be redeemed. This transaction is done altogether in paper, for the profits of a bank, as a bank of discount, arise entirely from its making use of paper as money. The Bank gives bank notes to the merchant in discounting the bill of exchange, and the redeemer of the bill pays bank notes to the Bank in redeeming it. It very seldom happens that any real money passes between them.

If the profits of a bank be, for example, £200,000 a year (a great sum to be made merely by exchanging one sort of paper for another, and which shows also that the merchants of that place are pressed for money for payments, instead of having money to spare to lend the Government) it proves that the bank discounts to the amount of four millions annually, or £666,666 every two months, and as there never remains in the Bank more than two months' pledges, of the value of £666,666, at any one time the amount of bank notes in circulation at any one time should not be more than that amount. This is sufficient to show that the present immense quantity of bank notes, which are distributed through every city, town, village, and farm-house in England, cannot be accounted for on the score of discounting.

Secondly, as a bank of deposit. To deposit money at the Bank means to lodge it there for the sake of convenience and to be drawn out at any moment the depositor pleases, or to be paid away to his order. When the business of discounting is great, that of depositing is necessarily small. No man deposits and applies for discounts at the same time, for it would be like paying interest for the lending of money instead of for borrowing it.

The deposits that are now made at the Bank are almost entirely in Bank notes, and consequently they add nothing to the ability of the Bank to pay off the Bank notes that may be presented for payment; and, besides this, the deposits are no more the property of the Bank than the cash or Bank notes in a merchant's counting house are the property of his book-keeper. No great increase, therefore, of Bank notes, beyond what the discounting business admits, can be accounted for on the score of deposits.

Thirdly, the Bank acts as banker for the Government. This is the connection that threatens ruin to every public bank. It is through this connection that the credit of a bank is forced far beyond what it ought to be, and still further beyond its ability to pay. It is through this connection that such an immense redundant quantity of Bank notes have gotten into circulation, and which, instead of being issued because there was property in the Bank, have been issued because there was none.

When the Treasury is empty, which happens in almost every year of every war, its coffers at the Bank are empty also. It is in this condition of emptiness that the Minister has recourse to the emission of what are called Exchequer and Navy bills, which continually generates a new increase of bank notes, and which are sported upon the public without there being property in the Bank to pay them. These Exchequer and Navy bills (being as I have before said, emitted because the Treasury and its coffers at the Bank are empty and cannot pay the demands that come in) are no other than an acknowledgment that the bearer is entitled to receive so much money. They may be compared to the settlement of an account, in which the debtor acknowledges the balance he owes, and for which he gives a note of hand; or to a note of hand given to raise money on it.

Sometimes the Bank discounts those bills as it would discount merchants' bills of exchange; sometimes it purchases them of the holders at the current price, and sometimes it agrees with the Minister to pay an interest upon them to the holders and keep them in circulation.

In every one of those cases an additional quantity of Bank notes gets into circulation, and are sported, as I have said, upon the public without there being property in the Bank as banker for the Government to pay them, for the money that

was originally subscribed to begin the credit of the Bank with, at its first establishment, has been lent to Government and wasted long ago.

The Bank (says Smith Book II., Chap. 2) acts not only as an ordinary bank, but as an engine of State; it receives and pays the greater part of the annuities which are due to the creditors of the public. (It is worth observing that the public or the Nation is always put for the Government in speaking of debts.) "It circulates (says Smith) Exchequer bills, and it advances to Government the annual amount of the land and malt taxes, which are frequently not paid till several years afterwards." (This advancement is also done in Bank notes, for which there is not property in the Bank.) "In those different operations (says Smith) its duty to the public may sometimes have obliged it without any fault of its directors to overstock the circulation with paper money."—Bank notes. How its duty to the public induce it to overstock the public with promissory Bank notes, which it cannot pay, and thereby expose the individuals of that public to ruin is too paradoxical to be explained; for it is on the credit which individuals give to the Bank, by receiving and circulating its notes, and not upon its own credit or its own property, for it has none, that the Bank sports. If, however, it be the duty of the Bank to expose the public to this hazard it is at least equally the duty of the individuals of the public to get their money and take care of themselves, and leave it to placemen, pensioners, Government contractors, Reeves's Associates, and the members of both Houses of Parliament, who have voted away the money at the nod of the Minister, to continue to credit it if they can, and for which their estates, individually and collectively, ought to answer, as far as they will go.

