

THE NEW AGE

INCORPORATING "CREDIT POWER."
A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

No. 2087] NEW SERIES Vol. LI. No. 19. THURSDAY, SEPTEMBER 8, 1932. [Registered at the G.P.O. as a Newspaper.] SEVENPENCE

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NOTES OF THE WEEK.

A correspondent sends us the first number (new series) of a bi-monthly magazine called *Progress and the Scientific Worker*. It is an amalgamation of *Progress*, which was the organ of the British Institute of Social Service, and the *Scientific Worker*, that of the Association of Scientific Workers. The General Secretary of the Association, and Editor of the *Scientific Worker*, was at one time (circa 1929) Major A. G. Church, who was prominently associated with the *New Realist*, which subsequently ceased publication. Professor B. W. Holman, M. I. Chem. E., was then the business manager. Their policy seems to have been primarily that of leading the Association with "big names" vice Presidents. It thus comes about that the "Progress" department of the new magazine is represented by such "Officers" as Fitzroy (Speaker of the House of Commons), Ullswater (Rt. Hon. Viscount), Whitley (Rt. Hon.), Baldwin, MacDonald, Simon (Sir John), with Percy Alden as Chairman of Executive Committee and Sir Francis Goodenough as Treasurer.

The occasion of our correspondent's calling our attention to the fusion of these two bodies and their respective magazines is the publication of an article by Percy Alden on "The Paradox of Plenty" in the first issue of the new series. Of this article it is sufficient to say that one of the problems set out by Mr. Alden as confronting the world is that of raising the price-level, and the other that of stabilising it. Our correspondent wrote a protest to the editor on seeing it, asking what useful purpose it was going to serve in a magazine of science. He was told in reply that the magazine *Progress* was not "only scientific" and that he must expect the new magazine to publish articles by "Economists" and on "Social Service" generally.

This is plausible enough on the surface, but, as he remarks to us: "The relations between scientific organizations and Finance ought to be watched." They certainly ought. Many readers will remember Sir Henry Strakosch's address to the British Engi-

neers' Association and our comments on it in THE NEW AGE of March 26, 1931. (See also some biographical notes on him in our issue of April 9, 1931.) The theme of that gentleman's address we summed up in the phrase: "We engineers" !—for he tried to make out that the principles and practices of financiers were identical in nature with those of engineers—that their monetary methods of directing and measuring economic energy were as soundly based in principle and as reliable in use as those of the engineer and chemist. Thus the gold standard, as he insinuated, was a measuring device just as exact as, say, a volt-meter. (The abandonment of this precious device by the Bank of England last autumn has made hay of that story. Readers interested in this subject will derive some amusement from it if they turn it up.)

Now, all the Social Service "Officers"—all these "big noises"—on the new magazine are dominated by the Strakoschian influence and are bound to reflect and disseminate the notion that, because one function of finance is to measure, the operators of finance know how to measure. The danger is that scientific workers will be hypnotized into interpreting financial jargon as evidence of scientific knowledge. We wonder, for instance, how many readers of Mr. Alden's article spotted the incongruity between his double proposition—raising and stabilising the price-level—and any proposition that would be laid by a scientist before scientists. Let it be conceded that he does not claim to know how to raise the price-level, yet he should know, and be able to explain, what the raising is in itself, what it implies in theory, and what it would accomplish in practice. That is certainly what scientific workers would demand of any lecturer on subjects within their traditional and customary field of research. Unfortunately, whenever the subject of "money" comes up, they suspend their critical faculties, either because they feel that the subject does not matter, or that it is beyond their comprehension. They leave it to "the Economists," being aware that, as De Quincey remarked once, temporary economic thought, it is the pro-

dregs of the intellect." As a matter of fact the incomprehensibility of monetary science is due entirely to the fact that the money-monopolists do not wish it to be made comprehensible. In pursuance of that policy they take measures to ensure that only those shall be accredited exponents of the science who speak and write in unintelligible terms. To be intelligible is to be found out—as Lord Hewart remarked of the bureaucrats.

With regard to Mr. Alden's proposition we happen recently to have exposed the nonsensical character of such propositions in an article entitled "Reflation and Barter" (THE NEW AGE, June 16, p. 76). The occasion was the League of Nation's resolution that "a rise in prices is desirable." Not a rise in some prices, but in all prices—i.e., in Mr. Alden's term, a rise in "the price level." In terms of things the nature of the problem is recognised in his article. The "paradox" consists in the fact that the industries of the world have produced a surplus of things which the people of the world cannot buy. Postulating that personal claims on things must be derived wholly from personal services in the system (which is an axiom of current financial doctrine) it follows that to get rid of the paradox the total monetary remuneration of the persons must be equal to the total monetary price of the things. In other words the price-level of all personal service must be equal to that of all things produced. Note that this is what would happen under a barter economy—the personal shares of the things would add up to the number of things. Note, too, that nobody has improved on the principle of barter, nor come out in the open to impugn its results—i.e., the sharing out of all there is to share. In fact, a monetary economy is defended on the ground that it "perfects" barter.

Obviously if any raising of the price-level is to be relevant to the problem it must apply to both levels, not to one only. Moreover, in the present circumstances, where the services-price-level is lower than the things-price-level, the former should rise faster than the latter to catch up with it. Mr. Alden's proposition implies that if the T.P.L. (so to abbreviate the term) is raised, this will lessen the gap between it and the S.P.L., and if raised sufficiently will close it up—at which point the equilibrium should be "stabilised." But before hurrying on so fast it will be well to ask why the S.P.L. is lower than the T.P.L. at the present time. Say that the S.P.L. is 6, and the T.P.L. 10, is there anything in the operation of raising the 10 to, say, 20 that will raise the 6 to 20, or even to 12?

