

# THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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## NOTES OF THE WEEK.

The judgment in the Waterlow Appeal case was delivered on March 26. Those readers who were present at THE NEW AGE Dinner on the previous Saturday will remember that one speaker referred to the then pending judgment, remarking that it was difficult for him to say which would please him more—a decision that a bank loses anything when its notes are forged and subsequently honoured, or a decision that it loses nothing in those circumstances. We imagine that, from the broad viewpoint which he and his audience were considering the issue, the judgment actually pronounced will please them even better than either of the clear and unanimous alternative answers "yes," or "no," which they were assuming would be given by the three Judges. For the judgment was not unanimous—an outcome which we confess we did not allow for, because it would have seemed too good to come true. Its effect is to multiply the piquancy of the situation several times over. For Lord Justice Scrutton accepted Messrs. Waterlow's submissions regarding the principle on which the damages sustained by the Bank of Portugal should be assessed, and on that principle declared that the amount should be £8,922. We like the flavour of the split thousand: another £78 would have made a nice round sum of £9,000; but His Lordship wasn't giving away any turn of the scale; he awarded the Bank exact weight and no more. On the other hand Lords Justices Greer and Slesser accepted the Bank's principle of assessment, and put the figure at £300,000. Now, could anything be better from the point of view which we and our readers hold in common? Look at it! One Judge says £8,922 and two others say £300,000. The difference is not between two figures, but between two orders of figures: it reflects a conflict of fundamental principles—a clash of axioms—a traditional axiom challenged by a scientific axiom. The circumstances of this division of judgments amounted to a tacit invitation to Messrs. Waterlow and Sons to try their luck still further—an invitation which they appear to have accepted. But even if not we

find it hard to believe that legal authorities will rest satisfied with a judgment which exhibits the inability of the legal mind to decide on a question of fact in one way. Any responsible and conscientious lawyer who has a pride in his profession must necessarily fidget when the law fails to give a certain answer to what every person of average intelligence would say was a comparatively simple question. Surely, he must say to himself, there must be some test, some order of evidence, which will decide the true principle of assessing these damages. And so there is. Readers who recall the extended comments which we made on Mr. Justice Wright's judgment in this case (THE NEW AGE of January 1) will remember that we spent a good deal of space in showing what that order of evidence was, and also showing why the Courts would fail to arrive at true judgments in cases of this magnitude until such evidence was made admissible, and until people who were able to give it were made compellable witnesses. No evidence of this sort was brought before the Appeal Court to support either Sir John Simon's or Mr. Stuart Bevan's submission. So the Appeal Judges had to arrive at their decisions without the guidance which would have been afforded by the examination and cross-examination of such witnesses as we refer to—namely, representative bankers on the one side, and competent, independent experts in currency and credit policy and technique on the other. In these circumstances Lord Justice Scrutton's uncompromising acceptance of the principle we stand for is something on which we are all entitled to congratulate ourselves.

We must also congratulate the directors of Messrs. Waterlow and Sons on their having taken the decision to appeal. Apart from the larger issues involved in the judgment, their action has brought about something of more immediate concern to them, namely, a net reduction of £231,000 from the sum of damages that they were first made liable to pay. This margin removes all the uncertainty which they might have felt about the financial risk of carrying the case to the House of Lords

had the original award been confirmed. They are entitled to assume that the award as now scaled down (£300,000) represents the maximum that they are likely to have to pay in the end; for all three Appeal Judges are, of course, at one on the point that *it should not be more*; and this unanimity of view seems unlikely to be disregarded by any superior Court.

However, it will be universally realised that the issue is now too wide for legal decision by reference to commercial precedents arising from litigation between citizen and citizen, where one party's money and property are of the same substance, significance and value as the other's. Whatever a £5 note is to Smith in regard to nature and function, so it is to Brown. Lord Justice Greer's judgment is based on the view that whatever this £5 note is to either of them so it is to the bank of issue before either of them receive it. That must mean, for one thing, that an unissued £5 note is property belonging to the bank in exactly the same sense as an issued note is property belonging to a citizen who holds it. This necessarily raises two fundamental questions (a) Exactly at what moment does a new £5 note acquire property-value? (b) exactly at what moment and by what rule of law does the bank acquire property-rights in it? Neither statute law nor case law can serve to elucidate either question, for the statutes, which govern decided cases, have been based on the very assumption which is now being challenged by Messrs. Waterlow and implicitly rejected by Lord Justice Scrutton. The moral of the divided Appeal-Court judgment is that the legal profession will have to start learning its law all over again at the peril otherwise of exhibiting itself as an ass whenever a bank appears as party to a suit. We said this, and elaborated it, last January; and we further declared that

"Nothing less than a Special Tribunal with powers to extend the customary Rules of Evidence would bring all the essential merits of such cases within its orbit of jurisdiction."

That is to say, a Tribunal with greater powers than those which are likely to be allowed to the Judges who may hear an Appeal to the House of Lords. For the issue now opened up must in the last analysis involve an investigation into the place of the Bank in the Constitution.

We have often said that the most dynamic factor in the process of disruption now going on inside the banking system is the shortening of the intervals between the successive problems which arise and call for urgent settlement. These problems are occurring too fast to be settled seriatim—they are more numerous now than ever before, and they tend to overlap by an ever-increasing margin; so that the prospect before the bankers is that of having to settle the lot in one go or being destroyed by them. They are faced with the same problem as faced Heracles—that of overcoming the Hydra by cutting off its nine heads, when two new heads grew in the place of each one that he cut off. This development is strikingly illustrated by last week's news from Australia. On the same day that the Waterlow-Appeal blow at bankers' pretensions was delivered, Mr. Lang delivered another by announcing his intention not to pay the Westminster Bank any interest on the New South Wales debt. Thus they are engaged on two fronts; and in conducting the fight they have to do two things at once—to guard the secret of their illicit *financial privileges* against the danger inherent in the Waterlow investigations at home, and to exercise their illicit *political power* to destroy Mr. Lang's Government without revealing themselves as the repositories of that power. They

might have done it in 1921; but this is the year 1931.

In *The Times* during last week there was a steady stream of hints from its Australian Correspondents as to what measures might be employed to get rid of Mr. Lang. These are the chief of them to date:

1. The secession of areas in both the north and the south of N.S.W.
2. The withholding from the State of customs revenue which the Commonwealth Government collects.
3. The putting in of a Receiver to administer N.S.W. finance.
4. An appeal to the High Court to order Mr. Lang to pay up, and, if he then refuses, to commit him for contempt and imprison him. (This may apply to his Cabinet as well as himself.)
5. Recruiting citizens for the "All For Australia" movement—a body equivalent to Mr. Joynson Hicks's army of special constables which he mobilised for dealing with the General Strike of 1926.

Thus the bankers are preparing in the last resort to procure military action in order to defeat Mr. Lang, and the N.S.W. Labour Executive is following suit with the mobilisation of a Labour army designed to "resist violence." And so, as Major Douglas observed at THE NEW AGE Dinner on March 21, there are indications that there will be something approaching civil war in Australia. Such a danger would not be averted even suppose the N.S.W. Government climbed down—a contingency of which there is no immediate indication. For the Australian cables, and the leading and other articles on the subject in *The Times*, make it clear that the bankers intend the defeat of Mr. Lang and his Government to be only the preliminary to a subsequent attack on Mr. Theodore and the Scullin Government. Their strategy is evident: it is to exploit the sinister word "Repudiation" in order to attract recruits into their army, and having "occupied" New South Wales, and put the "Repudiationists" to flight, to advance against the "Inflationists" with the same army. They have already manoeuvred the Inflationists into a practically unanimous public reprobation of Mr. Lang's repudiation policy—reprobation in which the Commonwealth Labour Government has joined just as wholeheartedly as the leaders of other parties—so that the moral support for the bankers' recruiting idea is fully assured. And that this will be backed by authoritative religious support goes without saying. For when Archbishop Head, speaking in Melbourne on February 10, found himself constrained to stigmatize "Inflation" as a "falsehood"—as a "moral and religious life"—as a "disloyal"—as a "dishonest"—as a "cruel"—as something against which, he said "I shall use any influence I may have," we can leave our readers to imagine in what terms this heated dignitary would prophesy against Repudiation. Is it far-fetched to imagine his recruiting cruists as Crusaders, and into regarding Mr. Lang and his Cabinet as the Anti-Christ of the Scriptures?