There has always existed, and still exists, a mysterious, suspicious connection between the Minister and the Directors of the Bank, and which explains itself no otherwise than by a continual increase of Bank notes.

Without, therefore, entering into any further details of the various contrivances by which Bank notes are issued, and thrown upon the public, I proceed, as I before mentioned, to offer an estimate on the total quantity of Bank notes in circulation.

However disposed Government may be to wring money by taxes from the people, there is a limit to the practice established by the nature of things. That limit is the proportion between the quantity of money in a nation, and the quantity of money what it may, and the greatest quantity of taxes that can be raised upon it. People have other uses for money besides paying taxes, and it is only a proportional part of that money they can spare for house rent, for clothing, or for any other particular use. These proportions find out and establish themselves, and that with such exactness that if any one part exceeds its proportion all the other parts feel it.

Before the invention of paper money (Bank notes) there was no other money in the nation than gold and silver, and the greatest quantity of money that was ever raised in taxes during that period never exceeded a fourth part of the quantity of money in the nation. It was high taxing when it came to this point. The taxes in the time of William III. never reached to four millions before the invention of paper, and the quantity of money in the nation at that time was estimated to be about sixteen millions. There was no paper money in France before the present Revolution, and the taxes established themselves in France. The highest taxes were collected in gold and silver money in the nation at the quantity of taxes never exceeded twenty-two millions sterling; and the quantity of gold and silver money in the nation at the same time, as stated by M. Neckar, from returns of coinage at the Mints, in his Treatise on the Administration of the Finances, was about ninety millions sterling. To go beyond this limit of a fourth part in England, they were obliged to introduce paper money; and the attempts to go beyond it in France, where paper could not be introduced, broke up the Government. This proportion, therefore, of a fourth part is the limit which the nature of the thing establishes for itself, be the quantity of the money in the nation more or less.

The amount of the taxes in England at this time is full twenty millions, and therefore the quantity of gold and silver, and of Bank notes, taken together, amount to eighty millions. The quantity of gold and silver, as stated by Lord Hawkesbury's secretary (George Chalmers), as I have before shown, is twenty millions, and therefore the sixty amount in circulation all made payable on demand is sixty millions. This enormous sum will astonish the most stupid stock-jobber, and overpower the credulity of the most

thoughtless Englishman; but were it only a third part of that sum, the Bank cannot pay half a crown in the pound.

There is something curious in the movement of this modern complicated machine, the funding system; and it is only now that it is beginning to unfold the full extent of its movements. In the first part of its movement it gives great powers into the hands of Government, and in the last part it takes them completely away.

The funding system set out with raising revenues under the name of loans, by means of which Government became both prodigal and powerful. The loaners assumed the name of creditors, and though it was soon discovered that loaning was Government jobbing, these pretended loaners, or the persons who purchased into the funds, afterwards conceived themselves not only to be creditors, but to be the only creditors.

But such has been the operation of the complicated machine, the funding system, that it has produced, unperceived, a second generation of creditors, more numerous and far more formidable, and, withal, more real than the first generation; for every holder of a Bank note is a creditor, and a real creditor, and the debt due to him is made payable on demand. The debt, therefore, which the Government owes to individuals is composed of two parts, the one about 400 millions bearing interest, the other about sixty millions payable on demand. The one is called the funded debt, the other the debt due in Bank notes.

This second debt (that contained in Bank notes) has in a great measure been incurred to pay the interest of the first debt; so that, in fact, little or no interest has been paid by the Government. The whole has been delusion and fraud. Government at the first contracted a debt in the form of loans with one class of people, and then ran clandestinely into debt with another class, by means of bank notes, to pay the interest. Government acted of itself in contracting the first debt, and made a machine of the Bank to contract the second.