We pointed out in our former article that in raising of the price-level—in this connection the raising of the T.P.L. from 10 to 20—you are simply altering symbols of inter-exchanges between the categories of things held by industry within industry: you are not touching the problem of getting the things collectively out into the hands of the community.

We can amplify our meaning by quoting from our earlier article before mentioned.

[Quotation begins. Note that the analysis now quoted referred only to the T.P.L. and took no account of the S.P.L.—i.e., to the sellers' (industrial) price-level, not to the buyers' (consumers') income-level.

In a barter-economy "prices" would be in terms of things. Thus one table might exchange for two chairs, or forty loaves. We can formulate the ratio as:—T : C : L = 1 : 2 : 40. The ratio, of course, would tend to alter; and T : C : L might become 10 or 1 : 1½ : 20, or anything else. But whatever you use to express the ratio, you can probably assert that the ratio, as such, is

"too low" or "too high." Lower than what?—higher than what? There is no standard ratio with which to compare it. And, if there were, it would still be impossible to say that one was higher than the other. The "highness" or "lowness" would attach, not to the ratio, but to the constituent things inter-related within the ratio. For instance, if T : C : L changes from 1 : 2 : 40 to 1 : 3 : 50 you can say that the exchange value of T has risen in terms of C and L, and the value of C and L fallen in terms of T. But you cannot say that the ratio T : C : L, as such, has risen or fallen; for that would be to say that T, C and L had all simultaneously risen or fallen each in terms of the others!

But this is precisely what is involved in the bankers' diagnosis—"the fall in the world price-level," i.e., the fall in the T C L ratio. What they are trying to say (or rather to keep quiet about) is that the figures expressing the ratio are smaller. The nearest approach to their mentality under a barter system would be illustrated if some people experts pointed out that the reason why people could not exchange the tables, chairs, and loaves they made was because the ratio T : C : L had "gone down" from 2 : 4 : 80 to 1 : 2 : 40. But the ratio has not altered. The bankers' method is apparently to add up the numerical terms of the ratio, compare the totals—in this case 86 and 43—and conclude that because 43 is only one half of 86 the world must expect to be only one half as rich in tables, chairs, and loaves.

The present-day "crisis" is a matter of unalgebraic production of all sorts—or in "barter" language, unexchangeable tables, and chairs, and loaves. That could only happen if the people stopped wanting any of them. It is true that more tables might be made than the people wanted, or more of the other things taken separately. But to ask one to believe that there are three "too much" existing simultaneously, and that their common exchangeability is a "mess" destroys their common exchangeability is a little too much for one's gravity. And when, in existence, the three "too much" are visibly in existence in a society of desperate "not-enoughs," the proposition simply laughs itself out of every court in the world except the Courts of Directors of the Central Banks, where all critical faculties are dissolved in the higher mathematics of the high financiers.

[Quotation ends.]

It needs no reflection to see that Mr. Alden's proposition is irrelevant to the under-consumption problem which he says (and correctly) awaits solution. His article would therefore be out of place in any journal, but is particularly so in a magazine purporting to cater for men and women trained in orderly methods of reasoning. When Wilberforce, in 1860, tried to pull Huxley's leg by asking him on which side of the family he claimed descent from the ape, Huxley retorted: "Better an ape than a man of restless and versatile intellect who plunges into scientific questions with which he has no real acquaintance to obscure them by an aimless rhetoric." That fits the whole gang of Rt. Hon. Spellbinders who have captured the direction of *Progress and the Scientific Worker*. In its Editorial it "takes pride" that organised science is represented on its Editorial Board and announces that the new magazine will contain "joint expressions of the scientific and humanistic outlook." A glance through the rest of the editorial quickly shows that what it terms "humanistic" is really moralistic. So the "joint expressions" spoken of will reflect a moralo-scientific outlook—natural laws expounded in terms of "Hallelujah"!

It is interesting to remember that *The Realist* (1920-30) called itself "A Journal of Scientific Humanism"

and had on its Editorial Board humanists like Arnold Bennett, Harold J. Laski and H. G. Wells! Readers will remember that the editor of THE NEW AGE contributed an article in *The Realist* of December, 1929, discussing "The Snowden Commission and the Financial Problem" in the light of the Douglas Analysis. That was the first and last occasion when, in that magazine, humanity and science were properly correlated within an economic survey. In the last paragraph were two consecutive sentences:

"The scheme [i.e., Major Douglas's] would cut along the grain of human impulse. The only question is whether it is inherently unsound as a scientific proposition, and would therefore break down in spite of the concerted attempt of the economic community—masters, men and customers alike—to make it work." (Our italics.)

The implication is clear: that humanity and science cannot be fused into a "joint expression," but are two separate frames of reference, the first asking: Do you like the results which it is claimed that the scheme will produce? and the second: Do you think the scheme is technically efficient? Do your heart and your head approve it? Turn from this to any moralo-scientific appeal to popular judgment and you will find the proposition unfolded not only cuts across the grain of human impulse but actually makes its undesirability a test of its technical soundness. Thus Mr. Winston Churchill's dictum that the test of a sound financial policy was its unpleasantness. And all the accredited "economists," under cross-examination, would be driven to a disclosure of the same confusion of thought.

By a most opportune coincidence the British Association opened its proceedings last week and afforded the occasion for the President, Sir Alfred Ewing, to deliver himself of the prize howler of the season. Speaking on precisely the same "paradox" as Mr. Alden discussed—islands of scarcity in a sea of abundance—he said (*The Times* paraphrase in leading article September 1)

"In his view man was ethically unprepared for so great a bounty; the command of Nature had been put into his hands before he knew how to command himself."

