

# THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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## NOTES OF THE WEEK.

Readers of THE NEW AGE who had read the Notes on the morning of Wednesday, June 10, were probably struck, a few hours later in the day, by the way in which the speech of the Attorney-General in the House underlined and elaborated our analysis of the legal situation created by the proceedings of the Budget Leakage Tribunal. In fact one or two passages in our comments might have been transferred bodily into his argument why the Crown should not institute prosecutions against the persons condemned by the Tribunal. When he pointed out that some of the evidence on which those persons were condemned was such as would have been inadmissible in a court of law, he was almost literally repeating our own language, and could very well have adopted our analogy about "fishing" for evidence.

\* \* \*

More than that, the implications of his decision not to prosecute lend heavy emphasis to our discussion of the logical dilemma arising from the operation of two different types of procedure for eliciting and assessing evidence. It is a ridiculous conclusion that Sir Donald Somervell impliedly invites the public to accept, namely that whereas Mr. Thomas is proved guilty under the wider rules of evidence applied by the Tribunal, Mr. Thomas could not be proved guilty under the narrower rules of evidence applied by the Courts. If this is so, then it appears that anybody's innocence or guilt of an alleged offence is not a matter of making the rules of evidence fit the best method of ascertaining the truth, but precisely the opposite, cramping the method to fit ready-made rules. We invite readers to consider what might not have happened if the Tribunal as now constituted and empowered had been called upon to investigate the allegations brought against Lord Kylsant in respect of the affairs of the Royal Mail Company. For reasons that they know, the verdict might very well have been: "Technically guilty but morally innocent." During the trial in Court Lord Kylsant's

counsel were not allowed to call evidence that the steps taken to disguise the misfortunes of this company were constantly being adopted by other companies. A narrow ruling was applied to this following effect: "This Court is not concerned with what is being done by other companies: it is concerned solely with what has been done by the company now before us." Of course the judge had no option but to apply this rule: the Court had to confine its attention to the acts of the person whom the Crown elected to prosecute. But this goes to confirm what we said last week of the restrictions imposed on judicial investigations by the requirement that the law must be invoked by an identifiable prosecutor against an identifiable defendant. This turns the proceedings into what the Irishman would call a "private fight." Yet the issues raised in this trial involved the public interest, and all the more deeply according to how far it was true that the indictment by the Crown could be shown to lie against other people besides the person proceeded against. It is obvious that when an act which the Crown chooses to characterise as criminal can be shown to be a matter of common practice, something more is needed, from the point of view of the public interest, than the selection and conviction of a scapegoat. That something more could have been accomplished if a Tribunal had been set up to investigate not only the facts concerning Lord Kylsant's act, but also the practices governing the accounting of reserves and the reasons why they were followed by company directors and accountants. If such a Tribunal had sat and had exercised the same powers as the present one it could have elicited the fact that frankness on the part of directorates would frequently be fatal to their enterprises directly they suffered a reverse.

### Newfoundland Bonds.

The American magazine, *Time*, was mentioned in the House of Commons as having published statements regarding an alleged leakage of information regarding

policy in relation to Newfoundland. A Commission was appointed to inquire into the state of Newfoundland's finances. The Commission issued their report on November 21, 1933, and the Government published, on the same date, their proposals based on the report. Mr. Thurtle, in the House on June 11, asked whether there was a *prima facie* case for an investigation into rumours that there was a leakage of information which resulted in a rise in Newfoundland bonds and stocks before the issue of the report. Mr. Baldwin, in reply, admitted that there had been a rise, but not until after the issue of the report. The *Star* of June 11, however, published a table derived from *The Financial Times* of the same date, showing that between July 1 and November 21, 1933, prices of the 3½ per cent. Bonds rose £6 to £8 each, and the 5 per cent. Bonds £7 10s.—and that on November 22 of that year there were further rises of £7 to £14 10s. in the 3½ per cent. Bonds, but the 5 per cent. Bonds showed a decline of £3 compared with the previous day's price.

#### Question of Leakage.

In the course of his answer to Mr. Thurtle Mr. Baldwin used these words:

"I have received a categorical assurance from the firm mentioned by this newspaper that no transactions in Newfoundland Government securities have been done for or on account of that firm or any of its partners."

The terms of the allegation have not been made public; and it appears that the page containing them had been excised from copies of the magazine sent to subscribers in this country. Had that not been done Mr. Baldwin expressed the opinion that an action would have lain against the publishers.

#### Conditions For Holding Inquiries.

Another passage in Mr. Baldwin's reply must be recorded. Referring to Mr. Thurtle's question whether the Government did not think that these allegations, reflecting as they did on the "public purity of this country" ought to be examined, he said:

"It entirely depends on who makes the charges and where they are made, otherwise we should be doing nothing else but examining them."

If this means simply that the Government must be satisfied that charges are responsibly made and without ulterior motives, well and good. But unfortunately there is room for a lot of elasticity in the application of this precautionary principle. It would lend cover to the adoption of a third reservation, namely *against whom* the charges were made, or *who would be implicated* if evidence proved the fact of corruption. *The Week*, in one of its recent issues, when commenting on the Government's decision to investigate the Budget-Leakage allegations, alluded to a cynical rumour in Parliamentary circles that the decision was not arrived at until it had been made certain that no-one else besides Mr. Thomas would be implicated, the calculation being (according to the rumour) that if he were to be convicted the public's confidence in the general incorruptibility of Ministers would not be weakened, or if weakened, not so much as if the delinquent had come from the traditional ruling caste. In blunt paraphrase (our own)—"If Thomas is disgraced the moral will be that the Socialist caste cannot be trusted to throw up incorruptible rulers." Whether the rumour was true,

the canvassing of it shows the kind of behaviour of which high-political rulers are suspected to be capable.