In the light of these circumstances we may here deal with a letter from a correspondent in which, after saying how invaluable to him was the article "Banks and Unemployment—An Address to the Unemployed," published in THE NEW AGE of March 19, he proceeded to ask if something could not be published which would enable him, as a speaker from Labour platforms, to answer the question: "What ought we to do to put these things right?" For example, could a "practical plan for dealing with the national debt" (whose origin was analysed in the article referred to) be devised; "or rather,

goes on, "a plan that could get well across a Labour platform?" Of course this kind of problem has been bothering Social Credit speakers ever since Social Credit began to be spoken. Now at the root of it is the fact that whatever plan is proposed can only be brought into operation by the exercise of *force majeure* against the resistance of the bankers. *Force majeure* may be of any nature you like so long as it consists of something more than appeals to sentiment, morals or logic. In the field of pure persuasion the bankers monopolise all the force. They control practically every avenue of persuasion. On every project that raises questions which are vital to them they are able to cast all the votes. On other projects they do not give themselves the trouble of voting—they leave that to Democracy to quarrel about. So there remains the field of action. Somebody must *stop talking and do something*—and the problem is who, what, when and where? And when we are asked to solve it we have to confess that at the moment we are as stumped for an adequate answer as is our correspondent. But the beginnings of an answer are to be seen in the events happening in Australia. On the survival or disappearance of Mr. Lang or of Mr. Theodore and the policies they respectively stand for, and on the manner in which either or both of them succeed or fail, will depend some valuable lessons for all of us, and particularly for those who, like our correspondent, believe in the principle of concerted party action along accustomed political lines.

One thing we expect to emerge is manifest proof of the impotence of the Democratic franchise system. In the army of Napoleon it was said that every soldier carried a Field-Marshal's baton in his knapsack. Whatever that meant, it certainly did not mean that every soldier had a right to advise Napoleon, or even to be told the facts or nature of the problems that he was called upon to solve. The delay, the confusion, the acrimony and the leakage of information to enemy spies would have finished the great General off in a week. But France was at war, it will be said. Quite so; and Social Credit is at war and will be involved further in war whether we like it or not. So, leaving aside Social Credit freelances who are carrying out useful guerilla tactics on their personal initiative and responsibility, and considering others who want to take part in concerted action, these must first get rid of all ideas of making headway by means of co-operation on democratic principles. People who want direction must be prepared to accept direction. How many Labour democrats can bring themselves to that?—especially the kind that habitually go to hear lectures. The mere mention by our correspondent of "a plan that could get well across a Labour platform" suggests a plan that would command a majority vote of the people who happened to be sitting in the lecture hall—no matter who they were, what their qualifications for judgment were, or what were their capacities for doing any kind of job more courageous than dropping a ballot paper in a box once every few years. One might venture to bet that any plan that "got well across" to such an audience would be a bad plan.

Now the question of the *policy*—the *general objective*—is properly one for a popular audience to approve. And popular expositions of Social Credit—even the difficult technical aspects of it—are worth undertaking if the object of the exponent is thereby

- (1) To give the audience the fullest possible idea of who is responsible for their condition—and how, and why.
- (2) To discover any person or persons prepared to undertake a systematic study of the Social Credit theorem.

The first is to explain Social Credit policy to potential "privates" in the hope of inducing them to "enter the Service." The second is directed to finding potential officers to "send to Sandhurst." Perhaps, out of two or three hundred, only a half-dozen of the first type, and a solitary one of the second (if that) may be discovered. This is to be expected because the search is for two rare types of character—one of which is a moral type resistant to moral catchwords and the other of which is a technical type resistant to technical catchwords. The first is one which would react to Social Credit like this: "I've got the hang of what these Douglas fellows are after, and what is stopping them getting it: so I will trust them to know how to get it: I approve what they want: it is good: I will do what they want me to do without question—anyhow, I've no taste either for mathematics or strategy." The second would react: "Ah, this looks well worth while following up, and I'm determined to get to the bottom of it in all its aspects even if it takes me six months." The two types may not always be distinct: they may overlap in a single character: but that does not affect the import of what we are saying. It is hardly necessary to observe that under these tests a good ninety per cent. of any audience would be certain "rejects"—which is another way of saying that whatever plan "got well across" to them would be something which demanded no expenditure of mental energy on their part, nor any alteration in their customary slipshod method of backing plans—which is to recommend them by resolution to some executive or other somewhere else and higher up. This criticism applies not only to Labour audiences but even more strongly to Liberal and Conservative audiences. It is no use anybody hoping to use the machinery of his party to push a Social Credit plan through. Nor do we see any prospect of success in groups of people in all three parties trying to get their party machines to unite in favour of any plan. The fusion of parties can only take place—if ever it does—through the prior fusion of individuals who have detached themselves from these parties, in the sense, not necessarily of ceasing official membership, but of transferring their allegiance to an extra-democratic, independent form of organisation. Every other body should be regarded and used merely as a recruiting ground. This discussion, we must remind possible critics, is based on the hypothesis that concerted action is necessary. Whether it is yet necessary in this country we do not know, nor, if so, on how many planes of society forces are gathering up towards the point where they can coalesce to produce a power sufficient to overcome the bankers.

Let us turn to see what is happening in Australian politics. In *The Times* of March 26 there is a long article from "an Australian Correspondent, who recently re-visited Sydney after many years in Europe." On its internal evidence we should say that he is a financiers' agent, trained "for many years in Europe," and now on a secret mission to Australia to help mobilise the bankers' army. He begins by disparaging the personnel of the Labour Party, its leaders and its methods:

Ministers have to "explain" to the party branch "why they did this or said that." Too many Labour politicians are "thinking about their careers." The party is "full of intrigue"—"Is it any wonder that the Cabinet cannot decide upon a steady policy of financial reform?" The weakness of the party is in the fact that its power was "built up on prosperity." He says that he was "surprised" to hear on his return that "people who detest Labour and all its works also complain of Mr. Bruce that he did not check, indeed that he encouraged, the riot of borrowing." He attaches blame also to "employers" who did not mind raising wages so long as they continued to "share in the boom." "Australia has always attracted

people with extravagant theories," but there is a type of Australian, whom he calls a "real Australian" who is of "British descent," and "never becomes an agitator." "Behind most of the insults hurled at Sir Otto Niemeyer . . . is hatred of England." "A considerable proportion of the Labour Party" desire "a financial disaster for the chance it might give them to experiment with their theories, financial and social."

After this series of false or misleading statements he turns to the question of what the real, the moderate, the loyal, the religious, Australians are thinking of doing about it.

"It is not remarkable, therefore, that an organization is quietly being recruited for the purpose of meeting force with force. It originated, I am told, in Melbourne; but its adherents are sounding people in all the cities. Ostensibly its aim is to resist unconstitutional action, but its leaders also envisage mob disturbances."

Mark the italicised passage. "Unconstitutional action" is a wide term, and does not necessarily involve violence even when it is truly unconstitutional. But who are going to decide what is constitutional or not? Of course, they will be the bankers' military staff. Notice that "mob disturbances," the only danger which would justify the raising of the bankers' army—and only then if the disturbances assumed large dimensions—comes in as an afterthought. What they want to defeat is any and every move of the Lang Government towards financial independence, however peaceful and however unprovocative in its nature to the employers and employed in New South Wales.

The writer proceeds:

"There is another new movement which seems to give promise of good results. It is not a party movement in the strict sense. Its aim is to rouse Australians to a sense of their responsibility. The true Australian has been disgusted by the campaign for repudiation and the rest of the creed of dishonour [This is how Archbishop Head is now talking.—ED.] and the new movement, which was started in a suburb of Sydney . . . will be a corrective to all the talk about disowning obligations. . . . What is wanted is an appeal to the pride of Australians. . . . They have a good conceit of themselves. . . . they lack a sense of perspective. . . . Too many Australian things are, in their estimation, the finest and best in the world. But with all this goes pride in Australia. . . . The real Australian is too proud of his country to let it default."

Here is the cynical as well as the sinister side of the game exposed. Soft soap for the "real" Australians and bullets for the "false" Australians. There is only one thing more required to complete this and other arrangements referred to for repressing Mr. Lang's Government, and that would be the procurement of external interference. When speaking of Australian affairs at the Dinner Major Douglas said:

"Canada is closely watching with intelligence and knowledge what is happening in Australia, and any attempt to bring outside pressure on that country would be resented in Ottawa."

