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# THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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## NOTES OF THE WEEK.

### Reform or Revolt.

The news of the past few weeks has been characterised by items indicative of impatience with conventional Parliamentary procedure and a disposition either to override it or to enforce its acceleration. First in France, then in Belgium, we have been shown the spectacle of stay-in strikes with "occupations" of factories, docks, and ships. Last Wednesday the farmers of England came to Town and demonstrated against the Tithe Bill, threatening that unless they got concessions they would petition the King direct. The Civil Service Clerical Association has been seeking counsel's advice on the question of the legality or otherwise of stay-in strikes organised and participated in by civil servants. Sir Oswald Mosley is seeking similar advice on the legality or otherwise of his enrolling members of His Majesty's Forces in his Fascist organisation. In Palestine the Arabs are trying direct methods for stopping the immigration of Jews and the sale of land to them.

### Militant Minority Movements.

These phenomena may be correctly and comprehensively described as Militant Minority Movements, and interpreted as a challenge to the Moderate Majority Movements on which are founded what one is accustomed to call Constitutional Government. Readers of this journal will be well aware that whenever the Money Monopoly have been in a hurry to get their interests and purposes extended or protected in legal form they have disseminated the slogan: "The Law's Delays" and have waxed eloquent on the injustice to the private citizen inherent in the leisurely, because thorough, methods of taking, testing and weighing evidence in the courts of law. Their implicit argument has been that slow justice is dear justice, and dear justice is injustice. Quite a sound argument, of course, in a situation where ninety per cent. of the subjects of the Crown cannot afford to buy anything that is dear. But, like all arguments used by the Money Monopoly, it has not embraced all the relevant facts—in this case it takes no account of the antecedent causation of the general im-

poverishment which puts the price of justice out of the reach of these who stand most in need of it. Hence we see such anomalous abuses as Lord Hewart assembled and condemned in his book *The New Despotism* (a perfect handbook for leaders of minority movements to study), such as the Minister of Health convicting and fining panel-doctors for prescribing high-priced medicines, or the Postmaster-General enforcing payments of contested telephone accounts, and ruling out evidence of their inaccuracy. These show what happens when the Money Monopolists resolve themselves into a Minority Movement. The only reason why it has not been seen as a militant movement is because our absent-minded and irresolute Parliamentarians have neither detected nor obstructed their devices in drafting laws. They have not had to take the law into their own hands: Parliament has placed it in their hands.

### Bankers' Meat the People's Poison.

Very well, if one minority movement has the right to cut out delay in this manner, so has any other. And if, as it would appear, this right rests on nothing else than the power to exercise it, then other minority movements are entitled to seek the same rights by testing their powers in the same way. All the more so when the Constitution's delays which they seek to cut out have, to a large extent, been caused by the cutting out of those of its delays which had obstructed the Money Monopoly. It is obvious that the more quickly the arch-bankers can adapt the Constitution to their purpose the more slowly can all other interests adapt it to their purposes—for the bankers' meat is the people's poison. The Constitution cannot serve God while it serves Mammon. Hence, in a fundamental sense, the militant minority movements of the people are not attacks on the Constitution; they are symbolic of a healthy popular impulse to cleanse the Constitution of all unrighteousness—to wrestle with the dark forces of Finance for the soul of the Constitution.

\* \* \*

It has been said by Constitutionalists that direct action by minorities is dangerous because it provides

the powers that be with an excuse and opportunity to convert Democratic into Autocratic government. Shock tactics against a representative Administration, it is said, will only result in the establishment of a non-representative dictatorship. On the other hand it may be pointed out that the essential difference between Democracy as it works here and Autocracy as it is seen working elsewhere, at the present time, is the difference between a hidden and an open tyranny. Again, there is much to be said for the proposition that, no matter whether the people remain peaceful or become turbulent, the Money Power will retain, or dispense with, democratic forms of government just as it suits their purpose. Supposing that a reformist group were able, by strictly constitutional methods, to cause uneasiness to the Money Power, we have no guarantee that this group would be allowed the continued use of these facilities.

\* \* \*

Naturally the Money Monopolists would not openly block a successful method of constitutional attack against them. They could secretly initiate and accredit other constitutional attacks upon themselves, thereby splitting up the electoral forces who were "against the bankers." Alternatively they could engineer unconstitutional attacks on themselves, and thereby provide themselves with a pretext for declaring a state of emergency in which the Government would restrict or prohibit constitutional methods of agitation. So, no matter whether the Social Credit Movement were to go wild or keep tame in its methods for exercising pressure it could not stop the Money Monopolists from bringing about a Dictatorship in this country if they wanted to do it.