#### Leaks, Plots, and All That.

Mr. Thurtle's questions constitute a symptom of a tendency to overdo the inquiry business. The value of a Tribunal would just as certainly be lost by over-employing it as by under-employing it. Our remarks last week on this subject made it clear, we hope, that the use we wanted to see made of the Tribunal lay in the opposite direction to that of discovering whether this or that person had acted corruptly; namely, in the direction of exploring the affairs of our incorruptible Archbankers. It is of vital importance that the public should be rescued from the illusion that if the motives and actions of our rulers are pure this moral purity above will be reflected in material security below. On the contrary, the ruler who corruptly makes a bit for himself does not do a thousandth of the damage that is done by him who prevents a large section of the community from making bits for themselves, even honestly. It is the nature and magnitude of consequences that should decide subjects of inquiry for Tribunals. The two great urgent evils needing investigation to-day are the widespread insufficiency of the means of living, and the equally widespread insecurity in the conditions of living. Students of real politics are well aware that the influences which have caused these evils, and are perpetuating them, proceed from incorruptible sources. So if a Tribunal is only to be set to work when a *prima facie* case is made out that someone has acted corruptly, then goodbye to the prospect of any fruitful result. Every inquiry would lead into a *cul de sac*. And for this very reason it would suit the Archbankers to encourage people like Mr. Thurtle to agitate for such side-tracking inquiries, on the astute calculation that if held, they would provide no more than a seven-day thrill for the masses (in lieu of wages!) and, moreover, would afford the Government plausible grounds for refusing (or postponing *sine die*—which means the same thing) inquiries of the depth and scope which the advocates of Social Credit know ought to take precedence of all else.

#### Intelligent Anticipation.

Again, there is a danger in agitations for inquiries based on hasty deductions from facts, for they increase the chances that if these inquiries are held they will result in the discovery of mares' nests—and every time that this happened the usefulness of the Tribunal would be discredited as a futile piece of extravagance. The Newfoundland-Bond episode raised by Mr. Thurtle may have had its origin in a leakage of information, but it is hardly safe to deduce a leakage from the mere fact that values of the Bonds rose before the Financial Commission had reported. It is not necessary to invoke the theory of the communication of information to explain the rise, and even if it were, the communication need not have been specific and direct, and even so, it may not have been deliberate and corrupt.

To illustrate this we may recall the story once more of how one of our readers, when Sir Austin Chamberlain announced the Government's deflation policy in 1920, sold out his stocks at reduced prices while all his neighbours were buying stocks for further rises. It is not at all improbable that among his neighbours were one or two who, when, later they realised how well his policy had paid him, nursed the envious notion that someone in the know had given him a private tip. On

the contrary he was his own tipster, and derived the tip from his knowledge of the high-financial purpose behind the policy of deflation, and of the impact of that purpose on price-levels. Yet, supposing that he had happened to be on terms of friendship with the Chancellor of the Exchequer, or any other Minister of the Crown, this would have afforded food for gossip about "corruption" to his envious neighbours, and might conceivably have eventuated in questions in the House by some left-wing "purger of our public life."

Again THE NEW AGE itself could have been made an object of this sort of suspicion at the time when the South African Government lowered the value of its currency, and thereby created premiums on the price of exported gold. We foretold, some months before it happened, that these premiums would not accrue to investors in gold-mining concerns but would be absorbed by the Archbankers via taxation to be imposed by the South African Government. This was virtually a tip to small investors to remember the fable of the dog and the bone, and not to drop the securities they held in order to plunge for the glittering opportunities offered in the South African mining market in the mistaken belief that these were golden opportunities. Our tip came off. Supposing that at the time of our giving it we had been noticed going to prize-fights in the company of Mr. Solly Joel or some other high-financial magnate, there would have been plausible grounds for the suspicion that he had given us information. We did not have inside knowledge: we had outside wisdom derived from what most people would have regarded as academic theorems, and, unfortunately still do.

#### The Jew Plot Myth.

With these episodes as a background we can now interpose a few general remarks on the distinction between the acquisition of knowledge by direct and specific communication, and the arrival at knowledge through intelligent deduction. We notice a tendency in certain credit-reform circles to drag the anti-Jew herring across the scent of inquiry into the economic deadlock. Anyone who does this kind of thing, however discreetly and tentatively, is hatching out the full-fledged concept of the Jewish Conspiracy to enslave the world. And directly you get two or three gathered together who indulge in this concept you will see in their midst some learned exegist of *The Protocols of the Learned Elders of Zion*. The reason why we mention this work is that it is held to be an inside story of the plans of a secret Jewish oligarchy, a story which the narrator had got hold of by eavesdropping or perhaps by participation in the counsels of the conspirators. However he may be supposed to have got it the story is held to consist of direct inside information acquired in exactly the same way as, in the Budget Leakage agitation certain speculators were supposed to have gained knowledge of the new tea and income taxes.