So we may assume that the bankers are content with making bloodshed between Australians their trump card; and have now to wait and see what sort of a hand Mr. Lang holds.

Labour supporters in this country who conceive of the present or any future Labour Government bringing in a Social Credit system—even if unanimously convinced of its soundness and sincere in their desire to introduce it—will have to check back their calculations by what happens in Australia. It is

true that Mr. Lang's repudiation policy is faulty, because "repudiation" by itself is not enough, and that Mr. Theodore's inflation policy, which is a negative aspect of Mr. Lang's, is equally faulty for the same reason; but we have to ask ourselves in what better position either of them or their respective Governments would have been if both had adopted and announced the true Social Credit policy. Quite apart from the multitude of inflammatory lies which would have been disseminated about the scheme, we have no doubt that the bankers could have constructed a case against its constitutional validity. And if so, since they have, as we have seen, procured military preparations to resist "unconstitutional action"—whether violent or otherwise—they could have pleaded the same justification for similarly resisting the application of the price-factor and the consumer-dividend. Their incentive to do so would be ten times greater in that case, for they would know that when once Social Credit got a start they would never overtake it, whereas they ahead because either of their plans would result in re-distributing the burden of grievances, not in removing it. The bankers are not scared of either policy: what they are scared of is that the experience gained in the administration of a defective policy might afford the Government the clue to its ultimate perfecting. And, needless to say, they are aware that there are instructed Social Credit students already in touch with members of all the State, and the Commonwealth, Governments or Parliaments. Readers will notice, by the way, how, both in respect of the Waterlow Case and the case just discussed, the same fundamental issue is being thrown open—the place of the Bank in the Constitution.

We referred recently to the bankers' proclamation against the drilling of the unemployed in Perth. Drilling by unarmed men sounds innocent enough, and will seem purposeless and futile to most people. It is not action, they will say. Nevertheless, it is a form of training for action, and must therefore be regarded as an incipient form of action. Antecedently, too, the wearing of uniforms, or even only badges, is an incipient form of such training: these are symbolic of unity in action. What action? Any sort of action to be carried out under orders from an Albert Hall choir singing to the Field-Marshal's baton to an army marching to the Field-Marshal's baton. The writer in *The Times* referred to an "organization" of "mob disturbances," against which an "organization" was being recruited. If there should be any mob disturbances the reason will be that the workers will not have been trained to act to orders. An assemblage of disciplined leaders, it will not create "disturbances" of the sort that is hinted at. The first principle of instructed leadership is to see that your men fight on your ground. An undisciplined body of men will inevitably find themselves fighting on ground of the enemy's choosing. That is why the bankers don't fear "mobs"—they rather like them—and it accounts for the above secret-service agent's having itemised "mob disturbances" as a subordinate danger to that of "unconstitutional action," in his quasi-public dispatch to the Mansion-House General Staff. It should be clear, now, why, in Australia, whereas a man is fined if he abstains from voting, he is imprisoned if he goes in for drilling.

As bearing on the drilling in Perth the *Manchester Guardian* of March 27 publishes a document which suggests that the centre of the drilling is at Blackboy Hill, where there is a camp for unemployed single men. The document is a Petition signed by 645 men in that camp (which accommodates 1,000

and addressed to the editor of that journal praying that something shall be done to get them home to England. It was prepared and sent off on February 16. It states that this camp is 14 miles outside Perth, and was a military depot during the war.

"Our general impression," say the signatories, "is that the camp came into being more as a police measure than as an expression of . . . goodwill . . . towards the destitute"

"The camp is supposed to be self-supporting . . . each man is required to do . . . 12 hours' work each week and is credited with the award rate for the time. The money earned is said to pay for his food and upkeep of camp. Each Friday he receives 5s. in cash, said to be the balance left over from his earnings. The work is mainly road-construction in National Park, some two miles from the camp." But most of the men work in camp as "hut and mess orderlies" . . . but no man is permitted to do more than 12 hours' work per week.

The central clause of the Petition is as follows:

"The first and only concern of this document is to show that through forces economic or other we are deprived of rights of citizenship as subjects of the Crown. Work is impossible to obtain. Refusal to submit and come to this camp renders one liable to a police charge of vagrancy. The alternative is starvation."

It goes on to say that there is no dole in Western Australia. When there is no vacancy at the camp an unemployed single man can obtain one bed-ticket and two 6d. meal-tickets per diem, but only until there is a vacancy, when he has to go to the camp.

"If he comes to the camp his chances of obtaining employment are immeasurably reduced. He is out of the market. A return journey to work centres is beyond the means of the campers."

Lastly—"The outstanding feature of Blackboy Camp is that the great majority (80 per cent. to 90 per cent.) are from the Old Country, many of them ex-soldiers and sailors who gave service in the war. . . ."

We might fill this issue with comments, but for the present will simply set down two points that strike us. (a) This camp is virtually a camp of "true Australians" (as the Mansion-House agent-provocateur defines them in his article in *The Times*)—of "British descent" who "hate repudiation" and "never become agitators"—who, far from exhibiting "hatred of England" (as he connotes attacks on Ernst Niemeyer) want to come home to England. (b) Is the principle embodied in the English Truck Acts part of the Australian Constitution? If so the duty of the bankers' "All for Australia" army is to arrest the West Australian Cabinet! Alternatively the Constitution should be amended so that payments in kind are made a legal basis of remuneration everywhere if employers and employed desire to adopt the system. This, of course, in a country overflowing with "funds" in kind, would soon lead to a settlement of the poverty-problem. The no-money obstacle would cease to exist—and so would the bankers' control of the situation.

Readers will be glad to see that the Marquis of Tavistock (who was one of our guests at THE NEW AGE Dinner) has addressed a public meeting at Stranraer. (See next column.) They will also be pleased to know that the manner in which he presented his case was highly appreciated by Social Credit supporters who were present—one of whom is a household word in the movement as an exponent of the subject.

## Lord Tavistock at Stranraer.

[The following letter and report have been received from a correspondent.—Ed.]

I am sending two copies of the *Glasgow Daily Record* of to-day's date. In one edition there appears the following report of Lord Tavistock's meeting here last night. In the other (later) edition there is no such report. Four supporters of Social Credit from Glasgow came down for the meeting, and were very favourably impressed by his Lordship's speech.

H. T., Stranraer.

March 27, 1931.

The Marquis of Tavistock addressed a public meeting in Stranraer Town Hall last night on poverty, unemployment, over-taxation, and the way out. He dealt with the scheme for national credit.

We had enough of everything, he said, except one thing. We had not enough money.

The wages and salaries paid by industry under the present system must inevitably be insufficient to buy all the products of industry.

The national credit scheme proposed that the Government should take over the right of controlling the supply of currency and bank credit, and should regulate it in such a manner that there shall always be enough money in circulation to buy all the goods that people needed and that industry could supply.

The scheme avoided the evils of currency inflation by controlling prices, by issuing no new money unless it is accompanied or closely followed by an increase of goods, and by having careful, periodical adjustments between the supply of money and the supply of goods.

The time had come, or at least was rapidly approaching, when the labour of every able-bodied person was no longer required to produce all the goods that the world needed, and even the great reduction of hours would only defer and not solve the problem.

It was proposed to meet this difficulty by the payment of national dividends, that is to say of a certain sum of new money (not money out of taxes) payable to every citizen, in work or out of work.

Even if a man was out of work he would still be able to maintain himself in decency and comfort without being a burden on others, and he would be able to help to support the man in work by being a customer for his goods.

There would be an automatic check on undue laziness, for, since the amount of national dividend would depend on production, if production dropped through lack of adequate labour national dividend would drop with it.

Incidentally, a country adopting national credit in its international trade relations would be able to compete favourably by being able to sell its goods at very low prices, while cheap imports would become an asset rather than an embarrassment by making possible further reduction of prices and the payment of a larger national dividend to everyone.

The national credit scheme further suggested that the Government on proper security, and on the guarantee of the production of goods, should allow credit to persons starting new industrial enterprises without payment of interest on condition that the money was repaid by the time that the industrial plant was worn out.

The scheme was one that should appeal to all political parties, all classes, and people of all types of character. All stood to gain by it, and if national credit did not pretend to be a substitute for the full programme of certain politicians its adoption would leave them just as free as they were before to pursue their own peculiar aims and ideals.