It is this second debt that changes the seat of power, and the order of things; for it puts it in the power of even a small part of the holders of bank notes (had they no other motive than disgust at Pitt and Granville's seditious bills) to control any measure of Government they found to be injurious to their interest; and that not by popular meetings, or popular societies, but by the simple and easy operation of withholding their credit from that Government; that is, by individually demanding payment at the Bank for every bank note that comes into their hands. Why should Pitt and Granville expect that the very men whom they insult and injure should at the same time continue to support the measures of Pitt and Granville by giving credit to their promissory notes of payment. No new emission of bank notes could go on while payment was demanding on the old, and the cash in the Bank wasting daily away; nor any new advances be made to Government or to the Emperor, to carry on the war; nor any new emission be made of Exchequer bills.

"The Bank," says Smith (Book II., chap. 2) "is a great engine of State." And in the same paragraph he says, "The stability of the Bank is equal to that of the British Government"; which is the same as to say that the stability of the Government is equal to that of the Bank, and no more. If, then, the Bank cannot pay, the Arch Treasurer of the Holy Roman Empire (S.R.L.A.*) is a bankrupt. When Folly invented titles, she did not attend to their application; for ever since the Government of England has been in the hands of Arch Treasurers, it has been running into bankruptcy; and as to the arch-treasurer apparent he has been a bankrupt long ago. What a miserable prospect has England before her eyes.

Before the war of 1775 there were no bank notes lower than £20. During that war bank notes of fifteen pounds and ten pounds were coined; and now since the commencement of the present war, they are coined as low as five pounds. These five pound notes will circulate chiefly among little shop-keepers, butchers, bakers, market-people, renters of small houses, lodgers, etc., etc. All the high departments of commerce, and the affluent stations of life were already overstocked, as Smith expresses it, with the national quantity of bank notes, but among the class of people I have just mentioned, and the means of doing this could be best effected by coining five pound notes. This conduct has the appearance of that of an unprincipled insolvent who, when on the verge of bankruptcy to the amount of many thousands, will borrow as low as five pounds of the servants in his house, and break the next day.

But whatever monetary relief or aid, the Minister and his Bank might expect from this low contrivance of five

* Part of the inscription on an English guinea.

pound notes, it will increase the inability of the Bank to pay the higher notes, and hasten the destruction of all; for even the small taxes that used to be paid in money will now be paid in these notes, and the Bank will soon find itself with scarcely any other money than what the hair powder guinea tax brings in.

The bank notes make the most serious part of the business of finance; what is called the National funded debt is but a trifle when put in comparison with it; yet the cause of the bank notes has never been touched upon. But it certainly ought to be known upon what authority, whether that of the Ministers or of the Directors, and upon what foundation, such immense quantities are issued. I have stated the amount of them at sixty millions sterling; I have produced data for that estimation; and besides this, the apparent quantity of them, far beyond that of gold and silver in the Nation, coincides therewith. But were there but a third part of sixty millions, the Bank cannot pay half-a-crown in the pound; for no new supply of money, as before said, can arrive at the Bank, as all the taxes will be paid in paper.

When the funding system began, it was not doubted that the loans that had been borrowed would be repaid. Government not only propagated that belief, but it began paying them off. In time this profession came to be abandoned; and it is not difficult to see that Bank notes will march the same way; for the amount of them is only another debt under another name; and the probability is, that Mr. Pitt will at last propose funding them. In that case Bank notes will not be so valuable as French assignats.

The assignats have a solid property in reserve in the national domains; Bank notes have none; and besides this, the English revenue must then sink down to what the amount of it was before the funding system began; between three and four millions. One of which the arch treasurer would require for himself, and the arch treasurer apparent would require three-quarters of a million more to pay his debts.

"In France," says Sterne, "they order these things better." I have now exposed the English system of Finance to the eyes of all nations; for this work will be published in all languages. In doing this, I have done an act of justice to those numerous citizens of neutral nations who have been imposed upon by that fraudulent system, and who have property at stake upon the event.

As an individual citizen of America, and as far as an individual can go, I have revenged (if I may use the expression without any immoral meaning) the piratical depredations committed on the American commerce by the English Government. I have retaliated for France on the subject of Finance; and I conclude with retorting on Mr. Pitt the expression he used against France, and say, that the English system of Finance "is on the verge—NAY—EVEN IN THE GULPH OF BANKRUPTCY."