This is what comes of letting moralism take charge of science. The failure of applied science is due to precisely the opposite reason, namely that the command of Nature has been taken out of man's hands. Man commands the means of scientific discovery, but the means of applying it are vested in the hands of the bankers. Applied science is financed science, and the arbiters of the application are the financiers. Ethics have nothing to do with the problem, except in the sense that the bankers' exploitation of science is based on a code of ethics of their own and is used to impose that code on humanity. They encourage original scientific research into the problem of production, but boycott scientific research into that of distribution. The reason is that while scientists are technically competent to solve the problem of distribution (Major Douglas has solved it) the bankers are, in the phrase of Sir Alfred Ewing, ethically unprepared to let them.

We are bound to say that our respect for the sagacity of the Church in sniffing at the inauguration of the British Association has been heightened by this development. It was interpreted by Freethinkers as reflecting the Church's fear that the cold reason of science would undermine the doctrines of Christianity. But it would now seem that the Church smelt rival Medicine-men afar off. Her scent was true; for the whole tone and structure of Sir Alfred Ewing's oration at York were identical with those of the most acceptable sermon that could be preached by the Archbishop of York. The advancement of science, which was the declared objec-

tive of the British Association, has turned into something almost indistinguishable from the advancement of theology. The theme of the President will be seen to be exactly the same as that of Mr. Percy Alden's article; and there is no doubt that the influences which inspired the President and provided him with his platform (and possibly outlined his speech for him) are the same as those exemplified in the persons of the "big political noises" represented on the editorial board of *Progress*. It is about time that conscientious scientists took steps to reverse this intrusion of City Theology into their high counsels.

It is well known that in the field of practical engineering, to which Sir Alfred paid particular attention, one of the chief problems is that of designing and planning to a limit of cost. So that even on the production side of the problem (let alone distribution, which eventually limits production) the banker's ethics discount the engineer's efficiency. In the present circumstances of demonstrable overproduction this fact will not seem to have any practical value, but it is useful to bear in mind; for if the financial restrictions can frustrate production they can also frustrate distribution, and more easily, because the physical means of distribution already exist in more than adequate quantity (e.g. idle tonnage) and nothing is wanted to set them moving but that legal "right-of-action" which men know as money. Let there be no more talk of man's commanding Nature until man commands money.

"Human Race Not Fitted To Control Nature." That is the headline in which the *News of the World* paraphrases, and correctly, Sir Alfred Ewing's "scientific" conclusion for the information of its three million readers. A scientist has no authority outside the field of his specialised knowledge. In fact, the more he specialises the bigger fool he is off duty. When a man's work entails logical reasoning his play consists in illogical speculation. The British Association is a scientists' beanfeast where they lock up their perceptive and inductive faculties and let their moral and spiritual faculties out for a run. These the banker rounds up, forms into a pack, and goes hunting, and so you see the spectacle of Sir Alfred Ewing, whose speciality it was to test explosives, offering himself (or being presented) as a specialist in economics. A lay physicist turned into a financial metaphysician, and talking the sort of stuff that the staff-writers on *Home Chat* can turn out by the mile. It is the same elsewhere. You find the scientist in the pulpit at one time, and cerebral priest in the laboratory at another, and cerebral half-breeds in both always. The Archbishop of Melbourne poses as an authority on "inflation," the Bishop of Chester broadcasts on the metaphysical properties of gold—and inevitably everywhere, material and spiritual philosophies are molten together in the moral philosophy of the bankers.

Postscript.

The morning after the foregoing "Notes" were completed the *Daily Herald* came out (September 5) with the news that the British Association was to consider a resolution asking the Government to set up a permanent Commission of Scientists to help to put an end to the world's crisis. Sir Richard Gregory (moralist and a pacifist by his quoted sentiments) is the leading spirit. Watch developments.

*Mr. Percy Alden's dissertation in a scientific workers' journal is simultaneously duplicated by one from a Mr. Frederick Wigglesworth in the *Architectural Association Journal* on "Dr. Ewing's And The Gold Crisis." We note an allusion to the fact that the Architectural Association invited Dr. Eisler to discuss before them the remedy of the economic crisis." Those

Irish Affairs.

According to an article in the *Evening Standard* of August 30 there has been an "enormous slump" in the sale of Irish Sweep tickets. The tickets are "a drug in the market" not only in London clubs but in large industrial workshops. In the Dominions and foreign countries, too, there is marked reluctance to buy. An exception is the United States, where "sales are fairly satisfactory." Up to June of this year £13,285,000 had been contributed from Great Britain to the six sweepstakes then held, and £7,086,000 had been returned as prize-money.