The reasons why the *Protocols* are held to prove the existence and the plans of a Jewish oligarchy are as follows:

- (1) The *Protocols* were in print in 1903;
  - (2) They contain accounts of plans with which events during the last 33 years have coincided.
- The first inference which the Jewish Plot theorists invite their audiences to accept is that the historical fulfilment of the prophecies (inherent in the plans described in the

*Protocols*, is so exact that the Plotters must have wielded the power to make them come true. The second inference is this: that the historical events referred to have been so great in magnitude, so diverse in character, and so widely separated in place and time, that no plotters could have brought them to fruition unless they had got their fingers on every wire of policy and administration in every plane of thought and activity in every country on the globe, civilised or uncivilised. Where else, challenge the Plot theorists, are we to look but for the far-sighted, ubiquitous Jews with their facilities for international communication and organisation; with their acute and patient attention to detail; with their skilful navigation of the currents of human psychology—in short, with their complete grasp of the design and operation of social dynamics? Where else is so much knowledge and so much power to be found associated?

Then to clinch the argument the question is put: Who else but Jews would desire to launch and operate plans convergent on the economic despoilment, moral corruption, and political enslavement of the world's peoples? Who but the Jews are inspired to nurse the ideal of racial ascendancy (the "Chosen People") and at the same time to harbour revengeful memories of racial victimisation? These considerations rule out any conceivable suspicions of the Church of Rome as the seat of conspiracy, great as is her power of influence on an international scale. So, by elimination, the "Elders of Zion" alone remain as the Grand Conspirators, and the *Protocols* are an informed revelation of the conspiracy. Such is the conclusion that one is invited to adopt.

But there is a major defect in the reasoning; and the defect is of the same nature as would have been the case if, in the two episodes mentioned above relating to the selling of stock and the taxing of gold mines, observers had concluded that just because the seller correctly anticipated a fall in prices he was party to causing it, or that just because THE NEW AGE correctly anticipated the appropriation of gold-profits it was conspiring to bring this about. It is true that in both these cases there was undoubtedly concerted planning on the part of financial plotters who knew that deflation would cause markets to slump, and that currency devaluation would afford them opportunities to tax mining-profits; but we know this to be so on other evidence than the mere fact that the slump and the taxation took place. It is one thing to show that events have happened, but quite another to show that anybody intended or caused them to happen. And to prove intention it is not sufficient to show that what happened advanced the interests or purposes of anybody. There are events which are predictable but which are not predeterminable. An eclipse of the sun or moon can easily be predicted, but not easily prevented—although Chinese peasants think it can be cured, because they have found that it disappears when they bang on brass trays loud enough (and long enough!) to intimidate the malevolent "Elders of Darkness" up above who would put out the lights.

The same with terrestrial events, even when their immediate causation is volitional. Students of the credit question will have no difficulty in accepting this, because everywhere they see people volitionally doing or attempting things in accordance with rules derived from

a mathematical error. And when the consequences prove to be evil (as they mostly do) one may truly say that the evil lies in the error, and is not the outcome of a plot on the part of those who impose the rules unless it can be shown that they were aware of the error—in which case the charge against them is a passive conspiracy of silence, and not an active conspiracy of performance.

Now the picture drawn by expounders of the *Protocols* can be comprehensively described as one foreshadowing the progressive descent of the peoples of the world towards disruption in every plane of life, material, moral and cultural. And there is no denying that events have been happening according to the shadows they cast before. But every deep student of Social Credit knows that there is a single cause of which all the varied phenomena foretold in the *Protocols*, are and must be, the ultimate outcome. The evil residing in the primary mechanical error, on the discovery of which Social Credit science is founded, is automatically transmuted into apparently volitional errors in all the relationships of man with man. One might say that the road to hell is paved with miscalculating machines. And for this very reason the question must be considered: How much of the knowledge made available to us in 1919 had been available in 1903 (or at such earlier date as some historians place the prophecies in the *Protocols*)? The relevance of this question to the Jew Plot theory can be put in the form of the proposition that if the author (or authors) of that work knew the master-secret of financial policy and technique he could have arrived at his prophecies by logical deductions from first premises. It amuses us to see some Social Creditors standing agape at the accuracy of this unknown writer's prophecies, and being sucked in by the theory of a gang of conspirators initiating, assembling and working out a cluster of intricate plans after the manner of a housewife cooking a dinner of seven or eight courses. How can they let themselves entertain such a hypothesis when they know very well that such a varied assortment of phenomena as suicides, bankruptcies, strikes, tariffs, food-adulteration, armament intrigues, sanctions, currency manipulation, etc., etc., all proceed from a verified impersonal cause? These phenomena do not have to be severally planned by conspirators who make them happen. If there had been Jewish conspirators, all they would have needed to do would have been to keep the master-secret, and watch these evils come to pass. *And Jews don't waste energy.*

We have left it open for believers in the Jew Plot theory to reply: "Very well, we name the Elders of Zion as having foreknown in 1903 what was made public in 1919, and as having been responsible for the act of conspiring by silence, thereby causing the prophecies in the *Protocols* to come true." Well, that can be accepted. If the Social Credit discovery was anticipated we are ready to believe that the discoverer was a Jew, and that he imparted the discovery only to other Jews. But what are we to do about it? Are we to act like the sailor in the story who, upon first hearing of the Crucifixion, went out of Church and punched the first Jew he met on the jaw? No, if secrecy was the weapon of "Jew Plotters," the weapon has been destroyed by the communication of the secret to the Gentiles. And for that reason, if any plotting is going on now Gentiles are privy

to it. Further, it is now no longer necessary to discover the identity of the unknown oligarchists who may be responsible for the continuance of the world depression. We know how to dispense with their services without harming ourselves in the process. Hitherto Governments have not dared take control of credit because they did not know how to control it. To-day they have not that fear—or excuse. In Alberta and New Zealand they are already preparing to dispute control with private banking enterprises. It is the first step. Taking control will follow.