## THE ROMAN ARMY.

Heus!

The Roman army is on the march, hay men, straw men, they are the bold militia men, the square strong men made roads to march on, tramp, tramp, tramp, and officers on horseback, after the hay-standards, maniple by maniple, plod the docile legions braying on the bucina, the great Roman army is on the march.

Heus!

LLOYD KELLY.

484, Skipton Road, Keighley.

## Current Political Economy.

If newspapers were designed for keeping the people informed, there could be no doubt as to what they would have placarded last week. The case of the Bank of Portugal versus Waterlow and Sons, Ltd., previous references to which have been made in THE NEW AGE, has more bearing on the present plight of the world than all the murder cases with which newspapers "feature" their advertisements. Yet outside *The Times*, among the contents of which the reader has largely to distribute his own degrees of emphasis, there appears to have been little or no reference to one of the most startling judgments ever delivered in an English court; far more startling than the acquittal of a man obviously guilty of murder, such as nowadays happens. It is not so much the judgment which is startling as the circumstances in which the judgment was reached, and the principles on which it was based. A judgment not unanimously agreed to by the three judges is common enough in the Court of Appeal. A judgment according to which two judges award damages, and the third repudiates damage, is a natural enough verdict in many cases. In the case referred to, however, all three judges allowed that damages were due, the disagreement arising as to the amount; at which they had to arrive, not by reference to selected statutes or instances of law, but chiefly by reference to theories of money and banking. A necessary piece of reasoning from this is that until the judges have reached agreement on the principles and technique of finance and banking, it is unjust to give them the duty of hearing a case in which those principles are actively involved.

The judgment of Lord Justice Scrutton, who would have awarded the bank only the cost of printing the bank-notes erroneously delivered by Waterlow's, appears to have been based on the principle that the bank would lose nothing if Waterlow's were to pay nothing. The different judgments of Lords Justice Greer and Slesser appear to be based on principles contained in orthodox text-books of economics, possibly the most disputed of all principles, and therefore not to be taken for granted in the Court of Appeal. Lord Justice Greer noticed the oddness of the fact that

"The issue of 105,000,000 additional *escudos* on the Portuguese money market did not bring about a decline in the value of the Portuguese currency, but the exchange remained at 96 to the £1 sterling, and continued so during 1926."

From this the judge deduced, by applying a commodity theory of the "law of supply and demand" to the value of money, that the bank must have lost an *escudo* for every "false" *escudo* circulated. The reverse deduction seems equally valid: i.e., because the currency maintained its value no *escudo* that anybody already possessed was depreciated by the additional issue, and, therefore, nobody suffered damage.

If the issue of the extra currency had brought about a depreciation of the value of currency already in circulation, somebody would have suffered. But the question as to who would have suffered, and as to who should accordingly be compensated, would be too big and complex an issue to refer to the commodity theory of money. What, in view of the banking-technique for dealing with such "inflation," would have been the proportion of suffering by the bank, the holder of the existing currency, consumers in general, and producers in general, could not be ascertained by reference to any principles of finance based on a commodity theory. But in the actual instance the currency did not depre-

ciate. Every *escudo* in Portugal went on being worth what its "face" said it was worth. Somebody made over a million *escudos* profit; nobody lost a fraction of one. In such circumstances, even the sale of securities to recover the "false" notes would not have proved damage to the bank. It would rather have argued that the bank's business, by reason of a high interest rate or other causes, was done in such a way as to prevent the flow of Portuguese currency attaining its correct level. The fact that currency value was maintained indicates, actually, that the public needed to obtain currency from a source other than the bank.

The commodity theory of currency, that its value depends on the law of supply and demand, is most unfortunate jargon. The law of supply and demand is probably incapable of formulation in regard to any commodity, and the vague, partly manifest principle is of no service for calculation. No mathematician can calculate the effect on the demand or the price of halving the supply of any competitively produced commodity, or even monopoly produced commodity. In the case of money the "law" is still more unfortunate jargon. A million pounds of currency is not the equivalent of a million pounds of a banker. It may be worth more or less. If its circulation would lower interest-rates it might be worth nothing, or less than nothing. If its circulation would enable the banker to lend ten millions worth of financial credit at existing interest rates it would be worth vastly more than its face-value of a million. One way of expressing the objection to the existing system is that currency and financial credit are so regulated as to maintain bankers' interest-rates, and not at all for the exchange and consumption of the products of industry. What the banker produces is not currency and is not a commodity. It is financial credit, currency being one of several pressure gauges which enable a banker to judge his position in regard to the inflow and outflow of interest. It is true that the monopoly of financial credit, and that the bank is annoyed, whether damaged or not, when any other source of currency or financial credit is tapped. But it is annoyed only as any other monopolist is annoyed by competition, and, also, possibly damaged.

Neither the existence nor the issue of financial credit is susceptible to the law of supply and demand. The existence of financial credit is unmanifest until it is demanded; that is, a demand for financial credit springs automatically from the potential creation of a financial-value. The ability to demand a financial credit, which is, of course, the potential creation of a credit, in any commodity sense, which is to pay for it, would dispense with the need of it. The supply of financial credit is potential infinity, conditioned naturally by the combined powers and needs of producers and consumers, and artificially limited by the policy of the present banking-system based on the maintenance of interest-rates. It is surprising that, in view of all the various writing and thinking, of many schools, and the papers read to the Economics Section of the Society for the Advancement of Science, that a judgment based on the obsolete commodity-theory of currency should be possible. Lord Justice Greer observes:

"If my purse containing £5 is stolen, I do not recoup my loss because I have an unused balance at my bank out of which I can draw by cheque another £5. The damage I have suffered is still £5, not merely the 2d. I have to pay for the cheque form."

One hardly needs to admit this. But it is very strange to suppose the individual and the central

bank in the same position as regards the creation of credit. The cost of replacement of credit or currency is by no means the same thing to one of the scramblers for the drops from the fountain as it is the banker who owns the infinite reservoirs, and controls the conditional tap.

An interesting comparison, within the frame of the present system, is possible. A person who prints additional currency is alleged to injure the bank to the extent of the face value, although no inflation is evident. Would a person who destroyed currency benefit the bank, although no deflation is evident? The answer seems to be that the destroyer would injure only himself, as the printer (actually the circulator) would benefit only himself, apart from the persons who felt either the immediate failure of demand from destruction, or the sudden improvement due to creation. The bank would not find out for several years that the notes destroyed were not in circulation. If the quantity destroyed were so great as to incommode the banking system, the system could, with the "consent" of the Treasury, increase the nominal fiduciary issue; more notes would be printed, with authority. Financial-Credit is in many senses not a commodity: especially in that its value derives entirely from its user, and that it has no cost of production.

Lord Justice Slesser agreed with Lord Justice Greer on the argument that the notes cost the bank nothing but the cost of printing. His Lordship said "that it did not lie in the mouth of Messrs. Waterlow's, in the absence of evidence, to deny that the notes were worth what they were said to be worth," and he relied upon the well established legal principle that

"where a person had wrongly converted property, it should be presumed against him to be of the best description."

What the Court would regard as evidence would doubtless have been difficult to find, but it should not have been impossible. Nevertheless, by far the main question at issue was the ascertainment of the actual, un-presumable, amount of damage suffered by the bank, not the value of the property.

BEN WILSON.

## The Films.

### The Silver Horde: Stoll.

This is an adaptation of the novel by Rex Beach, and would be good melodrama if it carried more conviction. Much of it is mediocre stuff, and badly photographed at that, although an exception must be made of the scenes showing the life of the salmon and the Alaskan canning factories, which are as excellent as they are interesting. In an unusually good "interest" film. The picture is worth seeing for Evelyn Brent's powerful acting; Miss Brent is here given a better part than she has had in most of her films since "Broadway," and she makes the best of the occasion. The late Louis Wolheim was not too happy in a role that gave him the opportunity to over-accentuate all his most characteristic minor part; her naturalness serves as an effective foil to the Surreyside methods and un-singularly failed to improve as an actress.

### Dracula: New Victoria.

The supernatural is perhaps more effective when a little is left to the imagination, but in this film

a little too much is left to the imagination. The sequence of events is too disconnected, and it would be impossible to follow the picture intelligently without having first read the book or seen the play. Still Bela Lugosi as Count Dracula leaves nothing to be desired, save that the sharp-pointed teeth peculiar to the vampire, and so terrifying in the book, are missing. However, the film sets out to thrill, and thrill it does. The acting is good, and Helen Chandler is excellent in the difficult role of one of the Count's converts. The Count's clothing was incidentally much too fashionable for one who had been undead for so many thousands of years.

