THE

NEW AGE

INCORPORATING "CREDIT POWER."

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CONTENTS.

NOTES OF THE WEEK.

The Alberta Dollar.

The first shot in the campaign against the Money Monopoly on its Canadian front has been fired. The first Aberhart dollar has been tendered at a shop in Edmonton and been accepted. The person tendering it won this success only after thirteen rebuffs elsewhere. Even then it was only a partial success. Shopkeeper No. 14 said, in effect: " If you like to spend the whole dollar I'll take it; but if you want change I won't: if you don't want to buy a dollar's worth all at once you need not, but I'll have to owe you the change, and you'll have to take it out in goods as you want them." In other words, he was saying: " I'm not going to part with Canadian dollars in exchange for Aberhart dollars." According to this arrangement he would presumably open an account in respect of the unspent balance of the Aberhart dollar and would write down that balance by one cent per week until the customer had bought goods to its value. For somebody has to stick a one-cent stamp on it every week, and if the shopkeeper holds it he will have to buy the stamp—paying a Canadian cent for it. On a dollar of which the customer has spent, say, one half, he ought justly to pay half the cost of the stamp, but probably the shopkeeper will debit him with the whole cost until the dollar is finally spent and surrendered. At intervals of a month shopkeepers will be allowed to exchange Aberhart dollars for Canadian dollars if they need the latter to discharge debts not payable otherwise.

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This first issue amounts to 250,000 dollars (about £50,000). The collective weekly depreciation of one cent in the dollar comes to 2,500 dollars (about £500). Supposing that no provision had been made for shopkeepers to convert Alberta dollars into Canadian dollars the Government would accumulate Canadian dollars at the rate of 2,500 dollars a week by printing and selling stamps to that amount. Or they *could* do so; for so long as they are able to print their own money they are able to print their own stamps for the specific purpose mentioned. These stamps would not be intended to be used for postage and other customary purposes; hence there would be no necessity for people to buy Dominion postage stamps—thereby " exporting " Canadian dollars from Alberta to an external organisation. So, under the supposition of inconvertibility, the Government could make a profit of £500 a week (less cost of stamp-printing) indefinitely—or at least for the two years during which the Alberta dollar-notes could be stamped. (They contain spaces for 104 stamps.) In two years the Government would acquire approximately £50,000 in Canadian dollars; that is, they would have virtually sold the whole issue of Alberta dollars for Canadian dollars on a weekly-instalment plan.

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But, as pointed out, the Government do not insist on total inconvertibility. Nor could they do so without paralysing trade. To begin with, they are inviting tradesmen to pay Albertan taxes in Canadian dollars. Likewise the customers of these tradesmen. Neither section of the community can pay taxes in Canadian dollars without first getting such dollars. So everything will depend on how far their combined holdings of Canadian dollars will go towards meeting the following obligations:—

1. Buying stamps from the Government.
2. Paying taxes to the Government.
3. Paying debts dischargeable only in Canadian dollars.

There is ultimately only one source whence the people of Alberta can obtain Canadian dollars, namely the Canadian banking system. These dollars come into circulation *via* bank-loans. They go into a common Dominion pool, and the various Provinces help themselves as best they can under the rules of the work-system: they sell goods and services, the buyers of which are the borrowers from the banks whether they buy directly or through one or more removes.

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Taking the case of Alberta, Canadian dollars can come into the people's hands through the following channels,

1. Albertan industrialists and farmers borrow from the Canadian banking system. The borrowed money is then distributed by the borrowers in payments of salaries and wages to employees living and working within the Province.

2. Certain Albertan inhabitants, while working inside the Province, are the servants of organisations (public or private) outside the Province. Examples are, post-office officials, railway employees—generally speaking, all persons helping to operate the politico-industrial machinery of the Dominion. These get paid from outside the Province, and their earnings are in the form of Canadian dollars which are additional to those described in (1) above.

3. Albertan industrialists and farmers may collectively export goods on balance, and so acquire additional Canadian dollars.

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For example, taking token figures, they may borrow, say £100 and distribute it. Neglecting profit, suppose they sell half the product to an outside importer for £50, and the other half to the Albertan people for £50. No return purchase from outside is made, and so this export represents a favourable balance of trade, i.e., a surplus of export value (£50) over import value (nil). The exporters and people combined now command a sum of £150, of which £100 are Canadian dollars and £50 convertible into the same currency. Virtually they have added £50 of Canadian dollars to Alberta's store. Note that in this illustration the people are shown as holding £50 of unspent income which the exporters do not need to recover from them, and indeed have nothing left to sell to them in order to recover it. But that is irrelevant to the point established, namely that the store of Canadian dollars in Alberta would be increased by the transaction described. However, if the apparent anomaly bothers anyone, let him take account of the fact that the £50 received by the Albertan exporters would reflect a £50 loan by the Canadian banking system to the outside importers. Well, banks do not lend money without security, and it is permissible to imagine, in the above illustration, that the Canadian Government had guaranteed the importers' debt. In that case, one of two things would happen. Either that the importers now prevailed on the Albertan exporters and people to return the £50 as payment for a return delivery of goods—in which case they could discharge their debt; or, alternatively, that they would fail to do this—in which case the Canadian Government would have to pay it. How? Obviously by levying a tax to raise the money. The only people able to pay would be the Albertan holders, and therefore they would have to pay it. Naturally the process would not be direct like this, but in principle this is how the adjustment would eventually work out. It affords an illustration of the universal truth that, under the present financial dispensation, banks and Governments pinch through the tax-system whatever money you hold out of the consumption-investment system! The canvassing, at times, of the idea of taxing "idle deposits" is alone sufficiently indicative of the trend of their policy.