THOMAS PAINE.

Paris, 19th Germinal, 4th Year of the Republic,
April 8, 1796.

Footnote at end of later edition of the above pamphlet.

[The Bank of England stopped cash payment for its notes twelve months after, 1797, the publication of this pamphlet.]

Current Notes on the National Debt.

The following particulars are given in Whitaker's Almanac for 1927. Until 1688 the total debt was £700,000. "Glorious Revolution" of that year added nearly £16,000,000. Under Queen Anne the campaigns of the Duke of Marlborough added nearly £38,000,000, part of which was paid off under George I. Under George II. about £87,000,000 was added, but under George III. £10,000,000 was paid off during the first ten years of his reign. The American war added £121,000,000. The total then stood at nearly £250,000,000. This was reduced considerably up to 1793, when the French Revolutionary War broke out. Between that year and 1816 a further £600,000,000 was added. The total debt in January, 1816, was £900,000,000. At the accession of Queen Victoria it had been reduced to £788,000,000. In 1854 the Russian war added £33,000,000. On March 31, 1899, the debt stood at £635,000,000. For the South African and China wars it was increased by £142,000,000, but was reduced between 1903 and 1914 to £561,000,000. Then came the Great War, which raised it to £7,878,607,166 by March 31, 1920.

Women and Money.

This little book* should be read by everybody, and by students of social credit, most carefully. Reading between the lines reveals not only a fine mind, but an unusually thoughtful man.

Psycho-analysis has committed the cardinal sin of restoring the soul to the body when we had all thought the dons had damned it, and the doctors buried it. As Mr. Trotter says ("Instinct of the Herd in War and Peace," p. 77), "the most striking characteristic of the work of this school is its complete acceptance of what one may call the human point of view." How very dreadful. Just at a time, too, when broadcast blather, with "quote nace" vulgarity, was sweeping the deck with crude mass-suggestion. Alas! truth will out, and in the most unlikely places.

Looking back, now, it is easy to see that Freud had to over-emphasise his case, as it were, to get it into the ears and eyes that were wilfully buried in the sands of convention on matters regarding sex. Further, it is an amusing instance of time's revenge that the very thing that the quote nace eunuchs had smugly dispensed with was to come back at them with the reminder that in emptying out sex they were throwing out a very healthy baby.

Psycho-analysis has not only killed the psychology of the mandarins, but it has dotted the I's and crossed the T's of the various 'ologies. Not only so. As the writer of this booklet says, "Psycho-analysis has actually contributed much more to the psychology of the artist than to that of art itself, but it is impossible to separate the two problems."

It is, however, when we come to our own subject of money that the author comes down to earth firmly and squarely. In chapter four, on Sociology and Politics, he writes: "Even in the most material field, that of economics, psycho-analysis has shown that it is rare for anyone to think freely and behave 'normally' where money is concerned. One of the most surprising discoveries of psycho-analysis was that the idea of money is frequently a direct symbol of that of bodily dirt in the unconscious, and that the various complicated reactions to do with the latter idea constantly influence conscious judgments about money matters. To mention a single example, it was possible for a psycho-analyst to publish a prediction early in the war that after it had ended this country would suffer acutely from unemployment because of an unduly hasty desire to return to the gold standard, a conclusion which even yet orthodox financiers refuse to perceive." Readers can supply their own italics. And consider this:—

"Free association of ideas takes us to the subject of war itself, certainly one of the gravest sociological problems. Here psycho-analytic investigations have shown the complexity of the factors concerned and the impossibility of radically coping with them unless their unconscious roots are thoroughly examined and understood. Compared with comprehensive study of this kind, the present vague propaganda of exhortations to denounce war are but pitiful jumbings, about the efficacy of which few serious thinkers are deceived." Italics mine, though one could underline page after page.

I have long had an uncomfortable feeling that "finance" was not only effeminate, but foppishly so. Finance insists on safeguards that are altogether out of proportion to the thing so meticulously nursed and guarded. Particularly so when you bear in mind the few but over-powerful people concerned. A reflex of this can be seen in the "attitude" that women assume. Their fierce and savage demand on individuality, at best a foppish individuality—for women very rarely have any taste, and readily enough accept the abortions of fashion's decree—is paralleled by the financier's demand for implicit obedience.