#### Representation Under Democratic System.

There is of course a great deal of force in the contention that unless the people make use of those few freedoms still remaining to them under our democratic system of government they will be playing into the hands of would-be autocrats who would like to take them away. But when closely examined the contention is seen to be based on an undefined idea as to the implications of the word "use." Simply to use a freedom is not to defeat the would-be autocrat; you must use it in such a way as not to abuse it. Wrong use lets him in just the same as non-use. This can be illustrated by reference to the franchise.

#### Cabinet as Branch of Civil Service.

For when a candidate gets elected to Parliament he goes there, not as a majority-delegate, but as a representative of the whole electorate, majority and minority alike. That is the accepted theory underlying the British system. The Member of Parliament has to balance the interests inside his constituency so as to act justly by all; and, in counsel with other members has to balance his own complex of local interests with other complexes in other localities. In performing this duty, he and his fellow members need the advice and guidance of permanent officials whose duty it is to tell them what policies are feasible and what are not. These officials are responsible for not only the machinery of departmental administration, but the machinery of legislative procedure. They exercise their responsibilities under the supervision of the Treasury (ultimately the Bank of England). The Treasury's *recognised* function (in its public, not its private, aspect) is to co-ordinate the legislative and administrative machines—tuning them in as nearly as possible to some common rhythm of efficiency. At the same time, the Treasury's *unrecognised* function (in

its private, not its public, aspect) is to control the direction of this composite efficiency, for the simple reason that no one can assess or measure the efficiency of anything at all—man, mechanism or system—without first deciding for what this efficiency is required. This truth is briefly summed up in the appellation: "good-for-nothing" sometimes applied to persons who, if it is premised that their job in life is to do nothing, are very good at it—i.e., are highly efficient in performing inefficiencies! What is the efficiency that the Treasury (in its private aspect) wants? It was unguardedly indicated by *The Times* soon after the election of 1931 which followed the subversive eviction of the Labour Administration, when it said, in so many words, that in the future more departmental responsibilities would have to be taken by Under-Secretaries of State, because the Secretaries of State (i.e., Cabinet Ministers) would be required to devote their prime attention, irrespective of their departmental labels, to protecting the credit and the solvency of the State. In this picture the Cabinet becomes an annexe of the Bank of England presided over by the Chancellor of the Exchequer. It becomes a branch of the Civil Service, the only difference being that the "officials" who form its "staff" are not "permanent." Perhaps we should say: not yet permanent; for there is little doubt that if there should be signs of disaffection on monetary policy among potential Ministers seeking to displace those in office, the Money Monopolists would improvise a plausible reason for ending what they would now call the "danger of discontinuity of tenure of office." There are various devices by which this could be done. For one thing, as a correspondent pointed out in *THE NEW AGE* two years ago, the people have no guarantee that a general election will be held at any particular time, or even at any time at all. Again, since the caucus of each of the great Parties of the State has subscribed to the principle of a National, all-Party, i.e., non-Party Government, it has thereby subscribed to the principle of the balancing of party-interests (which reflect competing and conflicting economic interests) by reference to expert arbitration along the lines just described. So why should there be any voting at all when a majority vote cannot ensure the adoption of the winning programme, and cannot even ensure that the chief item in that programme shall receive priority attention in Parliament?

#### The Vote—"Use" and "Abuse."

This brings us round to the distinction we made just now between the use, the non-use, and the abuse, of the freedom to vote. So long as the elector votes on the traditional understanding that the elected candidate constitutes himself a cog in a system of arbitration run by the Money Monopolists, there is every reason why he will be allowed to continue in the enjoyment of his democratic freedom. But directly he seeks to make the elected candidate a delegate who will insist on the priority of a given popular demand, and the quick practical fulfilment of it, and in the teeth of the criteria of feasibility applied by permanent officialdom, and the criteria of desirability applied by the Treasury and the Bank of England, this will be regarded by the Money Monopolists as an abuse of democratic freedom. Naturally they would not immediately take such a provocative step as to abolish voting to stop the abuse, particularly because they can hire the best dialecticians and the most powerful machinery of publicity to educate the mass of the people into seeing this delegation-principle as a

abuse—and quite apart from the nature of the particular demand which delegates might stand for. They could even borrow Social-Credit material for the purpose, reminding the public that while electorates were competent to say what they wanted they were not competent to say how the something that they wanted could be obtained, or whether it was possible to obtain it. One could imagine a gentleman like Mr. Hilton on the wireless saying:

"You people are being asked to tell Members of Parliament to abandon long-established precedents of Parliamentary procedure and Departmental administration in order to enforce the enactment of something whose feasibility is disputed by every official expert trained to assess technical feasibility in judicial disregard of political partiality. Do you not see that such a universally acceptable policy as the endowment of everybody with extra purchasing power would have been adopted long ago had it been practical? Who would desire to defeat or postpone it?—not the capitalist; nor the worker; nor the banker. Every producer wants to sell more; every consumer wants to buy more; every banker wants to see trade revive. No. I will not say that the policy is too good to be true, but I will say that it is good enough to have received careful and sympathetic consideration, and that its non-adoption can only be reasonably ascribed by you to the discovery of insurmountable obstacles by trained experts. As I have told you in previous talks, discuss these technical matters as much as you wish, but be warned against lending your support to those who would act on the nonsensical theory that you only have to want a thing badly enough to make it obtainable."

What proportion of the public would be proof against this specious reasoning? Only that proportion who have taken the trouble, by study and reflection, to get an insight into the real politics of High Finance.

#### Hargrave's Strategic Plan.

Now we come upon another difficulty. If an electorate return a "delegate" in the sense defined they are really electing the organisation whose orders that delegate is going to obey. Will many electors stand for that? We have only one line of guidance, and that comes from Townend's fight for South Leeds in the last election. Electors who went to his meetings had the novel experience of hearing him pledge himself to act on the instructions of the leader of the Social Credit Party of Great Britain, John Hargrave. Townend was to vote or not to vote—ask questions—comport himself in the House or on Committees—attend the House or absent himself—and, lastly, to hold or resign his seat—all at the bidding of John Hargrave. Thus South Leeds was offered the unique opportunity of electing not only a Member of Parliament but also a Chief Whip. There was something audacious about this, for it meant that if Townend had got a majority he would have made Hargrave the interpreter of that majority's wishes during his (Townend's) tenure of his seat. They would be powerless to call on Townend to resign if Hargrave told him to hold on; and powerless to prevent his resigning if Hargrave called him out. *Per contra* that audacity was mitigated by the fact that under this contractual arrangement Hargrave might precipitate a by-election, and by so doing would have to solicit for himself as well as for the Social Credit Party candidate (whether the same person or another) a renewal of the electors' confidence.

On what grounds did Hargrave seek their confidence on those terms? On grounds connected with policy, technique and strategy. The policy of the Social Credit Party was clearly stated, to wit, The National Dividend. "Do I want it or do I not" was all that concerned the voter. But if the voter wanted to concern himself with deeper matters, he was accommodated by the Party's promulgation of the principles of (a) the creation of new credit at the instance of (b) the Government, accompanied by (c) the regulation of prices. These constituted a trinity of guarantees that the Dividend demanded would effectually serve the purpose for which it was intended—that it would be additional income carrying additional purchasing-power over an additional quantity of consumable goods. It mattered nothing that only a few voters might understand why these principles constituted guarantees: but it mattered a great deal that they were publicly registered; firstly, because they gave an impression to the uninstructed majority of the electorate that the Social Credit Party had some technical knowledge of how the Dividend system was to be worked; and secondly because, to the instructed minority, they committed the Party to a definite and effective plan to prevent (or at least make difficult) the offer of spurious imitations of the Dividend idea. Then, as regards the "Chief Whip" business, there was a good reason why the Party should control the Member above the heads of the electorate, and this was because his election would have created a new problem of strategy, namely, how best to navigate a one-man Party about the House through the currents of apathetic irresponsibility which have degraded Parliament into a Club for dialectical exhibitionists.