This phenomenon is the product of a bankers' boycott. It is the outcome partly of the withdrawal of the bankers' good-will towards the conduct of the selling operations, and partly of their sowing of ill-will towards the Free State Government. Of course, people who like to have a flutter in the Irish Sweep, or any other gambling operation, do not let political opinions influence them; they simply calculate terms, chances and risks, when they calculate at all. A little while ago *The Times* alluded to the Treasury's embargo on new issues when the Conversion operation was launched, and remarked how "loyally" it had been observed. What merit there is in refraining from doing something which you know you won't be permitted to do we do not know. Probably the loyalty of the parties shut out of the capital-raising market consisted in their keeping their mouths shut and pretending that their renunciation was voluntary. Similarly there has been an unwritten and unspoken embargo on the Irish Sweep. It is easy to see what a difference it makes when the staffs of the joint stock banks and other financial houses, who hitherto have unofficially co-operated in the ticket-selling, now adopt the policy non-co-operation. And, without the heads of the banks having to give orders, the banking officials are perfectly aware that every act tending to disorganise the finance of the De Valera Administration will be looked upon with approval by the Bank of England. So with the Press. For some weeks past there have been innuendoes respecting the distribution of existing Sweep-surpluses, suggesting that the Government were withholding the money from the hospitals. Thus suspicions were sown that the Government may help themselves to a larger dip out of future prize-money even if not confiscate the lot. For, of course, a Government who repudiate solemn obligations respecting Annuities are capable of anything! It is the ramp against Mr. Lang all over again. Fleet-street appreciates perfectly what a sound business proposition it is to vilify the bankers' enemies. Just as the late Mr. Hooley used to pay out to journalists a half-guinea for every puff of him and his companies that they could get into the papers, so do the bankers reward those who play up to their policy. There is a sort of Bankers Sweepstake, in which every newspaper that vilifies Mr. de Valera is allowed to participate on a non-contributory basis—the prizes taking the form of advertisement revenue, loan-accommodation and other concrete favours in the gift of High Finance. And that is how the bankers' embargo on the Irish Sweep comes to be "loyally observed."

With reference to the reported sales-slump in Clubland, that may be the result of intelligent anticipation, or perhaps whispered information, as to the British Government's intentions with regard to the present Sweepstake on the Cesarewitch. Hitherto Government, although holding the purchase of tickets to be illegal, have virtually condoned the illegality by allowing prize-winners in this country to retain their winnings. There is nothing to stop the Government from reversing this policy and confiscating these

winnings, and even punishing the winners into the bargain. Anyone—whether in Clubland or elsewhere—can appreciate the risk. If the slump is so great as the reports make out it means that only the smaller gamblers are patronizing the Sweep—in which case the Government could the more easily intervene both from a practical and a moral point of view. For small people can't hit back; and poor people certainly ought not to gamble!

Editorial Notices.

The "Notes of the Week" suspended last week will remain suspended. The consensus of advice sought is that publication is inadvisable at the present time. The subject-matter did not bear on any vital Social-Credit issue: its treatment might cause offence in influential quarters not necessarily out of sympathy with our main objective: though written in the public interest it could not be said to be of urgent importance. It centred round certain recent symptoms of demoralisation in society similar in character to those which have been recorded in this journal during the last several weeks.

It may be useful to add that what influenced us to deal with the subject was the fidgety criticisms of certain readers (some of them anonymous) who professed their inability to understand why such topics and events were recorded in THE NEW AGE. We hope they will now appreciate the risks we run in trying to play down to their ostensibly unimaginative curiosity—we say "ostensibly" because there is such a game as tempting editors into indiscreet actions. We wrote nothing which anybody with average faculties for comparison, correlation and reasoning could not conclude for himself from a synthesis of the above records if he chose to take the trouble. It was a weakness of ours to cater for pedagogue mentalities in a journal composed for pedagogue brains. Probably it was the dog days of August as done it!

Two excellent articles from Mr. M. Gordon Cumming appeared in *This Prosperity* for July and August. They are a lucid explanation of the true meaning of what is called "coming off gold." "Douglas" expositors will do well to order copies from the Editor, Mr. R. J. Scrutton, at St. Peter's Vicarage, Coventry. (Price 2d. each, postage 1d. on the two copies.)

We consider that the article by Mr. J. T. Smith, printed elsewhere, is the best for its purpose that we have read. It is entitled "The Douglas Theory," and we would add as a sub-title: "As propaganda directed to the recruitment of new students it could not be bettered. That is our judgment; and we shall be glad to know the reactions of other connoisseurs of Social-Credit literature, with a view to republication as a pamphlet. This article is reprinted from *The Melbourne Age*, and we are glad to congratulate that journal on thus beginning to make good after its slip on the occasion of Sir Otto Niemeyer's visit. One day we shall get the inside story of its overnight change of front; for the true journalist spirit is bound everywhere to turn King's Evidence against the bankers sooner or later. And then we shall see how the prophet Lyons stands the ordeal of the prophet Daniel.

The Douglas Theory.

By J. T. Smith.

(President, Douglas Credit Movement of Victoria.)

Major Douglas's great and vital contribution to economic thought is his discovery of a deficiency between the incomes of a people (their purchasing power) and the prices of the goods and services they produce. Prior to the publication of his book, "Economic Democracy," all economic thought assumed that the individuals comprising any community, embracing all classes, such as capitalists, shareholders, landlords or workers, collectively received as incomes money equal to the cost or price of what was produced. On this theory the struggle between capital and labour has largely turned. Each class assumed that the share of production which it did not get was taken by the other class.

Into this realm of thought came Douglas, and he pointed out that the trouble is not at all that one class gets more or less than its share, but that there is a big volume of production which neither class gets, for the sole and vital reason that collectively they have not sufficient money to pay the financial cost of it. Let us pause for a moment to grasp clearly what this means. It means just this—that if, for example, the people of a community receive £1,000 as their personal income (all incomes are derived directly or indirectly from industry) within a week or any period the price of the goods made in the same time will be greater than £1,000. They would be able to buy £1,000 worth of goods, but no more; the balance would be beyond their income.

The A plus B theorem is the central fact of Major Douglas's analysis, and in his book "Credit Power and Democracy" he states it in the following terms:—

A factory or other productive organisation has, besides its economic function as a producer of goods, a financial aspect—it may be regarded on the one hand as a device for the distribution of purchasing power to individuals through the media of wages, salaries, and dividends, and on the other hand as a manufactory of prices—financial values. From this standpoint its payments may be divided into two groups:—

Group A—All payments made to individuals (wages, salaries, and dividends).
Group B—All payments made to other organisations (raw materials, bank charges, and other external costs).