The bluff that finance puts over is successful only in proportion as the "herd" is willing to accept it. It is the bluff of the weak. Note, that women with equal success bluff men every day of their lives. Here again is the bluff of the weak—not the weaker sex: biology accepts no such cheap demarcation of the sexes. Further, a woman's bluff ceases to be operative the moment another woman comes upon the scene. She is then heart and soul a competitor for power.

"Where money is concerned few people think freely or behave normally." It is not too much to say that where money is in question—any large sum of money, or the handling of money—NO woman is capable of normal behaviour. Let the student of Social Credit study that fact carefully, and as carefully study the implication of that fact in regard to Finance and the Financier. Women are either all or nothing. They know nothing of a happy mean. (The idea is Greek and masculine to them.) Neither does

* "Psycho-analysis." By Dr. Ernest Jones. (Benn. 6d.)

the financier. Again, the average educated woman's pre-occupation with "dirt" and her over use of the word "nice" has its psychological counterpart in the financier's (and, of course, banker's) temple with its architecturally churchlike suggestion.

HAROLD LISTER.

Reviews.

The English Educational System. By Dr. Cyril Norwood. (Benn, 6d.)

The Headmaster of Harrow has written a well-balanced and comprehensive, though necessarily brief, survey of the "system" of schools in this country during the last hundred years, and has put a short list of books for reference at the end of each chapter. Educational theory is outside his scope, but it is a pity that since he has mentioned Montessori and Charlotte Mason he did not also mention the Neo-Froebelian. In view of his position, a little more of the space might well have been given to the subject of the "Public" and "Preparatory" schools, especially since, as he says, the former are "the centre of incessant controversies at home."

The Way the World is Going. By H. G. Wells. (Benn. 7s. 6d.)

Really it is very difficult to know what to do with Mr. Wells. He ought not to let his publisher lump together a lot of disconnected and not always even interesting Sabbath afternoon turgidities and expect us to pay three half-crowns for them. Of course there are interesting things here, but there is so much that could not have interested even Mr. Wells himself when he wrote it. Why not leave well alone, instead of trying to fish out lumps of meat from this rather messy bowl of hebdomedal purée?

The Semi-Attached Couple. By the Hon. Emily Eden. (Elkin Mathews and Marrot, Ltd. Rescue Series. 7s. 6d.)

Here at last we have the name of the Rescue Series justified. For this is a delightful piece of work, thoroughly snobbish in the best sense of the word; that is to say, exclusive and unconcerned with matters or attitudes outside its own magic circle. And if the crystal clear insight and smooth, confident wit of Jane Austen are not quite achieved, nevertheless Miss Eden comes very near to that admirable quality. She knows her setting and her people, and she makes them do the things typical of their way of living and thinking, and leaves us to admire and envy those cool and quiet and confident days when privilege still meant something in England.

The Casuarina Tree. By W. Somerset Maugham. (Heinemann. The Traveller's Library. 3s. 6d.)

"The Casuarina Tree" is a set of six stories about "the English people who live in the Malay Peninsula and Borneo." We all know these people; even those of us who only England know have met them. There are interesting and original characters among them, characters of the exotic kind that fascinated Conrad; but generally they fall into a definite class. The men belong to a sub-military type; their ambition is a year's leave with plenty of money and a dinner-dance seater car; their happiest moments are spent at a vacant of the less formal sort, varied by spins and halts along the Portsmouth road. Their eyes, often bulbous, have a constant expression which you may, if you like, set down to their gazing into the wide spaces. This view is borne out by their admiring womenfolk, who will tell you that they are so interesting because travel has broadened their minds. Even Mr. Somerset Maugham, their faithful chronicler, seems to have tired of them by the end of the book. In his preface he refers to them as "these planters and administrators who with all their shortcomings, have after all brought to the peoples among whom they dwell tranquillity, justice, and welfare . . ."; but in the Postscript he writes with more bitterness: "It must indeed astonish the traveller to discover that the English who pass the best part of their lives in the spacious East attach so much importance to a Parish Pump, and he may wonder at times that they are content to go so far afield as the Celebes as these are content with Bedford Park." Such people as these are excellent material for the magazine stories de luxe which Mr. Somerset Maugham manufactures with such efficiency. He has, of course, done better work than this; some of the stories in "The Trembling of a Leaf" had distinction as well as competence. But here we have the hard blaze of Eastern sunlight without the authentic glamour of the Orient. These tales, as the publisher announces, are brilliant and hard. There is more than a hint of pinchbeck in their brilliance, and their hardness is metallic. It is not the marble quality of, say, de Maupassant.