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This seeming digression leads directly to the next step in our analysis of the Alberta-dollar scheme. It will have to take the form of a question. The question is this: To what extent will the people of Alberta be able to comply with the Government's request for Canadian dollars? We have described the three channels through which these dollars can be acquired by the people, but we cannot guess either at the rate at which they will be acquired, nor at the rates at which they will have to be variously surrendered to (a) the banks, (b) outside suppliers of goods to Alberta, (c) Aberhart's strong-box! Notice the order in which we place the claimants: it is the order of priority. The banks will be on the doorstep for their dollars as promptly as before; the outside suppliers will follow on their heels; and only after these have been satisfied will there be a chance for the residuary legatee, the Alberta Government.

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Without access to reliable statistics it is impossible to say how the situation will develop. As far as we can see it seems logically to foreshadow the establishment, in principle, of a sort of "Bank for International Settlements." For since it is Aberhart's policy to prevent traders and private citizens alike from retaining more than a bare sufficiency of Canadian dollars, the most efficient way for him to achieve this is to centralise all Canadian-dollar accounting and to take over the handling of all Canadian-dollar receipts and expenditure occasioned by the activities of the Province. In that case the Government, or the "Credit House" (as it is called) would in effect become the debtor to the banks for all loans to domestic industry and the debtor for all goods imported into the Province, and the creditor for all goods exported from the Province, including "exports" of personal services described above.

* * *

Whether this is feasible is beside the point. The point is that the centralising of information about, and control of, the Canadian-dollar situation would enable the Government to estimate most reliably what scope there was for them to intercept and accumulate Canadian dollars, and where to go to collect them. One difficulty to the collection stands out clearly. Assuming for the sake of argument that the people of Alberta were left with a store of Canadian dollars after fulfilling obligations to the banks and outside suppliers and were able to conduct their affairs otherwise with Alberta dollars, there is reason to expect that the banks would regard this phenomenon as indicating that they had been lending more Canadian dollars in Alberta than were necessary. The spectacle of the Government's stuffing these dollars into a box would confirm their view. And if at the same time they heard the Government announcing that they were doing this as a preliminary step towards taking over the control of public credit entirely, they would take prompt steps to stop it. Of course, if the accumulation by the Government was only temporary in the sense that it was intended only to provide funds to discharge claims from outsiders (bondholders, etc.) that would not in itself disturb the bankers; but it would do so if it left industrial borrowers to default on their borrowings. And this brings us to the practical question whether Aberhart's endeavour to collect sufficient Canadian dollars to meet his Government's external liabilities will not prejudice the Albertan people's ability to meet theirs. Will the supplies of Canadian dollars stretch over the demands? It looks improbable unless a substantial "favourable balance" of trade can be maintained at a constant level so as to add to Alberta's store of Canadian dollars.

We will leave this background to stand and turn to the item of news which commenced these Notes. One shopkeeper has now parted with goods against an Alberta dollar. He and his customer have performed a symbolic act of revolt against the Money Monopoly. Both ought to be presented with the freedom of the city of Edmonton to mark the occasion. *The Times* has reported it, and people the world over will watch what happens next. It may be that a large majority of Edmonton shopkeepers will refuse to accept the Alberta dollar. This majority may be so large as to discourage or intimidate the minority. The experiment may thus be nailed to the shop counter. On the other hand, if there are a resolute minority they will capture the Alberta-dollar trade—for what it is worth. The worth of that trade will be tested by what happens as regards the relations between these shopkeepers and (a) their bankers and (b) their suppliers. The concentration of the new trade on a few shops will exhaust stocks in a commensurately short time. The process will be hastened if the shopkeepers follow the first one's example and refuse to give change, because shoppers who spend only part of their dollars will have to go back to the same shops to complete their expenditure. They will in effect become registered regular customers; and those who have both sorts of dollars to spend will tend to spend the Canadian series in the shops where they spend the Aberhart series. To that extent the other shopkeepers will lose Canadian-dollar trade in respect of all articles which the Aberhart shops can supply. They may be content to forgo that trade while they watch to see how their rivals get on. The snag for the latter is contained in the banker's rumoured threat to disown the Alberta dollars. Leaving that aside for the moment as a later contingency, let us look at another and earlier factor. That factor is *the incidence of overheads on profits*.