#### Social-Credit Action in Parliament.

An illustration of the nature of the problem was afforded after the last election, when a new kind of member appeared in the person of Mr. A. P. Herbert, one of *Punch's* humorists. He had not been attending the House for more than a fortnight when he wrote an article describing, in a mood of deep reverence, how there was a "something" about the House—whether its traditions, its rituals, or what not—which got you down. It was written in just that style of veneration which would, in other circumstances, afford him an occasion for exercising his ironic wit at the expense of the writer. But no. He had found out that Parliament was not a thing to be laughed at or joked about; and he presumably said so in order to warn the many admirers of his peculiar literary gifts that they must not expect him to entertain them at the expense of the House of which he has the honour of claiming membership. Well, we do not deride the propensity for veneration. We can venerate an eight-hundred-a-year-old oak-tree for example, or the Church in the Temple, which survived the Great Fire of London. Both these objects of veneration are what they were—the same yesterday, to-day, and (one wishes) for ever. Let Mr. Herbert be as solemn as he likes about the architecture of the House which holds him, but not about the architecture of the brainpieces which now hold forth in it. We are the last to advocate wanton outrages against the customs of the House, but it should be remembered that many of these serve only to remind us of glories departed, of a time when real people with real power spoke with real effect on matters of which they had real understanding. Render unto the Structure the things which are the Structure's, but unto the Front-Benchers the

things that are theirs. Christ could venerate the Temple without venerating the money-changers.

#### Indiscriminate Veneration\*

This brings us to our point, which is that if and when an authentic Social Credit member arrives in the House he must beware of that "something" which "gets you down," for in all probability when analysed it will prove to be something which he is there to fetch down—something to surmount, not to be submerged by. The best guarantee that he can have is to place himself under the direction of someone outside whose judgment is not exposed to the influences which proceed from Parliamentary environments and associations. He is there to influence, not to be influenced. He sits in a House where experimental knowledge once went with inherent and full power, but where to-day hearsay knowledge goes with delegated and restricted power, and where, moreover, no one seems aware of the change. The Prime Minister is the Prime Minister notwithstanding that in the place of Disraeli stands Baldwin—in the place of the Minister who could order the Governor of the Bank of England to produce the cash for the Suez-Canal shares on pain of losing his Charter stands the Minister who insultingly told the late Primate of All England in so many words that his views on the monetary policy of the Bank were superfluous and improper, and who, more recently, handed Newfoundland over to be virtually run by the Bank in the interests of the Money Monopoly.

\* \* \*

So the Social-Credit Member is best served if he is, as it were, lowered into Parliament like a diver who can be fed with air and messages, and can be hauled up if he springs a leak or loses his way. And this is a rough picture of the delegation-principle which Hargrave proposed to apply in South Leeds, and to which Townend assented. The significance of the vote polled by Townend has to be assessed against this background as well as against the background of the policy that he stood for. Whether he would have gained a greater or less number of votes on the orthodox basis of responsible representation instead of heterodox dictated delegation is a question that cannot be satisfactorily answered. What can be said is that there were 3,642 electors who by endorsing Townend's candidature with their votes showed themselves tolerant, to say the least, of the heterodox idea.

#### Hargrave and the Secretariat.

It will be noted that Hargrave and Townend were applying the logic underlying the "electoral campaign" which requires candidates for Parliament to act continuously in conformity with the wishes of his constituents. It will be remembered that Townend's candidature nevertheless failed to receive the official endorsement of the Social Credit Secretariat, whereas in the two contests in Bradford and Birmingham the Social Credit candidates received the official endorsement without giving any undertaking of the kind that Townend gave. This anomaly has been partly explained by subsequent evidence that the Social Credit Secretariat's attitude of disfavour towards the Social Credit Party's candidate was founded on the mistaken assumption that the Party's policy was to try to get a *Social Credit Party* majority into the House. Quite recently Hargrave cleared up this misunderstanding, and in the process of doing so has shown that he is in agreement with the fundamental basis of the Secretariat's policy, which is

to detach the candidate's allegiance from the orthodox experts serving the banking hierarchy and attach it to unorthodox experts serving the true interests of the people. The only difference between the two arises out of the question of how far it is feasible within a short time to get electors to impose this obligation on a majority of candidates belonging to the established Parties and dependent on Party Funds for their contests, which is the task which the Secretariat have set their "campaigners."