### Originality.

I am indebted for the following item to the United Artists' publicity department.

"Gerry Jr." a floppy-eared, funning-looking toy dog which makes a brief appearance in Gloria Swanson's new United Artists' singing and talking comedy, 'What A Widow!' is perhaps the season's best example of the cost of originality in motion pictures. Many producers would have used almost any sort of stuffed canine in Gerry Jr.'s few scenes. But Miss Swanson was determined that only a modernistic dog, to match the modernistic sets of 'What A Widow!' would serve the purpose. From many sketches, the producer-star evolved a composite idea of what the modernistic dog should look like. He was put together by various craftsmen. Then alterations were decided upon. His tail had to be suspended from a delicate spring, so as to wag freely. His ears were neither sufficiently limp nor large enough. Lashes of real hair over just one eye would add another touch of modernity. By the time 'Gerry Jr.' was ready for work and the bills were totalled by the auditor, it was found that the dog had cost £50, most of this being charged to labour. Produced in quantities, 'Gerry Jr.' would bring about £1. Miss Swanson's expenditures on the odd-looking pup, however, are quite in keeping with the cost of originality in other phases of the production, however. For not only are all of the more than a dozen and a half costumes she wears in 'What A Widow!' original creations, but also all her jewelry and costume accessories. And, in addition, many pieces of modern furniture, rugs and other furnishings were designed and made to order."

A little originality on the part of Hollywood in the matter of film plots would also be desirable.

### The Speckled Band: Marble Arch Pavilion.

Sherlock Holmes is at the moment enjoying quite a boom on the screen, and the story of "The Speckled Band" is particularly suitable for film purposes. After a long series of photo plays, British and Dominions have in this picture allowed liberty to the camera, instead of clamping it firmly to the studio floor, and the result is entertaining melodrama, with some particularly good photography. The picture must, however, be recommended with certain reservations to anyone old enough to remember the original Paget drawings in the "Strand Magazine," or William Gillette's impersonation at the Lyceum. Raymond Massey does not look the part, and is a little too much the squire of dames, while Athole Stewart is not quite heavy enough for the ineffable Watson. Also the modernisation of Holmes' apartments in Baker Street, complete with futuristic furniture, mechanical gadgets, and girl clerks, is a trifle impious, and will displease the true believer, who must find it incongruous to see the greatest of all Victorian detectives use a television apparatus. I also deplored some omissions; we are not shown Holmes in the act of filling his morning pipe from the overnight dottels deposited for the purpose on the mantelpiece, he neither plays the violin nor injects cocaine, and not once does he say "Marvellous, my dear Watson." All this is more than a trifle impious.

DAVID OCKHAM.

## Drama.

### Chauve-Souris: Cambridge.

The reason why life is short may be that cutting it off is the only way of stilling its insatiable desire for novelty. Whether or not, those creatures which cry least for novelty, trees and tortoises, seem to live longest. Every time I see Mr. Nikita Balieff's "Chauve-Souris" somebody tells me that it is not what it used to be. Could anything repeat the effect of the first time we met Mr. Balieff, before we learned that his delightful, childlike announcements in broken English were the result of art not of effort? Or arouse a second time the intoxication induced by seeing for the first time his gorgeously coloured stage-settings for the "Porcelains" and the gipsy or Cossack choruses? There are surprises and experiences which may trap us into the Peter Pan wish that we had not had them in order that we might have them. Not even the Fifth, Seventh, and Ninth symphonies can repeat their effect over and again; not even the clown, Grock, who possibly came nearest, among all human efforts to overcome boredom, to being as successful and welcome as Spring, with even less variation.

Mr. Balieff can no longer take me by surprise. But although I could not be exploded by the spontaneous naiveté of his broken English, nor suppose his jokes to be accidental, I could enjoy their art, and listen the more acutely. When he announces his Russian Swing scene with the information that "swinging, the most learned professors say, is the best method of reducing, provided that during your swinging, before your swinging, and after your swinging, you do not eat." I perceive that he has a firm grasp of other things besides the theatre, especially the art of medicine. Provided you take Antitox and keep up your resistance, the advertisements say, you will not catch cold.

The programme's thirteen numbers include several perfect, a few that one could wish longer, and three that should be replaced, as they are unworthy of the Chauve-Souris Theatre. Both the gipsy and the Cossack songs might be extended. The "Celebrated Popoff Porcelain," "The Knife Grinder," the "Swing," and the "Old English Engraving" belong to Balieff's theatre by nature. "The Queen of Spades," Poushkin's fantastic story, fills the period between the two intervals. Its eleven scenes, by Komisarjevsky, of whose work too little is seen, and Archangolsky's music, raise the melodramatic plot to a high artistic level. "The Queen of Spades" is spoken in English, but not, as Mr. Balieff explained, in the English manner, since it does not reverse the desirable proportion of audibility between the actors and the prompter.

The three items which do not belong to the theatre are "Blockheads in Love," "Primiavera," and "Les Amours de Jean-Pierre." Luckily the first one appears very early in the evening, and can be forgotten; unluckily the other two come at the end. "Blockheads in Love" is a conversation between two wax-figures in a barber's shop-window, verging on *double-entendre* farce. Its composition is trivial and careless, and production cannot save it. "Primiavera, an old Viennese Waltz," is too thin for its order in the programme, its movements are not varied enough, and, to mention a detail, the mauve costume is out of harmony. "Les Amours de Jean-Pierre" parodies a Parisian operatic production of sixty years ago, with an exact copy of the setting and costumes. A parody is surely not the right finale for the programme. Parodies should be brief, and very early, since they create nothing. This one, coming at the end of a programme, destroys other things in addition to romantic illusions of 1870 Paris opera. Secondly this parodying of the art of other periods has been done so nearly perfectly and creatively by Miss Angna Enters,

working alone, that there is no reason to use a stage-full of people for the job. If these cuts were made, and the programme ended on another chorus of Russian songs, it would become another Balieff creation. As it is, with its magnificent use of vivid colour, movement, and rhythm, it is one of the shows to be enjoyed before its limited run of a month comes to an end.

### Widowers' Houses: Stage Society.

Shaw is one of the persons who believe that the Stage Society, having fulfilled its function, should be decently buried. The funeral service, Shaw's "Widowers' Houses," which was also the baptism service, has been held, but the corpse is sitting up in the coffin. The members of the Society will meet about April 15 to consider its future. "Widowers' Houses" proves that Mr. J. T. Grein had a sure eye for promise when he gave it publicity. Its examination and exposure of the inhumane sources of incomes drawn by rentier humanitarians is both thin drama and thin propaganda, the latter being based on the Socialism which even the Labour Party has given up, which the I.L.P. is giving up, and which, for the Fabians, never was more than an academic theory. All the play does is to betray that at the time Shaw wrote it he was on slightly better terms with marriage, and considerably worse terms with money, than he has since become.

The production was Mr. H. K. Ayliff's, from the Malvern Festival, and was distinguished by Mr. Cedric Hardwicke's creation of Lickcheese, the uncle of Alfred Doolittle. When Shaw wrote "Widowers' Houses" he had not yet learned to postpone explanations until the second of five acts, with the result that the first of the three acts is slow, dreary, self-satisfaction, for Shaw's anxiety to be logical and naturalistic. A whole act to prepare a situation is too much. Once Cedric Hardwicke had appeared, however, the creativeness of the actor triumphed over the actor's spotism of the author, and in the last act the actor lifted the long exposure of capitalist-class morality to a highly enjoyable pitch. Barry K. Barnes did as well as possible with Trench, since Shaw does not do much for the puppets who are to be exposed. Oliver Johnson and Wilfrid Caithness were appropriately suave and brusque respectively as Cokane and Sartorius. As Blanche, Marjorie Mars over-exploited what she has probably been told is her strong point, and dashed about the stage in her rendering of petulance until one tired of following her, since one knew when and where she would jump next. The parlourmaid, acted by Miss Phyllis Shand, was in a style either appropriate to a broader production or to a larger part; and the producer ought not to have allowed her to seize a scene to the degree of making the audience almost oblivious to the presence of a central character.