* * *

The "Old Contemptibles" of the Movement will recall the initial experiment made in Richmond (Surrey) to exploit the idea of forming consumers' unions who would ascertain which shops gave best value for money, and having done so, would enter into contracts by which, in return for their buying from these shops they should get the benefit of a special discount. The favoured shopkeepers would be able to allow it because they would be collecting extra revenue without paying extra overheads. We have mentioned on earlier occasions the calculation made by a certain bootmaker that he could well afford to knock 20 per cent. off his prices if he could get 100 new customers buying a couple of pairs of boots or shoes a year. Now, the idea behind the experiment was logically impeccable, but, like other ideas for Social-Credit action, its execution was not practical. In the first place only one person—a Richmond lady volunteered to ascertain prices for comparison. In the second it was often impossible to decide what *was* the best value for money. Qualities of things are mostly secrets from the people who buy them! In the third, the mere attempt to mobilise consumers would call for many voluntary workers; and, even so, there remained the difficulty of persuading the selected shopkeepers to enter into the scheme. Tradesmen are competitors; but they hang together as associations formed for the express purpose of preventing black-legging. It was practically a foregone conclusion that no offer of profit would overcome their moral resistance. Nevertheless, as we have said, the principle of the suggested scheme was beyond reproach, and its effect, if generally practicable, would have been to open a breach in the orthodox system of price-control through credit-control at the consumers' end.

* * *

Now, on examination, it will be seen that every one of the obstacles insurmountable in England in 1922 (see *Public Welfare* for January in that year) are easily surmountable in Alberta in this year 1936—fourteen years afterwards. The fourteenth year may be as lucky as the fourteenth attempt to spend the first Alberta dollar! Who knows? Notice that the fact of a strike against the Alberta dollar by a majority of shops would itself decide the problem of what shops to deal at. Add to this the fact that the Government want to encourage the concentration of buying in the minority shops, and can itself organise it if necessary. Readers will see other favourable factors for themselves. Hence it might easily happen that the minority shops collected a sufficient quantity of Canadian dollars (in addition to Alberta dollars) to pay all charges demanded in Canadian dollars and have some left over. That at least might be the initial result, and if so it would enable them to do like the majority shopkeepers, i.e., to hang on and watch where the trouble was going to come from and whose funeral it would be!

* * *

Enough has been said to show that despite all the technical defects of Aberhart's policy on the ultimate issue, the line he is taking opens up possibilities of action that directly contribute towards the establishment of Social Credit. It is his good faith and resolution that count for most at the moment. Given these, his defeats may be turned into successes.

The Aberhart Covenant.

The Times of July 31 reports particulars of Mr. Aberhart's new credit plan. Participants in it are invited to enter into "Covenants"—variously drafted to apply to private consumers and different types of producers. These covenants are basically designed to secure for the Government the custody of as much Canadian credit (as distinguished from the new Albertan credit) as the Albertan people can do without. For example, they are all asked to undertake to pay taxes in Canadian credit; and manufacturers and traders are asked to accept payment in Albertan credit for goods supplied inside the Province. In regard to goods supplied outside Alberta they are invited, in principle, to assign to the Government their claims for Canadian credit arising out of those transactions in exchange for Albertan credit, or at least to convert into Albertan credit as many of those claims as they do not require for settling debts due by them outside Alberta.

In return for this the Government will covenant (a) to furnish producers with Albertan credit at a cheap rate (the cost of the service only, calculated at 2 per cent. for the present): (b) to assist them to meet competition in external markets by subsidies: and (c) to guarantee them fair or "just" prices for goods sold internally.

The Government are issuing a questionnaire to farmers in which they are invited to say what proportion of their produce they could sell for Albertan credit if a reasonable price is established. Two other questions are: (1) "What debts distress you?" and (2) "Would you like the debts adjusted?"

An important stipulation in the Covenant with farmers is that when they are assisted by Government subsidies to compete in the world market they must promise to deposit the entire proceeds of their sales with the Government "credit house."

Thus, if a given farmer produces a crop which costs him 1,000 dollars, but which will fetch him only 800 dollars in the "world market," and if the Government gives him a subsidy of 200 Albertan dollars, enabling him to sell the crop for 800 Canadian dollars (or any other "outside" or "world" dollars) he will have to deposit the 800 Canadian dollars with the Government's "credit house." Presumably the "credit house" would allow him to have back a certain sum in Canadian dollars because part of his cost might be due to be paid outside Alberta, in which case he would have to remit Canadian dollars. So apparently the stipulation is designed to prevent the subsidised farmer from retaining any *surplus* of Canadian dollars on the transaction.

The Alberta Contract.

II.

In the first part of this article it was made clear that the Reid-Douglas advisership-contract*

1. Permitted Douglas to give any advice he wished on financial problems of any kind.

2. Permitted the Reid Government to ignore any or all advice that Douglas might proffer or be asked to give.

The letter of the contract did not oblige either party to take any step towards the adoption of a Social-Credit *plan*, or of the *principles* of the Social-Credit Proposals, or of any new monetary policy at all—not even the policy of taking control of public credit.

Nevertheless the signing of the contract was popularly taken as signifying the intention of both parties to co-operate in that direction. Moreover, the terms of the cables in which Reid had offered, and Douglas had accepted, the position of adviser could not mean anything else. They were as follows (italics are ours).

Cable; Reid to Douglas, February 12, 1935.

". . . you indicated willingness to continue your study of the problem with a view to *suggesting a practical scheme of Social Credit* which would benefit the people. Government desirous to retain you as *special adviser to this end*. Please cable reply stating whether you will accept appointment, terms on which you will act and how you think your study should proceed."

Cable; Douglas to Reid, February 14, 1935.

"Willing act as principal reconstruction adviser Alberta Government. Appointment to be for two years under contract for $5,000 payable two equal instalments in advance, together with $2,000 each stay in Alberta not exceeding three weeks. First step examine legal position. Have you London representative? Must be assured radio and Press facilities."