LETTERS TO THE EDITOR.

SOCIAL CREDIT POLICY.

Sir,—The two letters in this week's NEW AGE, taken together, might almost serve as a statement of why those pauper friends of mine won't join the Army. But when war comes, almost everybody will be forced to take sides, to fight or labour either for the war or for revolution. And the few whom circumstances permit to be more or less neutral must be very cold-blooded if they avail themselves of the exemption. For myself, I may prove a coward and do nothing; not having been tried I can't say; but if I take any stand at all it will have to be against the war, unless of course something happens that will make the war a genuinely popular uprising against the almighty dollar.

I know that "against war" means "for revolution." But suppose revolution simply has to be? Isn't that extremely likely? Major Douglas and his supporters have been labouring ever since the Armistice to convert the actually powerful; they have failed, and no shame to them! The failure need not be regretted; for some time I really feared that the financiers would appropriate just enough of Douglas's thought to play the people like fish and keep them hooked for ever. As it is, we may hope that, through tribulation such as never was, the time of our redemption draweth nigh.

H. B. S. L.

[We omit from this letter a very long concluding passage which supposes a revolution leading to "general expropriation," upon which the writer suggests that the "anarchist communism of Kropotkin" may be the most desirable alternative to Major Douglas's proposals; and challenges us to state what attitude we would adopt in regard to such an "experiment." This is the best synopsis we can make of the passage. All the conditions for judgment are stated so vaguely that we cannot hope to give an answer. We do not know what sort of revolution is intended, where or when it is to start, who will start it, who will impose expropriation, who will be expropriated, who will lead the revolution, nor what proportion of the people will be anti-revolutionary, nor what the foreign enemy will be doing all the time.]

In reply to the portion of the letter published, we agree by that no high authority has been visibly "converted" by the efforts of the Movement, but we deny that influential opinion has been unaffected by them. To mention two or three indications that things are not well with the financiers, they are being attacked every week by a popular journal, the *Referee*, they are commencing to explain their system, they have been unable to hide the fact that they do not agree among themselves as to how they shall explain it. Many other indications that non-financial influences are getting restive will occur to readers. They are all more or less obscure, but necessarily so; for how can one expect the political governing classes to confess clearly that they are being enlightened on the nature and technique of their own job by an engineer! In our judgment the hope, in the event of a war being unavoidable, would lie in the fact that in a state of war the power of the Army and Navy, of the Civil Service, and of industry, into all of which departments THE NEW AGE finds its way. The only power the financier, then, has, is that of "peaceful persuasion of the powerful." In 1914 the repositories of power did not know they had it or how they could use it; so they disarmed the returning officers and soldiers in 1918 and left the way clear for the financiers to resume their sovereignty and take charge of things. They did it out of "pure ignorance," as Dr. Johnson would say. Since then the members of the Social Credit Movement and other bodies have put in ten years' work, dispelling this ignorance, and THE NEW AGE has continued to carry its teaching into those quarters where enlightenment can be transformed into action when the next opportunity comes. If, in spite of their added knowledge, the non-financial powers were to restore the supremacy of decide, on the approach of, during, or after a military crisis of great magnitude, to maintain or restore the supremacy of the financier, we shall have met with a nasty problem. But for many reasons we do not look for such a sequel to the experiences of all classes of the community since the Armistice.—ED.]