Now the rate of flow of purchasing power to individuals is represented by A, but since all payments go into plus B. Since A will not purchase A plus B, a proportion of the product at least equivalent to B must be distributed in the descriptions grouped under A. This additional purchasing power is provided by loan-credit (bank overdrafts) or export credit.

To appreciate the truth of this analysis and to understand how this position arises, it is necessary to know something about money. Practically the whole of the money in use in this country is created by the banks. It circulates in the form of cheques drawn against book entries in a bank's ledgers. The notes and coin with which the public are familiar are but the small change of society, and in quantity bear the relation of .7 of 1 per cent. to the banks' clearing house figures, which are a record of the money transactions settled by cheques. The banks also destroy money. This fact of money creation and destruction by the banks is now generally conceded, and it will not be necessary in confirmation to quote more than one authority. Mr. R. McKenna, chairman of the Midland Bank, England, in his book, "Post-War Banking Policy," says:—

The amount of money in existence varies only with the action of the banks in increasing or diminishing deposits. Every bank loan and every bank purchase of securities creates a deposit, and every repayment of a bank loan and every bank sale destroys one. Several things may be noted concerning this bank-

made money. It costs practically nothing; it is issued as a loan or debt and must be repaid; and it must be repaid as soon as possible. Now this bank-created money is issued by the banking system through industry to enable the production of goods, and its issue is recorded as a cost in that production; and if it were not withdrawn from the community until the goods made were consumed or worn out, and the corresponding costs wiped off industry's accounts, there would hardly be an economic problem such as we now know it. Instead of that being the practice, however, this is what happens, and we know well enough from present conditions what is the result. Suppose, for example, industry, as representative of the activities of a community, borrows £1,000 from the banks, and pays it away in the making of £500 worth of consumable goods, i.e., bread, boots, clothes, etc., and in the making of £500 worth of capital goods—machines, factories, etc. Imagine now that the community has received and holds £1,000, and that the goods are made. What will they do with the money? They will do either one of two things: they will use the whole of the money in the purchase of the consumable goods, in which case the prices of these goods will go up until they absorb the whole of the £1,000; or they will spend, say, £500 in this way, and use the other £500 in the purchase of shares, say, in the new capital equipment—the factories and machines, etc. Both factors are in operation in the present financial-economic system.

The essential thing to note is that industry, taken as a whole, recovers from the community, either through inflated prices of goods or through the investment of money in industry, or through both together, the money it pays away in the making of both capital and consumable goods, while at the same time it delivers to the community only the consumable goods. Industry then uses the money it thus recovers to repay its banks' loan, and thereupon so much money as credit is cancelled and goes out of existence. (Vide authority already quoted.) Now, this is the vital fact of the matter. Though money equal to the costs of the new factory and machines has ceased to exist, these costs still remain in industry's books uncanceled, and will be charged into the prices of goods to be manufactured subsequently. This new factory and machines will be used in production, and naturally incur a cost in that production. Suppose we set that cost down as a depreciation charge of 10 per cent., or £50. This means, then, that whatever goods are made by this community subsequently will have a depreciation charge, which must be an additional cost to the wage and salary costs as their income and purchasing power. Stated in the terms of the A plus B theorem, this depreciation charge of £50 will be a B charge, and the wages and salaries paid will be A charges, and the sum of these sets of charges will be the price of the product. And, clearly, purchasing power measured by the A charges must fall ing power made up of A plus B charges.

Having determined that this is the true state of short of prices measured in relation to consumers' purchasing power in relation to industry's prices, Major Douglas says what will be endorsed by anyone who reflects on the matter at all, that if total production is to be sold consumers' purchasing power must be supplemented. This he would do by arranging that the goods be sold to consumers at a fraction below their financial cost; he would reimburse the retailer after sale with the difference by a credit issue drawn upon the national credit account. The rationale, or justification, of this step is that in any period the community is being deprived of money by the present operations of the banking system at a greater rate than goods and services are consumed or depreciated, and therefore, that if this portion of production thus rendered unsaleable and unconsumable is to be

chased by the community and consumed, in effect the money prematurely withdrawn must be restored to them.

The percentage or amount of discount to be allowed off prices to consumers, or, in other words, the determination of the "just price" which they would be charged, would be governed by the relation which total production of all things and increases in productive capacity bear to the consumption and depreciation thereof over any specified and suitable period. The making of the factory and machines in our illustration represented an increase in production over consumption, since during that period £1,000 worth of goods were produced, and only £500 worth consumed. Such increases would be recorded in a national credit account, and this practice would furnish a financial fund which would be drawn on to supplement consumers' purchasing power. The application of the just price would prevent inflation, enable industry to recover all its costs, and make a profit, protect consumers' incomes, and so enable them to make effective demand on the ability of industry to produce.

The Douglas proposals can be put into operation in any country without interference with individual rights or current business methods. No alteration to the constitution is required, but merely an amendment of the Central Bank's charter to constitute that bank a national credit authority for the issue and recall of credits, the computation of the just price and with power to authorise the regulation of prices to consumers to enable retailers to sell goods at the just price.

The Law and Obscenity

Mr. Armitage has made out a concise and forceful case* against the prevailing legal restraints on the publication of obscene matter. His thesis is divided into four sections, (1) a summary of the present law, (2) legal criticism, (3) general criticism, and (4) suggested improvements of the law. He was provoked to write it by the sentence passed at the Old Bailey on a writer, Potocki de Montalk—six months' imprisonment—for obscene libel. He had written half a dozen poems, for which he wanted a hundred copies for private distribution among friends, and asked a printer to undertake the job. The printer communicated with the police on account of certain obscene expressions in the manuscript; and the above prosecution was the outcome. (The Recorder warmly commended him for his action.) The Court of Criminal Appeal upheld the conviction and sentence. (This was in February-March.)