That was the situation in March, 1935—five months before the election in Alberta. In the meantime Aberhart had been publicly saying that if he got a mandate for Social Credit he would ask Douglas to prepare a plan. This was taken to mean that in such an event he, Aberhart, was prepared to modify or abandon his own plan on Douglas's advice. It is true that Aberhart, no more than Reid, committed himself to *act* on Douglas's advice, but he did go a step farther than Reid, because he was promising that his Government would *take the initiative* in implementing the Reid-Douglas contract for Social-Credit purposes. Whereas Reid had, as it were, simply bought an option to consult Douglas, Aberhart undertook to exercise that option if he inherited it. Whereas under the letter of the contract the option could have been kept in cold storage, Aberhart gave an assurance that it would not. The electors were thus being invited to choose between a Reid-Douglas and an Aberhart-Douglas undertaking within the permissive scope of the contract. Like David Copperfield they were told: "Codlin's the friend, not Short." Short, of course, was not an enemy; it was that Codlin was the more reliable friend! Aberhart claimed to be Codlin, and on the ground that he would use his mandate (if he got it) to set Douglas the specific task of preparing a Social Credit plan for Alberta.

All this was quite clear in March, 1935—that is, five months before the citizens of Alberta went to the poll. On August 24 the news of Aberhart's smashing victory was published in the London Press. On August 27 the *News Chronicle* published an interview with Douglas, in which he expressed himself as pleased with the result. On the same date Douglas was booking his passage to Canada. "Action initiating in Alberta, though quite possibly not ultimately confined to Alberta, is both possible and desirable," he had written to Premier Reid on May 23, 1935, when making his Interim Report. Hence it was natural that the Albertan mandate for action should be followed by Douglas's prompt appearance on the scene. Douglas had stated in the letter just mentioned that

". . . no mere redistribution of purchasing power already available in Alberta can be effective in attaining, *at any rate with sufficient rapidity*, the results demanded both by the general situation and by public opinion. . . ."

thus indicating that time was the essence of the problem. And if the "general situation" and "public opinion" in May, 1935, demanded quick results, how much more was this so on August 24, 1935, when the electors registered a practically unanimous "opinon" and created a corresponding "situation."

The technical defects in Aberhart's version of Social Credit submitted to the electorate were not regarded by Douglas as an obstacle to his co-operating with Aberhart, as witness his remark to the *News Chronicle's* interviewer (August 27, 1935)—

"It must be remembered that Mr. Aberhart had an election to consider, and I have no doubt that he now realises the necessity of proceeding in stages."

In the context of the interview this meant that the arguments used by Aberhart to win the electorate's support for Social Credit did not bind him to any preconceived plan of procedure—that the electoral mandate empowered him to reconstruct his plan. And this was all the more clear because, in view of Aberhart's pre-election undertaking, a vote for Aberhart's policy was a vote for "calling in Douglas" to implement it. The voice of the people was like the "voice from Macedonia . . . come over and help us."

Looking back, it becomes clear that immediately on the displacement of the Reid Government by the Aberhart Government the implications of the Reid-Douglas contract took a definite Social-Credit shape, and the point about whether Douglas was obliged to produce a Social Credit "plan" should have been raised by him then. Aberhart's cable: "Victory: when can you come?" meant: Mandate given for Social Credit: when can you come to begin the job of introducing it?" The exact nature of the job, whether it was to produce a "plan" or to get control of the power to work the "plan," made no difference to the question of whether Douglas should go out or not. It is true that a plan is chiefly a matter of monetary technique whereas the taking of power is one of political diplomacy and strategy, but Douglas claimed to be equally competent to advise on both these aspects of the problem. A mere adviser on monetary technique would have no need to demand "radio and Press facilities"—in fact such a demand would be *ultra vires*.

SECESSION MOVE IN ALBERTA.

Rumours of a secessionist movement contemplated in the Peace River district of Alberta. Ostensible ground of complaint: The backward state of that area in the matter of road development, etc. (*Glasgow Herald*, August 3: article by Canadian Correspondent entitled "Alberta and Social Credit.")

* See notice: "The Waterlow Case," on page 116.

Entropy and Social Dynamics.

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

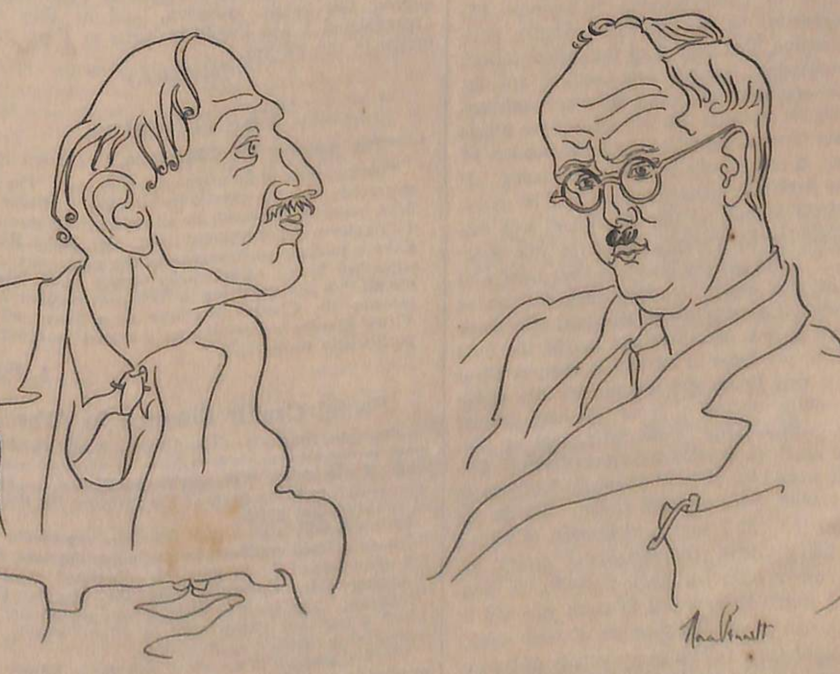
XI.