#### Ministerial Salaries.

*The Week* (June 4) makes reference to the insufficiency of Ministerial salaries, stating that recently private efforts were being made by a certain Peer to raise a fund to assist Mr. J. H. Thomas to meet expenses attaching in his position. The name of this Peer is given, but we do not publish it because *The Week* is a confidential circular of a very outspoken character, and we should be playing into the hands of those who would like to suppress it if we were to give publicity to information of this sort. Of course, *THE NEW AGE* is only a trifle less confidential than *The Week*, and if any disclosures were made in the latter publication which we thought demanded the attention of responsible citizens we should not hesitate to relay them. In the present instance the name of the Peer is not relevant to our purpose. We refer to the information because, as our readers will agree, it is most undesirable that Ministers should receive subventions from private sources, even if made with the highest motives. Official salaries ought to be sufficiently generous to finance official responsibilities; and if what *The Week* says is true, namely, that this is sometimes not the case, the argument for raising those salaries is made out. The same journal alludes to another Minister in this connection, stating that some years ago a certain "wealthy man" (whose name is not given) contributed to his expenses "out of his own pocket." In both the cases mentioned *The Week* emphasises the fact that any suggestion of corrupt motivation is utterly baseless.

#### "Behind the Budget Scandal."

Under this headline *The Week* hints that the Budget scandal only touched the fringes of a system of corrupt operations connected largely with municipal councils. It describes their nature and indicates their gravity; and ends with the remark that Mr. Thomas may be said to have been made the "lightning conductor" for crimes whose authors are "a great deal more numerous in governing circles than the Budget Tribunal was able to suggest." The writer, we notice, takes the same line as we did last week (before we were aware of his doing so) on the subject of the libel laws, pointing out how effectively they prevent public-spirited critics from dragging such scandals into the light.

One more item in *The Week* must be recorded. Speaking of the £30,000 insurances taken out this year and still unclaimed, the writer says that there is no ground for the idea that they were taken out by people connected with Mr. Thomas, since "Mr. Crocker has thoroughly investigated all his connections." Since Mr. Crocker is the chief detective of the insurance combine our readers will doubtless agree with us that the proprieties would have been better served if this task had been entrusted to some other investigator.

#### NOTICE.

All communications requiring the Editor's attention should be addressed direct to him as follows:  
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## Entropy and Social Dynamics

By J. Golder, M.I.Mech.E.

### III.

I do not think there can be any doubt about it that what men in these days call Western Civilisation is definitely Hebraic. One might be more precise and call it specifically Mosaic in volumetric content and essential characteristic. The aims and objects of its laws, while still pretending to be educative, are punitive to the point of frustration and dissociation, whilst the retention of dispossession and death in the modern penal code is a blot in the escutcheon of the legal and ecclesiastical orders, an inexcusable perversion of the principle of equity, rendering the application of progressive law to social life impossible, and exhibiting justice as a perpetual travesty.

Why is this? It is largely because of *partial* sight, a degree of blindness, rendering the mind incapable of perceiving distinctions where there is no difference, and differences where there are no distinctions. An inability to perceive a whole.

The extension of bodily function through media external to the body is an exclusive attribute of man in the scale of creation. The biological principle of evolution from protoplasm to "genus homo" is an extensible principle, and the mechanical extension of mankind as seen in such ultimate products as, e.g., the time piece, provide ocular demonstration and infallible proof that the energy inhabiting the human mind can get into step, and run in parallel\* with universal law. No man by taking thought can add a cubit to his stature, nor can he add anything to the human timepiece except incidental embellishments entirely foreign to specific function.

It will be clear from this and previous articles that nature has nothing more to give than the man and his skin either now, or in any age to come, since evolution into the power age now upon this generation is proceeding according to the law of continuity, and, according to this law, sound evidence exists that a change of direction, amounting to the reversal of a cycle, is an urgent necessity of personal, social, and racial importance.

This brings us to the consideration of the temperature entropy diagrams and charts which guide the power engineer in the application of his art.

First of all, what is his art? It has been well described as that of rendering nature's rude materials and forces available for the use and benefit of man. The first sign of the practical friendliness to mankind shown by the stern environment of nature was the discovery of the mechanical advantage enshrined in the principle of the elementary lever and the inclined plane. This enabled him to lift and transfer loads many times the weight of his own body without straining its delicate structure. It made him a builder of temples, excelling in the static arts, an Architect. The elementary engineer, however, might be described as the first man who said "Saddle me the ass," for in so doing he transferred his load on to the back of an inferior creature. It was not until his load was too much even for the quadruped that nature beckoned him to transfer it on to the backs of inorganic and non-sentient machines. He then became a power engineer, and his vocabulary still retains the

\* Electrical engineering term. Two dynamo-electric machines having the same characteristics can be yoked together to share the load. After getting them into step they are said to be in parallel.

relic of bygone days by the continued use of the measure, horsepower, a *rate* of working, by the way, and not a *quantity* of work.