\* \* \*

If the Secretariat would publish in their official organ the aggregate figures of pledges collected (say the cumulative totals for the country month by month) that would go far towards settling the question. On inquiry recently we were informed by the Southampton Group-Secretary that the terms of affiliation of groups with the Secretariat prohibit them from disclosing figures relating to their pledge-collection. So we are forced to fall back on unofficial reports. These coincide with antecedent probability, and indicate that if the Social Credit Movement secure any representation at all in the House it will be a small minority there. Therefore, it would seem that Hargrave's policy of planning Parliamentary strategy on the basis of a small minority is the correct one, and will remain so unless some unlooked-for external event forces the House to take up the Social-Credit position.

#### Back-Benchers and Rules of Procedure.

This raises the question of what is implied by the Secretariat's requirement that Members of Parliament shall pledge themselves to insist on the Dividend-policy being given priority over all other legislation in the House. Obviously it implies a challenge to the precedents governing the rules of procedure in the House. Hitherto, it has been the prerogative of the Cabinet to say what shall be debated, and how much time shall be devoted to the selected measures; and it has been the prerogative of the Speaker to say who shall take part in the debate. The challenge would mean that these prerogatives of initiation and participation should pass over from the Front-Bench to the Back-Benches. Now, if one postulates a Social-Credit majority occupying the latter Benches, one can see the possibility of this being done in conformity with the fundamental doctrine of the democratic system, namely that majorities are right. But if one postulates a minority, this principle applies the other way, and the challenge could be interpreted by the Cabinet as an attack on the democratic system. An attack which could, of course, be defeated in a division lobby if it went so far as to be embodied in a motion.

#### Stay-In Strike of M.P.'s?

What could the minority do then? Well, it might resolve itself into a body of stay-in strikers, symbolically "occupying" the House and holding up the business of the House until physically removed from the House. By doing so it might cause a process of disaffection to be set up within the ranks of the majority, much in the same way that the workers' revolt in Marseilles stimulated Civil Servants in Woolwich and elsewhere to flirt with the same idea. Its success would largely depend upon its choice of the right occasions to justify this sort of thing, and of the right arguments to justify its behaviour to other members of the House and to the public outside. It could absolutely depend on one thing—*Publicity*: for it would create a news-story of the "sensational" type that the Press falls in love

with at first sight. Now, supposing a minority were to adopt this policy, they might conceivably plan out their strategy of act and speech without guidance from outside. It would depend chiefly on how many members composed the minority. If, however, there were very few—perhaps only two or three—they would not only need, but would desire, to implement the strategy laid down by the organisation outside which stood for their common objective. Naturally they would not wish to do things on their own initiative which might impair the force with which the leaders of their organisation could explain and justify the action taken. Hence, in the case of the Social Credit Party, both logic and expediency point to the correctness of Hargrave's initial policy of openly and effectively putting candidates in leading-strings.

#### Plea for Constructive Unity.

Both the Secretariat and the Social Credit Party are at one in insisting that (a) Results should be demanded by electors, (b) there is only a short time in which to get them. The Secretariat has stated that the electoral campaign is just as useful between elections as at elections. This means that it is part of the official policy to pledge sitting Members to stand for Social Credit. It is also part of the policy of the Social Credit Party. And if the Secretariat founds its policy on the expectation that its pledged Members will be able to act effectively before they constitute a majority in the House, then again it is contemplating some strategy coincident, or at least reconcilable, with that which Hargrave and the Social Credit Party have in mind. For these reasons it would seem that the leaders of both organisations should be working together in close consultation.

#### The Films.

"The Prisoner of Shark Island." Directed by John Ford. Regal.

"Fury." Directed by Fritz Lang. Regal.  
It is something of a coincidence that two films that are simultaneously having their first English presentation should have in common the theme of mass hysteria and sadism clamouring for the blood of a man who is not only innocent of the crime of which he is accused, but is not given even the semblance of a fair trial.

The Regal picture deals with the historic case of Dr. Samuel Alexander Mudd, who was found guilty by a court martial of complicity in the assassination of Lincoln, sentenced to life imprisonment in the American equivalent of Devil's Island, and subsequently vindicated. This is a grim and moving film, admirably directed and edited, and shot through with the reality so rarely present in the cinema. Warner Baxter, usually condemned to nothing but back-stage rôles, is unexpectedly good as Dr. Mudd, but he and all the other players are overshadowed by John Carradine, whose sadistic Sergeant Rankin is a masterpiece of virtuosity.