The popular notion of the meaning of the word "libel" is that of "defamatory libel," in which A communicates to B something which defames C. "Libel" derivatively means a "little book," but legally means any record of a permanent character (book, print, drawing, etc.). An obscene libel therefore means simply an obscene record. It need not be defamatory of any person. So, too, of a "blasphemous libel"; it need not attack anybody's character. Whereas in the case of a defamatory libel three parties are concerned, only two are necessary to constitute the latter offences—in the present case the poet and the printer. As for the legal interpretation of the word "publish" it is sufficiently described by the fact that in this case the mere private showing of the manuscript to the printer was held to constitute "publication."

Mr. Armitage goes into the question of what constitutes obscenity, and infers from a brief survey of decided cases and judgments that its essential property in the eyes of the law is that of producing

* "Banned In England." By Gilbert Armitage. Here and Now Pamphlets No. 7. Wishart. 45 pp. Price 1s. net.

sexual excitation. He challenges the assumption that it does have that effect on the individual. Then he inquires what sort of psychology inspires the imposition of the present restrictions and penalties on writers and others. He ascribes it to two types of people—the *under-sexed* and the *ultra-romantic*; and brings forward arguments to show why both types instinctively shrink from hearing spades called spades. To paraphrase his conclusion, both types do not like to be reminded of *digging with spades*—the first because they cannot dig with spades, and the second because the digging ought not to be done with spades. Thus, *impotence to perform* combines with *disdain of the performance* to inspire repulsion against the name of the spade. Mr. Armitage works this out ingeniously and provocatively, and affords plenty of material for debate among the intelligentsia. He concludes his pamphlet by making suggestions for the exercise of more logical and discriminating censorship. He has, he says, no expectation of seeing them adopted in the near future, and he looks rather to the influence of judges gradually to introduce modifications "in the direction of liberty, toleration and common sense."

From the point of view of THE NEW AGE the main difficulty in discussing profitably the anomalies here complained of lies in the fact that no-one knows exactly in what frame of reference to examine them. Mr. Armitage's is too narrow in the sense that it disregards any other factors than that of popular prejudice. He seems to assume that the immediate motivation in imposing these restrictions is also the ultimate motivation. He does not allow for the possibility that while popular sentiment approves them on grounds of sex-morality, there may be influences which encourage and feed this sentiment for reasons which are not "moral" or at least not moral in the same plane. There is a close resemblance between these particular anomalies and others relating to other and widely differentiated forms of human action. And there is strong antecedent probability of there being a causative factor common to all of them—a factor, too, which may well exercise the dominating influence in each direction.

Let us set out a group of cases. *Defamation and blasphemy* have been mentioned in connection with *subversion, obscenity*. There are additionally: *subversion, incitement to violence, sedition*. Next there are offences of another category: *betting, drug-taking, attempted suicide*. Now, it can be shown in respect of all these offences that whereas the community at large consider them reprehensible for one set of reasons, there exist groups within the community who have other and special reasons for objecting to them. If this be granted, then in no case can the anomalies be wholly explained as the outcome of spontaneous popular repulsions based on insufficient knowledge or reflection—which seems to be Mr. Armitage's diagnosis.

For example, it sounds ridiculous for the law to punish a man for trying to take his own life. But it is sound business policy for insurance companies. Or take an opposite case of an entirely different order. Miss Amy Johnson's flight was applauded by the public simply as a feat of courage and endurance. It was applauded, and rewarded, by a section of the community because its success was a paying advertisement for aircraft industries. In all sports. An American who wins an international golf championship sells American golf clubs. In all these cases there is the point of view of the exploiter of the doer, but also the point of view of the exploiters of the deed. Allowance for this double motivation must be made in every enquiry into legal anomalies. If investigation is pursued along this line it will be found that the common source of them is "Big Money" and the inspiration of them High Finance—ultimately International Banking Policy.

Variations on the Hitler Theme.

By Hilderic Cousens.

III.

The energy of the Nazi movement, then, seems to derive from a complex of negative emotions. No social movement of any great importance has ever been built up on a basis of a desire for wealth or a passion for escaping poverty. Some individuals certainly have been actuated by an appetite for material possessions or their substitutes, such as titles to property, but people in the mass are so easily satisfied in material comfort that economic motives by themselves are insufficient to stir them to mass action. Nevertheless, economic motives supply a stiffening to the others, whether good or bad. The persecution of heretics in the Christian Middle Ages, for example, and I dare say in Mohammedanism and other persecuting religions, proceeded in the main from idealism—superstitious fears on the one hand and a desire for the salvation of mankind on the other. But the directors of the Holy Office seem to have had a peculiar talent for concentrating their activities on the rich or those suspected of riches, whether Jews, Templars, or Christian heretics. And in the support they gained from the populace, envy had some share.

The key position occupied by the economic aspect of moral and social unpleasantnesses is such that an improved standard of living is the surest means of abating them. It is not necessarily an invidious one, and in its presence all the other solvents of superstition and terror find their greatest opportunities. The only prescription which can be confidently offered as useful in such storm centres as the Balkans, the North-West Frontier of India, or even China, is an increase in trade so that these people can be better off and have a chance to extend and vary their interests in life. The chaos which seems to be slowly absorbing South America arises from the economic setbacks experienced there in the last few years. With the progress in wealth achieved in that continent during the first decades of this century went the growth of culture, which was ending the state of affairs so notorious in the nineteenth century. Economic decline has reversed the tide. Increasing poverty is the common, though not the constant, occasion of moral degeneration.