### Cochran's 1931 Revue.

When Mr. Cochran decided to take off his 1931 Revue, on the ground that it is no good nursing a failure, the stars, I understand, offered to work a week without pay to give the show a chance. I anticipate that their sacrifice will not be rewarded. The revue would not be a bad one under any name but which he does not this time maintain. His "book-writers" have been deficient in invention and have forgotten some thing they knew well. Nothing in the first half of the revue is what one associates with Cochran except "City" and "Scaramouche," the former a recitative, and the latter an impression of the Commedia del Arte. The opening chorus belongs to any revue but Cochran's; since all reviews must open somehow, they may as well open in this way. The cross-talk between Clark and McCullough in "The Senators" is funny, but it belongs to a music-hall that Cochran has not drawn upon for

his revues, and which does not fit them. This first half contains too much suburbia, and the "News from Chorlton-cum-Hardy" after the "Annual Fancy Dress Ball of the Tennis Club" was like re-reading a detective-tale. In the second half, "Bright Young People," "The Half-Caste Woman," and Al Marshall, along with parts of other numbers, produced at last the impression of a Cochran revue, which had escaped from the suburbia the audience hopes to escape from by going to the revue.

Miss Ada May is well equipped for taking part in a Cochran revue. She can do many things with a high degree of technical competence. But she has certainly not the personality required by a leading lady. One recalls her as rather at the edge of the revue than at the focus. Mr. Cochran also depended too much on Clark and McCullough. These two comedians are like cheese in that a little is delightful. They were thrust into numbers where they had no right, for example "Stealing Through." Some of their humour is of that quick-witted American character which is enjoyable; most of their fun would be more appropriate to the Children's Theatre than that which caters especially for sophisticated people; for example, Clark as the baby and the satyr, and both of them in the theatre, boxing and bath scenes.

PAUL BANKS.

## Waterlow Appeal Judgment.

### THE QUESTION OF DAMAGES.

#### The Three Judgments.

##### Lord Justice Scrutton.—

A very novel and difficult question as to the amount of damages had been raised. The bank claimed the face value of the genuine notes with which they had replaced Marang notes, together with the cost of printing notes to replace the value and the cost of reprinting he (his Lordship) could not understand. Messrs. Waterlows said that, as the bank could replace the lost notes merely at the cost of printing them, the bank could not charge more than the cost of printing.

The notes of the Bank of Portugal were inconvertible. The bank was under no obligation to replace them, when printed, by anything else than their own notes. There was no evidence that the reduced amount of unissued notes in the bank occasioned any loss of profit, or that the increased amount of genuine notes actually in circulation owing to over 200,000 Marang notes being replaced by genuine notes had occasioned any loss to anyone. The bank paid out 200,000 genuine notes for nothing, but was authorised to, and did, replace them in their till at an expenditure of the cost of printing them.

"If," said his Lordship, "the bank had exhausted their note issue by this transaction and could issue no more, I could understand a claim, though I think that it would have been for loss of profit, but there is no evidence of any loss of profit, and the bank appear to have put themselves in the same position as they were before the paying of the Marang notes at a cost of £2,381, and in addition got the benefit to the credit of their currency of clearing it of Marang notes. In any case, I cannot understand how they could claim both face value and cost of reprinting. In my view, their real loss was the two costs of printing, £8,922 in all, and as £10,000 has been paid into Court they are in an unfortunate position. I regret that I cannot allow them any 'moral and intellectual damage' for the trouble and shock which the discovery of and dealing with the forgeries which Messrs. Waterlows created must have given them.

"They have also the claim against the estate of the forgers, and, with regard to that, they may be in a different position, for the forgers presumably received the face value of the notes which they put into circulation, and may be stopped from saying that such notes have only a nominal, or no, value. Messrs. Waterlows have received nothing for these notes except payment for printing them."

His Lordship added that he agreed that the bank had acted in a reasonable and businesslike way in paying off Marang notes not only up to but after December 16, 1925. He therefore thought that the bank's cross-appeal should be allowed, but the bank were not entitled to assess the damages in respect of the genuine notes which they issued against Marang notes at the face value of those notes which they had parted with, and Mr. Justice Wright's

judgment should be set aside and judgment should be entered for the bank for £8,922.

#### Lord Justice Greer.—

With regard to the second contention made on behalf of Messrs. Waterlows, it had been argued that the damages should be confined to the cost of printing notes to take the place of those with which the bank had parted in exchange for Marang notes. That argument ought not to succeed.

Paper, when manufactured, was worth what it could be sold for unless it could be immediately replaced by purchase in the market, in which case it was worth what it would cost to replace it. A manufacturer was never bound to diminish his damages by re-manufacturing the goods, using the labour, machinery, and materials which he might have used for the production of an additional quantity of similar paper for sale, merely to reproduce what he had lost by the wrongful act of a defendant. He was entitled to say: "Give me back in money the paper I have lost."

The same was true of paper which had a special value as being capable of use as money. Every 96 escudos issued by the bank in the form of paper notes in exchange for the Marang notes were worth £1 sterling, because they would buy in Portugal and by exchange, all over the world the same amount of goods as £1 sterling would buy.

The fact that it lay in the bank as part of the bank's unused, but usable, currency did not deprive it of its value. Its value to the bank depended on the fact that it could at any time be used for their business. If one had a balance of £10,000 at the bank the fact that one had no outlet for it at the time did not affect its value.

The value of currency paper, like everything else, was governed by the law of supply and demand, but the only way of ascertaining what the value was, as determined by the law of supply and demand, was to find the market value of the currency paper at the material date. It was true that the market value was not determined merely by the existing supply. It was also affected by the potential supply, that was to say, the right of the issuing bank to make further issues and the probability of their doing so. But all those considerations were reflected in the market price at the material date.

It seemed odd that the issue of 105,000,000 additional escudos on the Portuguese money market did not bring about a decline in the value of the Portuguese currency, but the exchange remained at 96 to the £1 sterling, and continued so during 1926.

Every 96 escudos issued by the bank were worth £1 when issued. They issued good notes in place of bad, and every time they issued good notes to the value of 500 escudos in place of worthless notes they lost the market value of 500 escudos. When they printed new notes to take the place of those issued in exchange they did not replace their loss. They merely supplied themselves with the potential currency which they were entitled to have if the defendants had never wronged them at all, and they came very near to exhausting their reserve of unissued escudos.

"If my purse containing £5 is stolen," said his Lordship, "I do not recoup my loss because I have an unused balance at my bank out of which I can draw by cheque another £5. The damage I have suffered is still £5, not merely the £5 I have to pay for the cheque form."

The bank's loss must be ascertained as at the time when it occurred and reckoned in English currency at that date. (The *Volturno* (37 *The Times* L.R., 969; [1921] 2 A.C., 544)). The fact that the law-making authority of Portugal in July, 1927, empowered the bank to tide over their immediate difficulties by a provisional authority to increase their issue for banking purposes by 100,000,000 escudos, to be diminished as and when they received compensation from Messrs. Waterlows and from the liquidation [of the Banco de Angola e Metropole] proceedings, had no bearing on the question what their loss was in December, 1926. The concession to the bank was comparable to a loan, to a person who had suffered a wrong, of a sum to be repaid as and when and to the extent to which that money was recovered from the wrongdoers.

The bank were entitled to £300,000 damages.

#### Lord Justice Slesser.—

Lord Justice Slesser agreed with Lord Justice Greer that the damages should be reduced to £300,000, which included the cost of printing new notes. Dealing with the argument that the issue of the notes cost the bank nothing beyond their printing, his Lordship said that it did not lie in the mouth of Messrs. Waterlows, in the absence of evidence, to deny that the notes were worth what they were said to be worth. The principle laid down in *Armory v. Delamirie* (1 Str., 505), and the many cases that followed it, established that where a person had wrongly converted property it should be presumed against him to be of the best description.

## The Hon. Sir Charles A. Parsons.

By James Golder.

### IV. THE INVENTOR.

Before the globular theory of this planet's construction became a soundly established fact, explorers were called discoverers by merely reporting accurately what they saw with the physical eye. In the domain of abstract science it is different; for here the explorer is the visionary. He sees something with the mind's eye. He devises ways and means of proving what he sees is true. Thus he becomes an inventor. He gives a concrete demonstration of the abstract quality of his faith. Parsons proved himself a sound inventor as well as a true discoverer. He made things happen which did not happen before.