Sir,—It is to be hoped that all Credit Reformers will thoroughly digest the wisdom of the concluding paragraph in your notes of last week under the above heading:—
" . . . If you wish ultimately to lead public opinion in a specialised difficult and non-popular subject like credit policy, etc., your best plan is first to stand for something general, easily understood, and readily approved by your fellow citizens, or at least a substantial body of them."
Only a week or two back I put this policy to the test by standing as a candidate in a public election. The result was more than satisfactory. I am sure that the time has

arrived when a new attitude towards moribund politics would meet with a widespread response.

H. E. B. LUDLAM.

[We see in the *Age of Plenty* for this month that Mr. Ludlam stood as a candidate at the recent Municipal Election in Coventry. He held no meetings, organised no systematic canvassing, nor enjoyed the loan of any motor cars on polling day. Practically all that was done was the issuing of an address on the subject of Financial Reform. In that address he stated that out of a total of £452,505 raised by rates in Coventry last year, £366,180 was spent in charges on debt. "How can we expect lower rates, in cheaper gas, cheaper electricity, more and better houses at lower rents, etc., etc.?" he asked, following this up with the declaration that "Governing bodies should be lenders and not borrowers of money," and that they should do their own banking and "create their own money for public services instead of depending on bankers and financiers." He referred to the Birmingham Municipal Bank as a mechanism for beginning such a policy, and said that if returned he would urge that the Corporation set up its own bank. The end of the story is that he got 1,092 votes. In the additional 323 would have secured him the seat. In the circumstances we consider this a most gratifying result, and we congratulate Mr. Ludlam on his enterprise. He sets an example which is worth consideration in view of similar elections due in London next November. Whether candidates get in or not on a Financial Reform programme is not so important as the moral to be drawn from the figures. These are an index of the responsiveness of electors to such an appeal, and we have little doubt that Mr. Ludlam's experience will set a good many people thinking—outside the Social Credit movement.—ED.]

ADAM AND CONSUMER CREDIT.

Sir,—P. Q. wishes to know what light the truism that Adam did not live out of his past savings throws on proposals to reform the price system or institute the National Dividend. To certain types of minds it is an essential approach to this subject. As lack of space did not permit you to insert in full my first letter on this subject I hope you will be able to afford me more space on this occasion.

In my first letter I followed the above statement with an indication that in the natural economic order the community controlled policy. There was no artificial restriction on the amount of consumption by the first community. The community decided for themselves how much of the wealth available they desired to consume.

Early in 1927 many resolutions were passed by trade unionists urging an impartial consideration of Consumer Credit by Mr. W. A. Appleton's special committee of the General Federation of Trade Unions appointed to consider remedial solutions to Unemployment. This committee, without going fully into the subject, turned Consumer Credit down because they considered that it was unnatural, and involved manipulations of the currency. Mr. Appleton himself followed this up in a special article written for the *Daily Mail* (September 30, 1927), in which he stated "A warning may be issued against policies based upon manipulation of the currency which cannot increase wealth, though it may prejudicially affect prices."

H. J. D. THOMPSON.

BUYING AN EMPIRE.

Sir,—Recent events confirm statements made in the columns of THE NEW AGE. The Hardman-Lever Report and Mr. Kellaway's statement undoubtedly show the domination of Dollar Diplomacy, and its natural offspring Credit Diplomacy. THE NEW AGE's comments (in either 1922 or 1923) upon America's policy in Europe and Asia are significant. "America may in this way be said to be buying Empire." "Other nations have fought for Empire or acquired Empire by violence or fraud." "But America is preparing to do the thing by the strictly commercial means of buying and paying for her conquests." Ownership in the old Imperialist sense has no glamour for America. America does not want colonies or dependencies—anybody can have the satisfaction of saying that these territories belong to them. America, in true financial fashion, is perfectly satisfied to have their effective control by the simple means of constituting herself their principal creditor. "Credit Diplomacy . . . is . . . the application to foreign affairs of the principles already exemplified in company procedure." "America is acquiring debentures on the nations of the world with power to foreclose." "Credit diplomacy is the subtlest mode of Government yet invented; its victims are deceived."

CHARLES R. PROCTOR.

[It is not quite clear in Mr. Proctor's written letter where the quotations begin and end. We have guessed at them. He must advise us if we have made a mistake.—ED.]

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