The Nazi leaders have continually complained of the "moral degeneration" afflicting Germany, and certainly there is some evidence for this, including the carryings-on of some of their own followers. But whatever the positive and negative emotions of Nazidom, it is certain that the unifying factor in the movement is the possession of economic grievances by its members. The students are poor and without professional prospects—many of them are almost like the licensed begging students of the Middle Ages. The shopkeepers are hard hit by the poverty of their potential customers. Small professional classes, doctors, lawyers, and so on, find less and less remuneration for their services. The people who live on fixed incomes are insecure and in constant dread of annihilation. And all of them are ruthlessly taxed in the interests of alleged "economic science." Hitlerism caters for their emotional stresses without doing anything to remove them. The Germans are serious-minded and incline to great erudition without judgment. While developing their acquaintance with the Polish question and other bugaboos, they fail to see that they are in the position of donkeys enticed by a succession of fantastic carrots. Hitler's twelve million supporters are enough to produce the economic and social regeneration of Germany, if they could attach their belief in "discipline" to some rational programme.

Hitler and Co. haven't any such thing. They either can't or won't produce or acquire one, and one result is that the carrot-dangling is being taken over by the von Papen Government, which is filling the air with windy nonsense about armaments and the need to perfect German industry.

Retiring Consumption-Credits.

By A. B.

II.

This question is the most elusive of all to fix in the mind, and therefore the most difficult to elucidate in spoken, let alone written words. I am not surprised that my first article should have brought me correspondence. Three friendly critics challenge my statement that the cost of retailers' stocks are reflected by equivalent debts elsewhere due to banks. I agree without hesitation that if "costs" are defined in the commercial accountant's sense the statement needs qualification. I would accept an amendment to insert the word "concrete" before "costs" in my statement, to distinguish their nature from, shall I say, "phantom" costs—concrete costs representing actual credit-disbursements, and phantom costs such items as "depreciation," "reserves" and other like charges. It is clear, for instance, that when a retailer buys a saucepan and pays in the price a charge for a part of some iron-foundry whose concrete cost was, as we are all agreed, wholly defrayed years previously, and the credit by which it was built wholly repaid to the banks and destroyed by them, the total cost of the saucepan is greater than the relative outstanding debt currently due to the banks, and is greater *at least* by the amount of that phantom cost. Say that it is 2s. out of a total of 10s., then since, *ex hypothesi*, the 2s. is not due to a bank, it will not be retired when the consumer pays it. There will be a "floating florin" hovering round like the "Oozlem bird" and "uttering cries of derision at its baffled pursuers"—the deflationist bankers! That is the argument; and that would appear to be the situation. And if true in this instance it will be true generally of all present retailers' costs. Let me call this "Proposition I: E. & O. F." (i.e., errors and omissions excepted*).

Now, my original statement appears to conflict with this Proposition, and the reason is that by a fault in expression I have led my correspondents into thinking that I was describing the present situation, whereas the situation in my mind was that of industry being carried on under the Douglas principle of production-finance. I ought to have said of retail costs that they *would be*, not *are*, reflected in equivalent debts to banks, I was assuming—as it will be agreed I was entitled to assume—that the Douglas principle of production-finance would be in operation contemporaneously with his principle of consumption-finance. The production-finance principle he has laid down as follows: *All new production shall be financed with new credits.*

Students may fruitfully investigate what difference this would make. In the field of individual industrial cost-accounting, none. For, as I said in the last paragraph of my first article; the Social Credit Proposals do not "substitute a right process of costing" but "compensate the results of the wrong process." That is to say, industrial costs in the aggregate would continue to exceed consumers' incomes in the aggregate, and the deficit would be made up, as I said, "on the shop counter." But Douglas's principle of production-finance has a vital bearing on the question of whether that deficit, when made up

* This proviso is put in as a reminder that the "floating florin" may be due to the banks indirectly, either wholly or in part. They might have loans out to people on the security of Debentures in the hypothetical iron-foundry.

A Frankenstein Diary.

August 27.—This week, accident on the road at night. Wrecked car blocks road. Police and others stationed to warn motorists coming round bend. Charabanc approaches. Driver ignores warnings, fearing a hold-up. Charabanc crashes into car. [Insurance combine catches it both ways—through robbery, and through avoidance of robbery.]

August 27.—This week's announcement, Wakefield, prison authorities start scheme of taking prisoners out in civilian clothes to work for wages on widening and deepening a river bed. [Pub.'s-eye view of the announcement: "That's a b— fine game. If I'm out of work I don't go to the Labour Exchange, I do a burglary and go to prison and get a job. If I don't go to prison, that means I'm not caught, and live on what I pinch."]

August 27 (Morning Post).—Prague. Frontiers closed by tariffs. Record crop of cucumbers which cannot be exported. Thousands of peasants to march on Bratislava tossing the cucumbers about the road as "satirical bouquets."

August 27.—Glasgow. Boy left in charge of bank, opens drawer. Comes across a revolver belonging to manager. Has a look at it. It goes off. Wounds a girl-customer at the counter.

THE POWER OF FINANCE TO DESTROY GOVERNMENTS.

"In 1921, when the political Government was considering large schemes of development to absorb as many as possible of the unemployed, a Minister was reported as having said that 'half a dozen men who controlled the big five banks could make or ruin the country.'"