He took out his first patent in 1884. In the same year his first machine was delivered. How many models had been made and scrapped before that date I do not know, but it is simple truth to say that many and varied were the arts, crafts, and devices employed before the laborious process of trial and error gave him anything like satisfaction.

The way of inventors is hard. Especially the inventor who dares to transgress established practice. Consequently his scrap heap was a fearful and wonderful by-product of his progress.

He was not the first man to take out a patent for a steam turbine. His great prototype, Watt, had time to give more than a passing thought to the energy possessed by currents of steam. He filed a patent to deal with it. But he had big ideas about its ungovernability. His sketches reveal more fear than faith, for he postulated the use of water, one might say, yoked with the steam to hold the latter in check.

This would not do for Parsons. His idea, rather, was to let the steam have a good run for its money; or, to adopt a theological expression used for another form of energy, he wanted to design a path for the steam in which it could have "free course, run and be glorified" right to the maximum of its expansive energy. This he did. Hence his earlier machines were a straight blow through, so to speak, and earned the unpleasant epithets already alluded to.

His contemporary, De Laval, held the same vision, but his invention essayed to extract the energy of velocity in a single wheel. This inevitably restricted the turbine to small powers because materials could not be found which would hold together at the speed required for reasonable efficiency.

Parsons' patents embodied designs which brought the revolutions down to figures of value for everyday use.

The genius of the Parsons master patent will probably be best visualised in the lay mind by an allusion to Niagara Falls, where water turbines have long been generating electric power. A particle of water falling over Niagara acquires a calculated velocity of about 100 feet per second. The energy of this velocity can be efficiently communicated to a single wheel turbine of quite reasonable proportions and safe dimensions.

A particle of the same water imprisoned, turned to steam, then released by jet into a region of high vacuum, will acquire a calculated velocity of 4,000 feet per second, equal to a water fall 47 miles higher than Niagara! The energy of this velocity cannot be utilized to anything like maximum efficiency in a single wheel, for the strongest steel would fly to pieces long before the necessary speed was reached.

To the Swedish inventor this was an impassable barrier. To Parsons it was a challenge. Nature's warning to trespassers. He dealt with it in much the same way as he handled the naval warning at Spithead. He made rings round it. He dashed in where others feared to tread and were unable to follow.

His method was to cut up the terrific velocity into a series of smaller velocities. This, he figured, could be done by letting the steam pressure drop gradually through a large number of wheels, instead of at one fell swoop through a single wheel. Or, returning to the Niagara picture, instead of placing one turbine wheel at the foot of the falls, he placed a series of these throughout the whole height of the falls, thus cutting it up into a number of small falls, which in the turbine he called "heat gradients."

The result was the birth of what is now known as the horizontal, parallel flow, compound reaction steam turbine,

with which an entirely new world of power engineering began.

Yet in the early days of its flesh, let it be admitted, anything less like a rival to the contemporary steam engine it would be difficult to imagine. Lifting the cover of one of the pioneer machines discloses to view something like the prickly cylinder in an old-fashioned musical box, or the barrel of a street organ.

The revolving element, out of its setting, looked like nothing so much as a mechanical road sweeping brush, with brass bristles. Each bristle was a specially formed, or stream-lined blade, some of them as fragile as the finger nail, and even a small machine contained thousands of these tiny blades built up into hundreds of separate wheels.

It is easy for wisdom, after the event, to cast stones at those older engineers who lost patience with an invention claiming to rival the giants of that day, while embodying millions of tiny blades which required to be set in position like compositor's types. Not only was this so, but each blade had to be individually handled, almost caressed and given a Christian name, for, if one of the least of these little fellows got uncomfortable he could easily wreck the whole machine.

Yet the master mind persisted against every evil report of liners possibly held up in mid-Atlantic or warships crippled on critical journeys through failures of these little blades. Thus did Parsons make big drafts upon contemporary imagination and pursue his apparent folly until shock after shock of undeniable success drove into stubborn minds ideas that could not be otherwise apprehended.

Success, however, like sunshine, brings out the adders as well as the flowers, the wasps as well as the bees. Once the principle of direct application of steam to rotary motion was demonstrated, the patent office was inundated from all arts of the compass, especially from the west, and a spate of invention began. Many thought Parsons would be swamped in this spate. There were various ways of doing the same thing, and Parsons, with such concentrated effort, could not surely have thought of everything.

While the flood lasted he was naturally jealous for his baby, and could be forgiven if he were a little suspicious of his men. Though he never himself worked for money, he knew the power of it, and, as in this realm unfortunately, he "took advice," schemes were devised for him (not by him), whereby original sin, in others, could be modified, if not wholly restrained.

When the spate was over, and the flood abated, his baby was lustier than ever. True, he got a five-year extension of his master patent; I believe by special Act of Parliament. But he had to prove three things. (a) That he had never ceased to work at it. (b) That he had made no money out of it. (c) That it was still worth while!

No wonder one of his papers makes critical allusion to the forty years' protection given to writers in the Copyright Law and the fourteen given to inventors in the Patent Law.

However, what this kind of law could not do, Nature never whose laws he knew and loved so well, did. Nature never lets her true sons down. She protected Parsons. When fools rush in where angels fear to tread, they generally come a handsome cropper. The story of Lots Road power station, London, is one of poetic, as well as pathetic, justice. Poetic for Parsons the philosopher, pathetic for the mountebank.

The whole story in detail will be told some day. An outline may be appropriate now. Parsons was invited to bid for the required power units which were fixed at a size, some four to five times larger than he had at that time built. He lost in the bidding, not, I believe, on price, but on efficiency guarantees. A rival design from overseas outbid him in this respect and was accepted. The results were deplorable. The guarantees were, to use a colloquialism, "miles out." In the end the interloper took a licence from Parsons who replaced the whole of the turbines by those of his own make.

Another effort from the same art of the compass had an equally ignominious end. Large contracts were taken for large units and wonderful guarantees given, ignoring Parsons. They failed. Parsons was called in to clear up the mudholes of the supercilious amateurs. The fourteen years of steady effort thus bore fruit in a huge crop of licences issued to wise men all over the world. The others accepted their licence in a spirit properly chastened.

Thus, though all the best brains available were concentrated on turbines in every industrial country in the world, Parsons remained first even to the last. No one surpassed him, in design, material, workmanship, or performance. No better tribute could be paid to the quality of his work, than to refer to the machines which he sent to Chicago, which is a story by itself, and no better warning could be given to future potential charlatans, contemplating interference with British genius, than to slightly vary another classic warning "Remember Lot's Road."

## LETTERS TO THE EDITOR.

### RELIGION AND SOCIAL CREDIT.

Sir,—The whole point, it seems to me, about professing Christianity is that it is and dares to be so supremely vulnerable. Of all sections of the community, it is the Christian Church which believers in Social Credit can most easily attack. International Finance is (seemingly) impregnable. There is no obvious point at which Social Credit can get in a thrust, since financial philosophy does not admit the premises upon which Social Credit is built. It is not concerned with the welfare of industry or of human beings, and granted its extremely limited sanctions, why should it be? Nor are teachers, socialists, scientists, and other "progressive" sections of the community primarily concerned with Truth, but rather "educational," "socialistic," and "scientific" truths—such is the absurd specialisation which obtains in our highly complicated industrial society. The one section which positively invites our attention does so by its own admitted loyalties and beliefs, particularly Catholic Christianity, which by its sacramental life and teaching is continually showing forth that relation between things material and spiritual which is the logical enlargement of the elementary truth upon which Social Credit itself is based. It is only fair, I think, for Major Douglas to remember this. It is also only fair to remember that Social Credit is not the only thing in the running, and Bishops are besieged by a host of reforming societies, from Wild Bird Protectors downwards, all of which consider their particular reform the one thing for which the Christian Church was obviously founded to bring about. Personally I believe Social Credit to be a vital and important piece of Christian truth, without which Christianity will largely fail to save the industrial world from disaster. But two other considerations must also be borne in mind. Firstly, the industrial situation is not of the Church's own making, having largely come into existence during a period which can only be described as Christianity's winter solstice, and when all "mediaeval restrictions" upon trade and commerce had been finally dispensed with. Secondly, it is by its claim to be founded by the Carpenter of Nazareth, the Son of God, that the Christian Church is implicated at all. Whatever we think of those claims, it is the magnitude of them which makes the Church what it is, whether we regard the Church as convenient scapegoat or the possible saviour of society.