The "dazzling prediction" of Edmond Halley, related last week as having been based on Newton's detection of a great natural law, by which all things are maintained in a state of regular ceaseless motion, caused an eminent contemporary of his to assert "that Newton was the greatest genius that ever existed." That, of course, is a tremendous claim to make for any man; but it is easy to understand what the commentator means, when he adds, in effect, "that this is the sort of discovery which *can only be made once*"! The universal cosmic system, though it exhibits a tremendous variety of aspects and phases is *one*, not *two* systems. The duality which is clearly observable in natural phenomena is not duplicity. It is not separateness. It is difference. It is known as polarity; a term connoting the properties of attraction and repulsion with which all matter is endowed; and when Newton had completed his discovery of a universal law of attraction, Nature had disclosed her profoundest secret to mankind through him. With that disclosure a new philosophy of human life was born (we ought now to say re-born), and while Newton was perfecting the mathematical apparatus capable of expressing the law he had detected, other philosophers were busily engaged on investigating the phenomena of heat and cold, only to find, as was indicated last week, that Newton's laws of motion were verified in the microscopic measurements of their laboratory experiments. The investigations of Sir Robert Boyle, for example, on what he called "the spring of the air," led to the thermometric and barometric scales being devised for measuring potential differences. Differences that is, in the weight or pressure of the atmospheric air, and differences in its temperature. It is important to note at this point that the human body can detect differences in such things as pressure and temperature. These, like the phenomena of light and dark, affect our sense perceptions, but the laws detected and formulated by Newton *are quite independent of human sense perceptions*. They were established by instruments that do not possess convertible sense perceptions. These could only register automatic reactions according to their *properties;* and the experiments of sequence and con-sequence, oft repeated, revealed the law. It may be objected here that Newton depended upon his own sense perceptions in the reading of the instruments used for detection. This is just the very point of evidence which entirely separates Newton from his competitors in the scientific method; and it is just as well to emphasise here, as Mr. Gavin Simonds might say, "in our submission," that the laws which have given us the power age are not matters of interpretation. They are matters of experiment, calculation and illustration in which the errors of observation, i.e., the sense perceptions of

WHAT'S THIS "ENTROPY"?

A Psycho-Impressionist Study

By NORA PENNETT



[Brenton (*left*) tuning in to Golder at the "New Age" Club] the observer and the errors of the instruments are allowed for. Newton himself made the instrument which cancelled out this perpetual variable, and established universal perpetual law. Not perpetual *motion*, let it be remarked (for that is the mirage of the mind unable to grasp the law), but the absolute reliability of the law by which things perpetually vary. He referred to his discoveries as detections, and some of them he called *odd*, because they surprised him as much as they did his contemporaries. His method was not to proceed by way of hypothesis first, but by experimental investigation into the properties of the things, and from thence to the detection of the law.

It must be steadily borne in mind that his first detection of cosmic law related to light and colour, and in this investigation he refused particularly "to adopt the psychologic or subjective sensation of colour as a criterion for physical or objective phenomena of light." To him, primary colours had a definite angle of refrangibility, no matter what *sensation* of colour it might produce. The human eye was thus merely an instrument, sensitive to some and not to other waves. The photographic plate, for example, at the violet end of the spectrum, and the thermometer at the red end, can detect energy radiations identical to those visible to the eye, *but which the eye cannot see*.

Thus law, revealed to man, as independent of his sense perceptions, has enabled him to augment those perceptions by instruments of precision, and mathematical tools which, taken together, inform the mind what its allies can be expected in their natural order to accomplish. Also, on the contrary, what these inanimate non-sentient allies of matter *cannot* be expected from their revealed characteristics, to perform. All of which, in plainer English, means that the human unit, not the human race, nation, or institution, is at once the test and the tester of law. He is *the* instrument of detection, and, moreover, in view of the consequent surrender of nature to button-pressing man-power—*the supreme instrument*, as our previous articles have stressed. Therefore, that branch of theological science known as Eschatology becomes now obsolete, and the doctrine of the second coming takes on a more interesting and intelligible aspect in this our age, for the reason that the power formula, on which nature surrenders all power to men, is now clearly in human possession. It was quoted in Article V. (issue July 2nd), and its reduction to a simple formula of this description was evidently visualised by that anonymous Hebrew who wrote these words: "I will put my laws into their mind and write them in their hearts."* Strip such writings of their local Oriental allegory and symbolism; refer back to the Central Figure who saw and taught the final truth of natural principles in relation to men; recollect how slow *you* were to see and embrace an idea which required an entire reversal of your life-long mental habits; then consider Him as the instrument or test-piece of legal sanctions in relation to reversibility. You will then get some idea of what is required of you in the coming conflict for a reversed order. But do not misunderstand me. If I were a clergyman of almost any one of the Christian denominational orders extant to-day, where Catholic, Anglo-Catholic, or Non-Conformist, I would be expected to mean you will be required to sacrifice; and the measure of your service to the new world order (which every variety of type of reformer claims to be approaching), will be the degree of your sacrifice. If you make the supreme sacrifice, you will be a hero, and your *name* will live for evermore.