"Fury" is Fritz Lang's first American picture. So far from having gone Hollywood—an ever-present possibility—this great director has never done anything better. While in "Shark Island" a nation is demanding vengeance, we have here a number of sharply-differentiated individual residents of a small town determined to lynch an innocent man who has been detained as a possible member of a gang of kidnapers. Thereafter, the story develops with immense drama and unusual originality. Lang's direction is superb, and the production unites all that is best in the German cinema with the slickness and efficiency in which the American studios excel. I can recall few films containing so many clever and subtle touches, such as the rows of empty seats indicating the popular excitement that has necessitated the clearing of the court, and the stealing and eating of a "hot dog" by an enraptured onlooker as the crowd burn down the gaol in which their victim is confined. The acting is admirable throughout, but this is Lang's film—and one of the films of the year.  
DAVID OCKHAM.

#### Entropy and Social Dynamics

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

V.

A doubt has been expressed from a kindly quarter wherein I know the wish is not its father, that I will fail in these writings to get the idea of Entropy across into the minds of my readers. Though this does not discourage me, it warns me. I dislike being a bore. I would hate to be guilty of wasting the very thing I am seeking to conserve and trying to explain, viz., intellectual energy; or, worse still, I would be sorry to close these columns to what might be considered more useful material for advancing our cause.

I will therefore copy the method Ruskin adopted in his "Unto this last," by stating in this article the conclusion of the whole matter before continuing with detailed elucidations. Readers will thus be able to judge whether it is worth their individual while to make the effort necessary to comprehend what we are driving at and its use value to them.

In the badly adjusted Social arrangements which are visible now in all civilised society, power is conserved and concentrated in the group, the company, the institution, the county, the country, the nation, the empire, the league, *never the person!* This state of things (no matter how much suitability or goodness can be placed to its credit in the past) must now be changed, and changed so radically as to require reversal; *because* up-to-date knowledge, allied with instinct, intuition, reason, and the inspiration derived from racial experience (remote and recent) proves beyond all peradventure that extant Authority and Authorities administering Law on these principles is guilty of inverting a natural order, therefore of contradicting nature's laws.

If this transfer of power from the group centre to the individual centre is to be accomplished with the minimum of shock to society, and the extreme minimum of human waste, no effort can be too great which the individual exerts to prepare himself for the duties and responsibilities to come. It will be "the wrath to come," or the wealth to come, just according to the way exalted individuals prepare themselves to act from their key positions of place and power in the community.

The existence of the line of entropy and its attendant principles of available energy is an *assurance* to the individual of any species that he was not made in vain; and to the human individual that he was not made to die. Tennyson utters a profound truth in these words about a man, "He thinks he was not made to die, and Thou hast made him, Thou art just." Men need not die; for life alone is natural, death being accidental.

This thermo-dynamic value of entropy is a guide to the fulfilment of a something inherent in the race; a promise, so to put it, which has kept hope springing "eternal in the human breast." But Pope's second line sarcastic to that expression\* can now be written, "Man now is, and always will be blest." The premiums on this assurance were paid by our ancestors. Endorsed on the policy is our cultural heritage—maximum available energy on the perpendicular of individual entropy.

This policy became a claim in 1918 when Douglas discredited existing financial formulae by proving them to be false† reflections of the natural facts. The people of these islands through whom this power age has come to

\* "Hope springs eternal in the human breast, Man never is, but always to be blest."

† I consider distorted synonymous with false.

be, still wait, while the overwriters and the underwriters hesitate between meeting the claim and bilking it.

Now a working knowledge of the principles of this law (active amid frontier phenomena) confers three important gifts upon the individual human who will apply and rely on them in working out his own salvation as a power unit in a system of Social Dynamics.

These three gifts are as follows:—

- (1) It gives substance and tangibility to a theoretically perfect and calculable objective ideal.
- (2) It leaves him in no doubt as to the direction of that ideal.
- (3) It gives him a true balance of power and proportion in pursuit of it.

And that is all there is to it!

If any man thinks that *all* is but little, and still vague, let him consider what more a responsible navigator can expect if he is to remain responsible. Here is specific destination direction and supply. A man's skull and skin together represent the capital content and physical frontiers of his only eminent domain. The present generation of elderly men are now faced with an ultimate analysis. A last judgment, one in which money is but a measure. And being a false measure, has no advocate. Skin alone is valuable, and natural Law (not arbitrary caprice) can be relied on to render it invulnerable.