Finally, surely readers of THE NEW AGE do not need to be told by Mr. Garber that the "masses" are ruled by "small groups of persons"? That, I should imagine, is of all things the most obvious. But if Mr. Garber thinks that the "masses" are Christians, the "small groups" not concerned with religion at all, and haven't the slightest interests in the statements of bishops or divines. One wishes they had. It would make the Social Credit job so much easier. Those who regard religion, as Mr. Garber does, as merely "a means of escape from the sordid economic realities that surround us" have got to wake up to the fact that those on whom the sordid realities most press have no ties for religion at all. No doubt they are escaping these realities somehow, but not, in spite of the theory that they should, by means of the Christian Church. MARJORY GRACE.

### FORERUNNERS OF SOCIAL CREDIT.

Sir,—It is difficult to see why Mr. Symons has selected Karl Marx as the outstanding forerunner of Social Credit. One can, of course, find some of Marx's criticisms of Capitalism in Social Credit doctrine, but these are all in the sphere of results—such as the concentration of capital—the widening gap between creditors and debtors—the increase of enforced and unpaid unemployment, the disproportionate growth of fixed capital at the expense of output. But one could find equally cogent parallels in other historical economists: in Adam Smith's criticism of Mercantilist theory; in Adam Müller's insistence against both Adam Smith and Marx that value consists not of things, but of their utility; in the Mediaeval "Just Price," in Proudhon's elementary sense that banking should be, and was not, a mere economic instrument, and I heard recently an orthodox economist identify the Douglas theory with that of John Law and dismiss it on that account.

In judging the results of existing society any economic critic could be compared in some respects to any other. It is in analysis that the crucial difference lies. Mr. Symons is interested in Marx's debt to Hegel. In truth this has nothing to do with Marx's economic theory, but is the parent of his dialectic interpretation of history, and led to the strangest paradox in the Marxian teaching—the "evolutionism" of this inspirer of revolution. It led

him to avoid coming to terms analytically with the machine and with money and the reaction between them which is the special contribution of Social Credit; and it has helped to consolidate the disastrous assumption common to both Capitalism and Socialism, that a spread of the complex of industrialism is the long but inevitable path to world order and freedom.

To come to analysis, there is an external resemblance between the "just price" of Social Credit and the Marxian theory of value. On this theory, derived from Ricardo, value is stored labour, and the difference between this value represented in prices and wages paid to the workers, is the surplus value which the capitalist puts in his pocket or uses to increase his capital. Socialism would restore the whole of it to the worker because it represents the "average socially necessary labour" expended in production. Marx refused to regard utility as a constituent of value, and never therefore faced the fact of the machine. The value of a machine is represented, not by the amount of necessary labour put into it, but by the fact that it decreases the amount of labour necessary for a particular piece of production. On this hypothesis, a bushel of wheat is more valuable when sown, threshed, and reaped by hand than when this is done by machinery, a purely producer's attitude which is shared by the whole official economic and financial world, and to which Social Credit is the answer. The economic significance of technical development is not that it concentrates labour, but that it releases natural energy.

It is true that "the just price" of Social Credit is the price of socially necessary labour. Hence prices should drop with the decrease of that labour. This is precisely what capitalist economics say does happen and what underlies their insistence on increased production per head. Of course, it does not happen and the reason is that the money equivalent of the predominant partner in production, applied science, is not squeezed out of the worker by the capitalist, but squeezed out of the community by the financier. Marx was right about the concentration of capital, but his reasons landed him in a contradiction. If "surplus value" is exploitation of the workers, the process which leads to fewer workers and more machinery should diminish the possibility of acquiring "surplus value." Nevertheless, the concentration of capital has proceeded *pari passu* with this process. It is the "wages of the machine" which are filched from the worker and the rest of the community by the accountancy which treats them as debt to financial institutions. The failure to understand both the machine and also the consequent necessity for a consumer economics is radical in Marxist theory and is much more akin to the Capitalism it attacks than to Social Credit. V. A. DEMANT.

### NATIONAL DIVIDENDS.

Sir,—I sent the following letter in reply to the issuer of a prospectus recently sent to me:

Dear Sir,

When British people devote a little more of their attention to the discovery of an Englishman as to the cause of unemployment, the disastrous condition of British industry—and the incapacity of English people to purchase any sort of goods on account of lack of funds, there will be more hope of increasing membership of your Society.

I have every sympathy with the objects outlined in your prospectus, but at present I am unable to spend, invest, or otherwise dispose of what I have not got, i.e., money.

My only aim is to spread the idea of National Dividends as described by the Social Credit Theorem of Major C. H. Douglas. When that is instituted we shall all be able to help, first ourselves and then each other. Until that happy epoch arrives, I am,

Yours sympathetically, but uselessly,

Signed: M. B. DE CASTRO.

Perhaps some of your readers may like to follow my example in similar circumstances. M. B. DE CASTRO.

### INFLATION.

Sir,—Although "R." is too cautious to attempt a definition of speculation, he is apparently prepared to accept the distinctions I attempted to make.

Far more important than the latter, however, is the fact that Mr. Darling's proposals (in spite of his association with Mr. McKenna) are really based on a "scarcity" complex. Of what use is it to break through the swaddling clothes of the scarcity theory of production if you are still to remain in the vice of the scarcity theory of credit?

To the believer in Social Credit Mr. Darling's proposals to restrict credit for financial speculation in order that more credit may be available for production appear merely as an attempt to correct some of the most obvious maladjustments of the present financial system. Under Social Credit the

problem will cease to be an active one except in a greatly modified form.

To revert for one moment to its relevance to the present system, I think it is correct to state that Mr. Darling's proposals were largely prompted by the spectacle of events in America in 1928 and 1929. His remedies are more appropriate to the American money market than to ours.

My own belief is that the method of buying on "margin," which was so general in the States, was a potent factor in increasing credit for speculative purposes. A man has \$1,000 worth of U.S. Steel stock. He obtains (from his bank or his broker) a loan of \$800 on it, and with the loan he buys \$4,000 worth of other stocks—paying 20 per cent. only. It is true that the operation has not *directly* increased the original bank credit, but owing to its effect in forcing up prices of stocks due to the inflated demand, future bank credits all over the country become progressively higher and higher.

For proof that speculation raises prices, "R." refers me to the recent history of the Lancashire cotton industry. I am sorry that he did not go into greater detail, as I am unable to locate the "proof."

It is surely necessary to distinguish between:

- (a) Inflation of stock and share prices,
- (b) Inflation of commodity prices,
- (c) Over-capitalisation—with its twin in reverse gear—rationalisation.

In anticipation of the merger recently announced, speculators in H.M.V. shares sent the price up in three months from 37s. 6d. to 55s. Will "R." explain how that has increased the cost of production?

Even an issue of bonus shares need not add a penny more to costs.

My opinion is that Social Credit is strong enough to stand alone, and that any attempt to underline it by dragging in side theories which are largely fallacious can only tend to bring it into disrepute.

G. W. HAYMAN.

## The Social Credit Movement.

Supporters of the Social Credit Movement contend that under present conditions the purchasing power in the hands of the community is chronically insufficient to buy the whole product of industry. This is because the money required to finance capital production, and created by the banks for that purpose, is regarded as borrowed from them, and, therefore, in order that it may be repaid, is charged into the price of consumers' goods. It is a vital fallacy to treat new money thus created by the banks as a repayable loan, without crediting the community, on the strength of whose resources the money was created, with the value of the resulting new capital resources. This has given rise to a defective system of national loan accountancy, resulting in the reduction of the community to a condition of perpetual scarcity, and bringing them face to face with the alternatives of widespread unemployment of men and machines, as at present, or of international complications arising from the struggle for foreign markets.

The Douglas Social Credit Proposals would remedy this defect by increasing the purchasing power in the hands of the community to an amount sufficient to provide effective demand for the whole product of industry. This, of course, cannot be done by the orthodox method of creating new money, prevalent during the war, which necessarily gives rise to the "vicious spiral" of increased currency, higher prices, higher wages, higher costs, still higher prices, and so on. The essentials of the scheme are the simultaneous creation of new money and the regulation of the price of consumers' goods at their real cost of production (as distinct from their apparent financial cost under the present system). The technique for effecting this is fully described in Major Douglas's books.

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