But being a power engineer, and having detected the identity between the power formula applied in my own long experience and that revealed by Major Douglas in his detection of the erroneous alliance between financial credit power and law, I mean service, *without* sacrifice. And the reason is simple. It has been tried, over and over again, and everywhere it has been tried, it has failed. Engineers know no better reason for trying *something else*! The philosophy or religion, or whatever name may be given to the belief that sacrifice of human life, whether voluntary or involuntary is useful or noble, is neither Hebrew nor Christian. To use an expression of the late Augustine Birrell, "It is a tangled, mangled, tertium quid."

Its nobility could not have been greater than that exhibited in the Palestine drama, and its futility could not have been greater than that exhibited by the recent great world war. The constant factor in both dramas is the loss of the best; and what is called the aftermath of these epochal occurrences is the attempt to re-construct society *en masse* without reforming the basic legal principles.

This subject of Entropy in relation to Social Dynamics is one which will repay meditation and fortify the mind for action politics, because this law also pervades what we mistakenly call our enemies. In reality we have only resistances, not enemies; and the power laws apply in all our relationships. The entropy law is most evident as we have said, at the point of change-over between individuals and/or groups; but it works for reconciliation, harmony, balance, equilibrium, and rhythm.

In concluding these articles, I am conscious of many loose ends lying about; and I apologise for the incompleteness of the theme as presented. It is necessary, however, for me to apply myself to other matters requiring the whole attention, and as they will be experimental I will doubtless learn as I go, and may return to the subject.

(*Concluded*.)

* New Testament, Heb. 8, 10.

The Theatre.

"The Amazing Dr. Clitterhouse." Haymarket.

This is a piece of first-rate entertainment. The Doctor's researches into the physiology of crime lead him into the most amusing and dramatic situations, and the play ends with a clever and unexpected twist. Mr. Ralph Richardson gives a brilliant performance in the name-part and he is supported by an exceptionally strong cast. The crooks are all rich and satisfying in their own peculiar ways, but perhaps Mr. Charles Mortimer as a fence and Mr. Victor Stanley as the Doctor's second in command are particularly memorable.

A. BONELLA.

Social Credit Finance in Alberta.

Edmonton, August 7.—The Albertan Social Credit Government is distributing its first issue of stamped scrip in the form of one dollar "prosperity certificates." They have been posted to many parts of the Province for the payment of road-building gangs.

It is officially stated that the issue represents $250,000 (£50,000). Each certificate bears the issuing date, August 5, the signatures of the Premier (Mr. Aberhart), the Provincial Treasurer (Mr. Cockroft), and the Deputy Provincial Treasurer. The back is divided into 104 squares, within which a one cent stamp must be affixed weekly, the first stamp being required on August 12.

The first attempt to use the certificates in Edmonton shops resulted in 13 refusals and one acceptance. The shop accepting required the customer to spend the entire certificate, refusing to give him change in currency, but allowing him credit instead. (*The Times*, August 8, 1936.)

Capital in Prices.

There is an antecedent difficulty in relating company-accounting practice to the capital-in-prices proposition. It is the difficulty of deciding on the starting point of a given cycle of credit-operations and picking out that cycle so as to isolate it from others.

For example—an argument may commence with the investment of £100 by a person, and proceed to analyse the consequences following the investment. Thus, the investor may be considered as buying new capital—which we will designate a machine to identify it as physical, not financial, capital. He buys a machine outright. He does not propose to sell the machine. He proposes to place it on hire at a certain price. The price of hire is to be the cost of maintaining the machine. This goes into the price of the product. In addition he proposes to add a profit which he will draw on as a dividend.

Let it be assumed that maintenance costs 10 per cent. of the value of the machine in a given period and that the profit-dividend is 5 per cent. If he is his own manager and accountant he will borrow and distribute £10 on maintenance. He will also have to borrow and expend £5 if he is to draw his profit. Lastly he will borrow and expend money on production; say £50. Thus, he will put £65 into the pool from which he is to draw revenue, and will be able to recover all his costs plus profit.

As regards profit (or dividend) it will be simpler (and permissible) to classify it as a salary or wage along with the token £50, making the total wage-bill on production £55. Of course the £10 spent on maintenance goes into the wage-bill as well; but let us keep the two things distinct for the moment. Now, in theory, this production-consumption process can be repeated, period by period, indefinitely.

As to the output of the machine let it be assumed that the 10 per cent. maintenance charge represents its wear-and-tear depreciation when working at full capacity, and that its full-capacity output is 100 articles in the chosen period. If 100 articles are sufficient for the needs of the people concerned, they can get along all right on the above £65-cycle of finance. They will receive a constant income facing a constant price-level; and the two will equate at £65.