"The Financial Times (September 26, 1921) condemned the foolishness of this disclosure, but not in the form of a contradiction:—

"Whoever may be the indiscreet Minister who revives the money-trust bogey at a moment when the Government has most need to be polite to the banks, he should be put through an elementary course of instruction in facts as well as in manners. Does he, do his colleagues, realise that half a dozen men at the top of the big five banks could upset the whole fabric of Government finance by refraining from renewing Treasury Bills?"—From Paul Banks's *People Versus Bankers*, page 9.

LETTERS TO THE EDITOR.

DEMOCRATIC DISCIPLINE.

Sir,—The policeman who was very popular, but no disciplinarian, and so a potential menace to efficiency is not a conclusive example. For one thing, popularity has often been a source of discipline, e.g., in armies, under Hannibal, Sertorius, Julius Caesar, Marlborough and Napoleon, in navies under Nelson, and, in fact, in all organisations where the recruitment was really voluntary and "born leaders" had a chance. If a Social Credit society was in development, the chances of a disciplinarian who was not popular having anybody to discipline would be fewer and fewer. Discipline means either the keeping in a set order of a lot of people who can't help being where they are (the Senile State), or inducing people in voluntary association to keep rules of action which they substantially recognise as necessary for the association's success.

H.C.

PROPOSED SOCIAL CREDIT GROUP.

Sir,—Will any readers of THE NEW AGE who live in or near Beaconsfield write to M. Jowitt, The Grey House, Gregories-road, Beaconsfield, with a view to organising a Social Credit discussion group.

M. C. B. JOWITT.

Events of the Week.

(Compiled by M. A. Phillips.)

August 20. Possibility of clash between I.R.A. and White Army feared. U.S. gold drain now said to be over. £ steady at \$3.47.

August 22. Ottawa ends—multitude of partial tariff pacts. Irish negotiations at Ottawa fail. Cotton strike on. Norman visits New York. Manchuria war recommences.

August 23. Ireland. Following occupation of a castle by armed men, I.R.A. censor Irish newspapers. Bus men vote against wage cuts. Burnley cotton strike—many ugly incidents between police and workpeople.

U.S.A. unemployment about 11,000,000. Bad winter expected.

Post Office (Bridgman) enquiry. Report against change of ownership.

Nazi-police clashes in Breslau following death sentences on five Nazis.

August 24.

Hitler-von Papen break after death sentences of Nazis confirmed by latter

British farmers want higher milk prices.

Bus company serve wage-reduction notices.

Germany to meet her commercial creditors in New York on October 1.

£ falls again (= \$3.46).

August 25.

Von Papen suppresses a Nazi newspaper.

Sudden Cabinet meeting called for Saturday next.

World Economic Conference. U.S. delegates, Norman Davis and Sackett.

Commodity prices rising.

Wall St. boomlet continues.

Changes in world gold distribution:

	1931.	1932.	Increase.
*U.S.A.	650	545	-105
*France	470	603	+193
G. B.	135	140	+5
*Switzerland	47	105	+58
*Holland	53	95	+42
Spain	91	90	-1
*Belgium	45	75	+30
*Italy	58	62	+4
*Germany	68	38	-30
Japan	85	42	-43
Sweden	13	11	-2

* Gold standard countries.

Net increase 20,000,000's omitted.) £'s at par of gold exchange.

August 26.

£ still falling; now = \$3.45.

Bruce (Australian Premier) to confer with U.S. financier over Australian debt.

Lord Melchett has a new monetary reform scheme.

August 27.

Lancashire cotton strike begins. 200,000 workers out. Government will not intervene.

Hoover wants shorter working day.

Samuel to meet Herriot in Jersey.

New York Subway Co. bankrupt.

Italy to restrict food imports to prevent going off gold standard.

Meat and wheat prices to be raised as result of Ottawa agreement.

August 29.

Stock Exchange ban on new issues to be replaced by a rationing scheme.

Rebellion in Ecuador.

25,000 political prisoners in India.

von Papen's prosperity scheme, wage-cut economies, return of taxation to industrialists as loans, no tampering with the currency, employment for all, etc.

Hitler sees von Papen.

August 30.

Norman's visit to U.S.A. said to be in connection with war debt liquidation and restoration of gold standard for Great Britain.

Wall Street boom continues.

Commodities still rising.

New Conversion:

£140,000,000 Treasury Bonds of 1932-1934.

13,000,000 War Loan, 1925-45.

New issue ban to continue.

Final gold standard credit to be repaid to France on September 10 (£20,000,000).

Dutch seamen on strike.

Slump in Irish Sweep ticket sales.

New Reichstag assembles.

September 1.

German Government sends note to Geneva, claiming right to re-arm.

British Association meeting. Sir Alfred Ewing (president) refers to age of plenty and states that the problem is a moral one.

Australian Budget—further all-round cuts.

French conversion scheme (£900,000,000).

Building societies reduce loan rates from 6 to 5½ per cent.

Chamberlain meets Herriot.

Hitler alliance with Catholic (Centre) Party.

September 2.

More trouble in Manchuria.

Mellon sails for England.

Norman remains in U.S.A.

Unofficial economy committee plans for £100,000,000 economies.

Germany increases certain anti-British tariffs.

CARTOON BY HAYDN MACKEY.



ARMAGEDDON.

ACADEMY CINEMA, OXFORD STREET (Opposite Waring's) Gerrard 2981.

Sunday, Sept. 11th. Premiere: Urinov's Russian Talking Film
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Published by the Proprietor (ARTHUR BRENTON), 70 High Holborn, London, W.C.1. (Telephone: Chancery 8470), and printed for him by THE ARGUS PRESS LIMITED, Temple-avenue and Tudor-street, London, E.C.4.