Now without wearying the reader by a long dissertation on the principles of thermo-dynamic law, it will be sufficient to state that entropy is an exceedingly difficult thing to describe in words. It is difficult enough when the mind is assisted by arithmetic and diagrams, but it is, nevertheless, a tangible conception having definite arithmetic values, upon which designers of prime-moving machinery can confidently rely when giving guarantees of specific performance.

In making this statement I am not repeating something I have heard. I am describing something which I myself have done; something which is now continuously being done by the younger generation. It is what the legal profession calls direct evidence. And at the time in my experience when it *was* done it had not been done before.

This is not a contradiction of the very ancient dictum, "that there is nothing new under the sun," for nothing was *created*, nor was anything destroyed; all that happened was an application of up-to-date knowledge to existing materials and forces without evasion, equivocation, mental reservation, or concealment.

The best way to begin to get a grasp of a novel idea is to compare it with ideas already familiar to the mind. Experiment No. 1: Take a glass tube, bent like a hair-pin, called a U tube. Half fill it with a coloured liquid. Hold it steadily upright before you, and the two columns of liquid will, after considerable oscillation, come to equal levels. No. 2: Take any bar of convenient substance and balance it on a knife edge. No. 3: Place a transparent pan of water on the gas stove and watch it coming slowly to the boil. Drop red ink into it occasionally and observe the circulation. No. 4: Place a weight on the free wheel of your car or bicycle and watch the wheel come to rest. No. 5: Hold the weighted part of your free wheel directly over the dead centre vertically, and watch which way it falls and whether it completes a revolution. No. 6: Push behind, or pull your car, and note that the force required to start it into motion is several times greater than that required to keep it moving, even on the level. No. 7: Suspend a metal disc on a string by a hole near the circumference. Rotate the string rapidly. Watch the disc spin with the string, and then suddenly jump from a vertical into a flat spin.

Reflection will show that the idea of entropy is related to borderline conditions, critical states of change, and is linked with the idea of what looks like chance, or probability. Our legal friends will like this, because it links up to some extent with their own laws of probability, average, etc. They will feel less ashamed when taking fees for bad prophecy in a set of circumstances where anything might happen.

An engineer friend of mine has actually tried to define entropy in these words. It is "the hyperbolic logarithm of the probability of a nucleus." However that may be in its application to biologic law, it can be repeated that it has a definite value which varies for every variety of pressure, temperature, and moisture content in thermo-dynamics, and can be relied on as an index of absolute available energy.

Now as we have seen, and I trust apprehended, that the body of a man is the end towards which the first phase of cosmic energy strives; the second phase begins with the cessation of *bodily* striving, and in this phase the mental is superior to the muscular. But, as energy

of every form or kind revealed to man flies to *points*, the importance of each point, i.e., each individual (or pair) is terrific. It cannot be exaggerated. It is a contradiction of natural law; a definite inversion of nature's order of priority, and hostile to the pursuit of truth (not to mention happiness) to generate and attempt to distribute power of any kind without first adjusting each component, so that at "no load"† he is adequately poised, and at "full load"† he is not stressed beyond his own saturation point.

The higher forms of human power (not necessarily the higher quantities) come *after* the bodily forms, and we have not looked at the third phase yet. We must already see, however, that the last to come is that most worth having and preserving; but in our next article we shall see how the three phases must balance; and entropy will help us again as we see more of its implications.

(To be continued.)

## The Waterlow Case.

### Mr. Gavin Simonds's arguments before the House of Lords (1931).

[Following numerous requests from correspondents we publish further passages from the hearing of this Appeal.—ED.]

#### II.

Mr. GAVIN SIMONDS: There is one point upon which I do want to ask your Lordships' attention a little later, that is the suggestion that a note has a certain value because it has behind it the credit or liability of the Bank of Portugal. I do not for a moment accept the view that that value of the note really rests upon the liability of the Bank of Portugal as soon as the regime of inconvertibility arises, that will come a little bit later in my argument, and I want to safeguard that. Your Lordships may accept or not accept the proposition which I am putting forward, but I do put it forward as an absolutely true proposition that *ceteris paribus* the issue of a number of notes increasing the currency alters the value of the currency and so increases in terms of that currency the value of the assets and so, my Lords, I do venture to submit that it is a proposition which is self-condemned, to say that a Bank of issue because it issues notes to a certain face value therefore loses that face value, because at once with the increase of the number of notes there is an appreciation of its own assets other than those assets which are simply in the form of the currency and debts and so on. Let me for a moment give your Lordships an extreme example, and presently I will refer your Lordships to the facts of this case, for the purpose of illustrating my proposition. Assuming that there are in currency, in circulation, 500,000 Escudo notes and assuming that the backing which the Bank has for that circulation is £50,000 sterling, and assume that the sterling value of the Escudos is 10 Escudos to the pound so that your £50,000 sterling exactly meets your 500,000 Escudos circulation. Now supposing that there is an inflation and the Government accounts do not balance, and it is necessary to raise by inflation a further 500,000 Escudos which are duly issued, then, my Lords *ceteris paribus*, the value of the pound in terms of Escudos will double and the pound sterling will be worth 20 Escudos and the £50,000 sterling which the Bank have will be back-

ing for the new 500,000 Escudos and the old. The position will be exactly the same.