But suppose the 100 articles are not sufficient, then another machine will have to be constructed. Normally the first machine would assist in making the second. If so its output of articles would be diminished, because its capacity of output was inexpansible. Let us allot half its capacity to the new machine construction. This would require the people to live on 50 articles per period during the construction. If they could and did, no extra money need be borrowed—the same £65 would suffice. The £65 wage bill could be analysed into the following items:—

Wages in respect of:—

1.	Maintenance	£10
2.	New construction (say)	£25
3.	Articles (by difference)	£30
	Total	£65

Now while the construction lasted this analysis would disclose the fact that the people were surrendering £65 for £35 worth of articles (i.e. 50 articles for £30 plus half the maintenance charge £5). The balance of £30 would be an investment in the new machine. If the construction took four periods the result would be a new machine valued at £120 belonging to the investor-manager. It would belong to him because he had bought it with the surpluses of £30 derived from overcharges on the articles supplied to the people.

He will now have two machines costing £220. Obviously he cannot charge any of this in prices, because the people haven't got the money that bought the second machine, nor will they receive any money in respect of having made it. The only *additional* money they will get will be on account of maintaining £220 worth instead of £100 worth of machines.

At this point we must refer back to our opening paragraph referring to beginnings and endings of cycles of operations. We began this analysis with the assumption that someone invested £100 in a machine. In pursuing the analysis we ignored two questions: (a) Whence the investor got this £100, and (b) What became of it. At the moment when he decided to invest it he held it as an idle deposit, a credit owing to him by the banking system. That being so it was offset in the books of the banking system by an outstanding loan repayable by some borrower. When the investor paid out the £100 it entered the credit-repayment circuit and was cancelled. Now this £100 was his unspent earnings, and therefore represented wealth of some sort costing £100. What was this wealth? To simplify the analysis we may suppose it to be the machine in which he now invests his £100. We may suppose that he himself made the machine and was paid £100 for doing so. He now buys the machine, and the £100 is cancelled.

What were the implications of his doing so. Well, these are illustrated in the above analysis where the process of making the second machine is described. They can be summed up in the general statement that capital is provided by abstinence from consumption. In the analysis the people halved their physical consumption—they did without 50 articles per period. In this physical sense they paid for the capital; and in the financial sense they paid for it in prices. They did not receive less *money*, but the *purchasing-power* of their money was approximately halved. Notice that this happened notwithstanding the fact that no part of the cost of the first machine was charged into prices; but notice that the whole cost of the new machine was charged into prices. In the same way, so must the cost of the first machine have been charged into prices in the period prior to the commencement of the analysis.

This establishes our opening contention that the great difficulty of elucidating the capital-in-price problem is to decide where to commence the analysis. Really one should go back to the time before any capital existed.

The proposition that capital, which *has been* paid for in past prices, *will not be* charged for in future prices, is not worth bothering about. What can be said with certainty, while the present money-dispensation lasts is that (a) if capital will not be charged in prices this will be because the people won't have the money to pay the charge; or (b) if the people will have the money to pay the charge it will be assuredly extracted from them by reason of the operation of the law of supply and demand through the unregulated price-system wherein the price of everything is all it will fetch.

This clears the way for the question that really matters. It is this:

"Granted that the cost of capital is not charged into prices, does this guarantee that consumers will be able to take delivery of the whole output of products made by the use of the capital working at full capacity?"

In the terms of the analysis, granted that the two machines valued at £220 are able to turn out, say, 500 articles in a given period, and granted that consumers do not pay back any part of the £220 in prices, can they get the 500 articles?

J. G.

The Will to be Ill.

"I believe that we die when we want to die, unless of course our death is the result of someone else's mistake—that is, in a railway accident. I once had a motor accident when I was going to keep an appointment that I did not wish to keep. I missed it all right!"—A. S. Neill in *Reynolds News*: "Psychology for Everyman."

NOTICE.

All communications requiring the Editor's attention should be addressed direct to him as follows:

Mr. Arthur Brenton, 20, Rectory Road, Barnes, S.W.13.

LETTERS TO THE EDITOR.

CAPITAL IN PRICES.

Sir,—You have been generous in your space allowance, and this shall be my last cat among the pigeons.

Mr. Coleman says " The essential feature of the maintenance is that consumer-income is debited with these maintenance costs before it receives any credit from which to meet them." But simple observation will show that this is not true. Over industry as a whole there can be no doubt that payment for making most replacements precedes the actual collection of depreciation charges. A manufacturer cannot afford to waste time where the maintenance of the efficiency of his equipment is concerned; as he uses a part of his plant to-day he will need to replace it to-morrow. But the goods he has manufactured to-day and which will bear the depreciation costs will be sold to a factor to-morrow who may dispose of them to a middle man, and the middle man to a retailer, and the retailer to a consumer. This takes time, so that the consumer is almost always paid for making the replacements before he is called upon to pay depreciation.

Nevertheless, this is certainly not essential, for so long as collected depreciation charges are returned to the money-stream by temporary investment elsewhere no hold-up will occur. Moreover, since the new capital costs are not charges against consumers the investment does not cause two sets of prices against one sum of consumers' income.

Even more obviously is Mr. Coleman mistaken in thinking that in this way " deeper bondage to the banking system " arises, for the invested money has not in this case to be borrowed from a bank. But when will Social Crediters realise that the community is not fundamentally in debt to the banks? Certainly a bank creates credit, but at that moment the money becomes the property of someone else and a liability to the bank. The community is not in debt to something outside itself; some members of the community are in debt to others, sometimes via the banks and sometimes not. Every debit is represented by a credit held by someone. Even should a borrower default in repayment to a bank then his securities in the last resort belong to depositors.

The community as a whole is not in debt; the increase in internal obligations is merely a representation of growing wealth. Capital assets *are* assets which can be drawn upon at the mere cost of replacing what is used up. They are not a debt against the community. That is one of the reasons why they have not to be represented by free credits in consumers' pockets.

J. A. FRANKLIN.

[What about Ways and Means Advances? Does not the community owe what the Government owes?—ED.]

Sir,—If we take our stand on the impregnable position that all money is a creation of *financial* credit by the banker, and can return to him only through price of goods, we can afford to ignore Mr. Franklin's jibe; we have proved our contention. You remark that " Mr. Franklin would doubtless ask how the banker can retain anything out of a loan when he cancels it." I had already asked that question in my letter. And as I stated, Douglas had answered it. It can't be done. Mr. Franklin is in a fog, and if we follow him into the fog we'll wrangle for ever and get nowhere. I have been able to direct a great number of business men, accountants, and others to the study of Social Credit by confining myself to pointing out the sequence:—All money a bank creation—lent only to producers—paid out in costs as wages and salaries (here ignoring A + B) repaid to producer in price—repaid by producer to banker to cancel loan. Paid out money cost, sum of loans—money price, sum of loans plus banker's interest plus producer's profit. Where do the two latter come from? From a National dividend (for simplicity ignore discount price) which is a further creation of financial credit to meet the deficiency (interest and profit) and paid as flat rate dividend to all citizens as heirs to the unearned increment of association. When one asks whether a price need be paid—well, ask your grocer. When one buys a pair of boots one has to pay for the boots *and* the factory and one gets only the boots. If you say that that is assertion, not proof, I answer that it carries it's own proof. Subtle points, which *look* right, should be met, when detected, not by other subtle arguments, but by a bludgeon if one happens to own one.

And everyone who has grasped Douglas's analysis in the strength of its simple and obvious truth, does own a most effective one. Do not let us be enticed from our impregnable position on the hill into the valley where lies the fog so loved of those who wish us not to see.

T. H. PEDDIE.

THE COMMUNISTS AND SPAIN.

Sir,—On Wednesday, July 29, I attended the meeting in the Essex Hall organised by the Communist Party. The principal object of the meeting was to send fraternal greetings to Spanish comrades and to collect subscriptions for the assistance of Spanish " Red " victims of Fascists.

Before the speeches commenced the meeting stood whilst the Dead March was played.

Amongst the speakers were Mrs. Leah Manning, Mr. John Campbell, Mr. Fenner Brockway, and a representative from the Irish Communist Party. A member of the Workers' Sports Team who was in Barcelona during the rising gave a graphic description of the events of which he was an eye-witness. He also added that the sports meeting was organised in Barcelona as a reply by " Workers " to the event in Germany, organised by " Capitalists."

A notable point about each speech was the bracketing, direct and inferential, of Bankers and Fascists. The Irish representative accused the Spanish Church, amongst other things, of being owner of the principal Central Banks, and the threat by a later speaker that workers would have to seize all the banks received loud applause.

From the size and enthusiasm of this meeting it seems that the recent events in Spain have given a fillip to Communism here, and any sort of tragedy is possible.

The meeting was not reported in the Press; but the march to the offices of the *Daily Mail* was front page stuff.

C. D. WISEMAN.

Douglas in " Who's Who," 1936.

DOUGLAS, Clifford Hugh, M.I.Mech.E., consulting engineer and economist; Chief Reconstruction Adviser, Government of Alberta; b. January 20, 1879, y.s. of Hugh Clifford and Louisa Arderne Hordern; m. Edith Mary, y.d. of George Desborough Dale, I.C.S.; one d. Educ.: Pembroke College, Cambridge; Chief Engineer and Manager in India, British Westinghouse Co., Ltd.; Assistant Chief El. Engineer, B.A. and Pacific Railway; Assistant Superintendent, Royal Aircraft Factory; witness, Canadian Banking Enquiry, 1923; Macmillan Committee, 1930, etc.; late major R.F.C. and R.A.F. Publications: Economic Democracy; Credit Power and Democracy; Social Credit; Monopoly of Credit. *Recreations*: yachting, fishing. *Address*: 8, Fig Tree Court, Temple, E.C.4. T.A.: Douglas 28 Temple, London. T. Central 1833. *Clubs*: Junior Carlton; New University; Royal Bombay Yacht; Solent Yacht.

The Waterlow Case.

Last week's instalment ended Mr. Gavin Simonds's arguments on the value of notes in the hands of a bank of issue. He proceeded next to deal with the question of negligence in relation to the printing contract. His arguments will be published later, as they apply to all contracts and the interpretation thereof (e.g., the " Alberta Contract " discussed elsewhere in this issue).

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