My Lords, one only has to see how the sovereign is now quoted at 27s. 6d. to see how that is. It is an exact illustration of that point. The gold sovereign is now backing for a larger amount of pounds sterling, because the pound sterling has depreciated in terms of foreign exchange so you have it your gold coinage is backing for a larger quantity of pounds sterling, and I venture to submit that that differential which has been wholly ignored by my learned friends is one which is vital to this case.

Now, my Lords, having made those observations upon the differential between the Bank of Issue and the private person, the third person as we have called him, I want, if your Lordships would allow me, next to consider once more the objective facts if I may so call them in the case and what are their legal implications. Upon this at any rate there can be no dispute, that the Bank of Portugal deeming it necessary to adopt the illicit notes which had been introduced, because that of course is what it comes to, to exchange good notes for bad, to admit as valid the false notes circulated by Marang, called in the issue of Vasco da Gama notes and at a cost of £6,000 issued 800,000 notes, 800,000 bits of paper, which had upon them the figure 500-Escudos, the name of the Bank of Portugal and certain other matters and in exchange for those 800,000 bits of paper received 800,000 other bits of paper of which 600,000 had been issued by the Bank itself and 200,000 had not. Now I think that is an accurate statement of what I may call the objective or physical fact. Now what are the legal implications from those facts? I ventured to try to write them out, assuming that on each note there was endorsed the obligation imposed upon the Bank by the note. I think that the obligations as written or endorsed would be something of this kind, assuming for this purpose that there is an obligation to exchange note for note; it was not very clear upon the evidence but I am assuming that, because if it was not an obligation already by law imposed it was certainly the practice, and if it had not been the practice, must as a matter of machinery have been imposed upon the Bank, to give new notes when required and to give change in small notes. I assume that, and I begin to write out the obligation. It is surely this: the Bank will give to the bearer of this note in exchange for it, first, at any time on demand another note of 500-Escudos or notes together making up the same endorsement that is hereon; secondly, when and when it is by law enacted that the Bank's notes are to be redeemed in gold, then on demand such quantity of gold as may be decreed to be payable for each note. I have tried to write out as accurately as I can the possibility of the obligation arising when the moratorium is suspended, when of course the amount of gold will be a matter for arrangement between the Bank and the Government. Then there is a third obligation which I introduce because I think for the first time in this House it was suggested that there was some such obligation: If and when it is by law enacted that some new form of currency is to be legal tender and that the Bank is to honour these notes in such currency, then on demand the proper amount of such currency. I am envisaging a very remote possibility. Since it is suggested that the obligation upon the Bank is to pay in currency, and there is no currency now except the note itself; when the moratorium is suspended there may be an obligation to pay in gold, and, of course, there is always a possibility, one can concede that, that the State may introduce some new form of currency, and if it does so, may impose upon the Bank the obligation to meet its notes by such currency. That

is a remote possibility, but a possibility, and therefore I am writing it out.

Now, my Lords, that is the obligation which is imposed upon the Bank of issue when it issues its bits of paper, that and nothing more.

Lord RUSSELL: I think your opponents add another thing: If and when the Bank is wound up the assets will be applied rateably in paying off all the notes.

Mr. GAVIN SIMONDS: I am not sure that it would follow; that would have to be matter for arrangement.

Lord RUSSELL: I think that is put against you.

Mr. GAVIN SIMONDS: I am very anxious to meet every point that is taken; I very carefully checked this last night, and if your Lordships will allow me I will make a reference.

Lord RUSSELL: According to my recollection that is the only substantive point put by Dr. Ulrich in his evidence; when he was cross-examined by Mr. Birkett he ultimately took up the position that in a winding-up there would not be enough assets or there would be an increase of liabilities over the figure for which the Bank's assets are liable and therefore there would be reduced *pro tanto* the amount of surplus if any available for its shareholders.

Mr. GAVIN SIMONDS: It was upon that footing I remember very well that my Lord Chancellor put a question to me as to what would have to be left to a jury. I concede that upon a liquidation the question might arise and the jury would have to take into their consideration that element also, but I am right in saying that is not now the case presented, I checked it carefully last night. My Lord Warrington said to my learned friend, Mr. Bevan, at page 416 of the transcript of the proceedings: "That seems to me to be the whole difficulty. What is the liability which you have incurred? Is it anything more than a liability to issue more notes when you are asked for them?" (Mr. Stuart Bevan) Yes, my Lord. (Lord Warrington) I could quite understand that you might have framed your claim for damages in a different way. You might have framed it on the suggestion that your credit was interfered with. (Mr. Stuart Bevan) My Lord, I never have. (Lord Warrington) Or it might have been that in a liquidation your position would have been adversely affected. But you have not put it in that way. (Mr. Stuart Bevan) No, and I do not desire to put it in that way.

Lord ATKIN: What in the world has that passage in the shorthand notes got to do with the question whether there is a liability in liquidation or not, which is the only question that is being put to you?

Mr. GAVIN SIMONDS: Well, my Lord, I thought it had a good deal to do with respect with the case which I have to meet.

Lord ATKIN: Nothing at all. Mr. Bevan is saying he is not putting his claim on the basis of the contingent damages, but upon the footing of what he would have to pay upon a contingent liquidation. What I understand Lord Russell to put to you was when you were reading out the obligation, that the obligation would involve amongst other things the liability in liquidation to the holder of the notes and creditors of the Bank.

Mr. GAVIN SIMONDS: The last thing in the world I should wish to do would be to read more into my learned friend's answer than he meant.

Lord ATKIN: The point is in Dr. Ulrich's evidence at page 136; it is as plain as can be.

Lord RUSSELL: I understood it was put in this way, that that was an indication that by the issue of a note there was damage suffered by the Bank.

Mr. GAVIN SIMONDS: So I thought, my Lord. The last thing in the world I want to do is to read

into my learned friend's answer more than he meant. I do not wish to do anything of the kind.

Lord RUSSELL: It would have to be a very unusual liquidation because you are liquidating a concern which is the monopolist as to currency, and at the same time as you liquidate that, some new and fresh currency would have to be substituted. I do not know how it would work out.

Lord ATKIN: All that is suggested is by issuing a note you make the note-holder the creditor of the Bank; that is all, and being the creditor of the Bank in a liquidation presumably he would have the right of a creditor whatever those rights were.

Mr. GAVIN SIMONDS: Whatever those rights were, I quite agree; nobody could say what they would be. I have endeavoured to write out fairly, subject to what my Lord says as to the possibility of liquidation, what was the obligation created by the Bank in issuing those notes.

Lord ATKIN: It seems to amount to this, a promise to pay the holder of the note the face value of that note in the currency at the time being of the country; although it is in a number of forms, that is the obligation upon any Bank note.

Mr. GAVIN SIMONDS: The importance is to see what is that obligation. I have tried to write it out accurately. Then the question is, what is the damage which the Bank suffers by incurring that obligation. That is the whole point.

(To be continued.)

## The Films.

### "Audioscopiks."

The Empire has this week been demonstrating an ingenious novelty with the above fearsome name. This is a blend of colour, sound and stereoscopy, the last being effected through the use by the audience of red and green spectacles supplied by the management. "The film that comes out and hits you" is an apt description of the result; persons and objects appear to leap straight out of the screen. Neither the colour nor its registration is good, but these technical defects can presumably be overcome.

"Next Time We Live." Directed by Edward H. Griffith. Regal.

Our old friend—should a woman prefer happiness in married life or a career, if the two are incompatible. Our other old friend, the woman who is going to have a baby but conceals the fact from her husband. Add the species of dialogue and situations that Hollywood naively regards as sophisticated. Add also Margaret Sullavan, who once gave promise of being an actress of distinction, but is in this production allowed to play on a monotonous and undiluted note of hysteria. In appearance Miss Sullavan resembles a cross between Greta Garbo and Katherine Hepburn; her directors should make up her mind on which of these two ladies she is to model herself.

"Letzte Rose." Directed by Karl Anton. Studio One.

I can recall no picture, even in the primitive days before the War, so compact of anachronisms. By comparison, "En Famille" was a model of scientific accuracy. The producers—a German company whose name is unknown to me—were apparently unable to make up their minds whether Greenwich or Richmond was the scene of much of the action; the heroine's name is variously mentioned as "Lady Harriet" and "Lady Gloria"; such English inns and farmhouse interiors and exteriors were never seen in this country either in the reign of Queen Anne or at any period before or since; the characters are without exception Teutonic; and the conception of the English peerage is grotesque. The "Schwarzer Hammel" is referred to throughout as the "Black Ox"; and such production errors as the consistent use of German inscriptions in and outside buildings supposed to be English is inexcusable. That most of the English titles bear only the most remote

† Electrical engineering terms. The "no-load" condition of a dynamo electric machine is that at which it is tuned up to full speed and pressure, consuming only such power as is required for overcoming its own internal resistances. "Full load" is its designed output.

resemblance to the German dialogue is, of course, something that we now take for granted. Slightly redeeming features are the singing of Helge Roswaenge, and a somewhat fresh and naive atmosphere. But if we must continue to have screen opera, was it necessary to pick on "Martha"?

"Dangerous." Directed by Alfred E. Green. Regal. It is rarely that I have occasion to give the highest praise to a film on the strength of the acting by a single player. Bette Davis is superb in this picture; in "Of Human Bondage," she showed herself one of the few actresses who can get right under the skin of a difficult rôle, and in "Dangerous" she also proves herself to be a great emotional actress, and one who can act with her heart as well as her brain. This film has won her the Award of the Academy of Motion Picture Arts and Sciences for the best performance of the year, and for once in a way a distinction of the kind has both meaning and justification. She is admirably supported by Franchot Tone (excellent casting, this); the film itself is good; and the dialogue is intelligent. But it is Miss Davis's picture—first and last and all the time.

DAVID OCKHAM.

## LETTERS TO THE EDITOR.

### LABOUCHERE ON CONSTITUTIONALISM.

Sir,—Those of your readers who, now and again, want a rest from A + B boiled, roast or friend, cannot do better than read Hesketh Pearson's well written life of Henry Labouchere.\*

Incidentally, they will, I think, come to believe that, had he been born 50 years later, he would have been one of us and in the van. I subjoin a couple of extracts.

PHILIP T. KENWAY.

#### 1. From a speech:

"It seems to me that in a community which aspires to the title of a civilized one, some organized provision should be made for those who must always be deprived of their livelihood when machinery takes the place of human labour. It is a disgrace to us that the humblest and weakest members of the community should suffer for every step that is made in the progress of industrial development.

2. "Perhaps he never expressed his outlook better than in the phrase, 'My idea of government is that it should interfere as little as possible with human liberty.' As a firm believer in individual freedom, he frequently shocked the House of Commons by telling it that revolutions were occasionally necessary. 'I have always been in favour of revolution when people have not got their rights and are unable to obtain them by constitutional means.' On general principles he favoured rebellion. 'Who would now be called the greatest man in the United States? Why, Washington. And who is known as the greatest man in England? Hampden.'"

### CAPITAL CHARGES IN PRICES.

Sir,—Mr. Coleman's letter carrying on the discussion as to whether the prime cost of capital assets enters into prices against consumers is interesting, but not Douglas Social Credit. Major Douglas insists that "each time" money is saved and invested a new cost to that total is created against consumers. Mr. Coleman says that that is not so if the investment is in Ordinary or Preference shares. He is right and Major Douglas is wrong. Mr. Coleman, however, then proceeds to put up a rearguard defence of Major Douglas by arguing that if the investment is in redeemable bonds, then the subscribed sum must be recovered by the firm in the prices of its ultimate products. In that case of two firms making boots, if the capital of one has been provided by the issue of Ordinary or Preference shares and the capital of the latter has been mainly provided by Debentures, then, according to Mr. Coleman, the prices of boots made by the latter firm must be all that much higher than those made by the former! The truth is that the paying off of redeemable Bonds or Debentures is not in any way whatever a new cost against consumers; it is merely a transference of holdings amongst investors.

The process by which liabilities for the repayment of capital are met is either by the raising of new capital or by deduction from the sums which would normally be paid out as profits. In the latter case the shareholders do not receive additional nominal capital in return for the profits which they forego, but their gain takes the form of capital appreciation in respect of their existing holdings.

The crux of the whole position so far as Mr. Coleman is concerned is that he assumes that payments made for the redemption of Bonds or Debentures constitute an addition to prices and not a deduction from profits. A moment's

reflection should demonstrate that the former cannot be correct, since it would render the price uneconomic. While the producer has to compete on level terms with other producers who may have less or no redeemable capital, he can meet such charges only by raising fresh capital or by a deduction from his profits. In neither case can it be said that the cost of the redemptions goes into prices, since quite obviously prices are not increased thereby.

Mr. Coleman's other argument is that if capital is subscribed out of profits, then it comes out of *past* prices; but, by inference, that if the capital is obtained from savings—out of wages or salaries, then it was not charged into *past* prices! No such distinction can be made. Profits are one of the costs of production in just the same way as wages and salaries, and only in that sense originally appeared in *past* prices.

That investors obtain their money thus is disputed by nobody. But when Mr. Coleman says that "it is true that there will be no need to charge this sum into *future* prices," then he is absolutely right; but, I suggest, he is denying the very basis of the whole Social Credit case as put forward by Major Douglas.

I would be glad to discuss Mr. Coleman's personal position on these technical points at length on a future occasion. The point I wish to emphasise now is that the two main distinctions that he draws certainly cannot be accepted by any orthodox exponent of economics; they are quite fallacious. But neither can they be accepted by Social Crediters without the undermining of their whole case.

J. A. FRANKLIN.

[The community pay for all physical capital in the surrender of their income in prices and investments. This is continuous. At any moment they are paying maintenance charges on existing physical capital, and in addition the full cost of new capital. Their total income is being surrendered in this way, and as it is surrendered it is being cancelled.—ED.]

## Publication Received.

*Report of the Economic Crisis Committee of the Southampton Chamber of Commerce (Inc.)*—This Report, now in its twelfth edition, was issued in June, 1933. Its unorthodox nature, combined with the auspices under which it was published, attracted wide attention in commercial circles. Readers may obtain copies (price 6d.) through any bookseller, or from the Southampton Chamber of Commerce, 8, Portland-terrace, Southampton (post free).

## Forthcoming Meetings.

### London Social Credit Club.

Blewcoat Room, Caxton Street, S.W.

June 19th, 7.45 p.m.—"Social Credit—The Economics of Reality," by Mr. T. F. Evans, Chairman of Erdington Social Credit Group, Birmingham.

June 26th, 7.45 p.m.—"The Simplicity of Social Credit," by Miss Prewett.

### Lecture and Debate.

A LECTURE, followed by discussion, has been arranged for Tuesday, June 23, at 8 p.m., in the Ethical Hall, Queen's-road, Bayswater. Mr. Brame Hillyard will speak on "Social Credit." The attendance of monetary reformers of different persuasions has been promised, and a keen debate is looked for. The Ethical Hall is below the Ethical Church in Queen's-road, near the Bayswater-road, and opposite the Central London and Metropolitan stations.

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\* "Lobby." By Hesketh Pearson (Hamish Hamilton).