It should be borne in mind that we are investigating the proposition that the power age now upon this generation has been visualised by living men on this planet before us. Also that the annals of the race contain words which enshrine the principles of the power age in tropes, cryptograms, parables, metaphors, and miracles. Further, that these annals include a drama depicting the author of those words submitting himself to his contemporaries as an optical illustration to test the contradictions, but widely prevalent ideal, that nature's *apparent*\* errors can be corrected by committing the *real* error of wasting and destroying Nature's ultimate product—the man himself—the primary end for which all nature strives. Nature does not strive to destroy human nature. Nature strives to avoid the waste of human nature, of which blood is simultaneously the vehicle, the price and the cost. The entropy line of this, the working substance of the human being, is at once the index of the power available to use, and a measure of the proportion that dare not be wasted. It is inverted law which destroys human nature by mimicry and fear, the antithesis of design and faith.

Unquestionably the universe is friendly. But it is not flat! Galileo presented an idea to the intellectual professions of his day which involved the concept of a third dimension. His powerful contemporaries could not make the effort. Mercator has projected the earth's spherical surface on a map. Men are thereby enabled to accurately explore its area and extent. In like manner Molière and others have depicted on a "map" the fundamental energy equation† which enables men to explore earth's working substances and accurately measure the limits of their use value. On this kind of chart the isentropic line corresponds to the longitude line on Mercator's chart and indicates the

\* e.g., Every energy transformation, conversion, or exchange involves a loss. This fact looks like an error, because the result of the operation is a definite human gain.

† PV equals CT.

energy available for every variety of working substance and every difference of potential or state.

Contemplating such a diagram, specially one depicting the whole range from maximum to minimum, and remembering what has been done in the way of power generation by its aid, it is both appropriate and topical to quote what the Ethiopian said to one of the first Christians, "See here is water,‡ what doth hinder us to be baptised?" The answer, Editor permitting, will be forthcoming in another article.

(To be continued.)

### The Waterlow Case.

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

##### IV.

Lord ATKIN: You are putting arguments before us which I am quite sure you seriously think are of some weight. As a matter of fact, commercially, those transactions you have been mentioning are precisely equivalent to issuing new notes, because the Bank is assuming a new liability for the old bad notes; it is exactly the same as if they issued a new set; I quite agree; it is *idem per idem*. You do not advance your case further by saying that. What would happen would be there would then be a number of notes upon which the Bank would be under precisely the same obligation as if it issued a new note, and its damage by taking that course would, to my mind, be precisely the same, because those bad notes so endorsed would then have the obligation of the Bank endorsed upon them, and they would be taken in payment of debts, and so forth, and they would be treated as though they were new notes and the Bank would have to enter the record in their books of notes in circulation, its liability on notes in circulation, and so forth.

Mr. GAVIN SIMONDS: Let me leave out any record as the test that has to be made. Let me say I very respectfully concur with everything your Lordship has said, and I am really only insisting, if I may say so, upon this conclusion, that there is nothing here to be considered in the way this case has been framed, except the measure of the enhanced liability. If I make that point good, that is the first step.

Lord RUSSELL: It seems to me there is no difference between you and the other side up to that point, and it is only that they say the measure of liability is the face value of the note.

Lord ATKIN: That is all.

Lord MACMILLAN: I do not want to retard your argument at all, but may I put an aspect of the matter to you: A Bank of issue which is also like the Bank of Portugal, an ordinary banking corporation, has two aspects of its activities; no doubt it manages the currency, as you quite properly say, and has a responsibility *vis-a-vis* both the Government and the people in that respect; but it is also concerned with capital and share holdings, carrying on business. Now once a note is issued by the Issue Department and is introduced into the currency, it then becomes part of the ordinary currency of Portugal and is legal tender, and it is legal tender in connection with the Bank officials, just as it is *vis-a-vis* any ordinary trader in the market.

Mr. GAVIN SIMONDS: Yes.

Lord MACMILLAN: Exactly the same; consequently the Bank would be bound if the holder of say 100,000 of these Escudo notes had gone to the counter and said: My overdraft is 100,000 Escudos at the present moment; here are 100,000 Escudos in Marang notes, putting the transaction perfectly candidly, you have offered to take these

‡ The element of energy and symbol of life.

I shall be obliged by your taking them as legal tender, which you now admit they are, in payment of my debt to you. They would be bound to take them and discharge the debt for 100,000 Escudos. In those circumstances having accepted them, as they were bound to do as legal tender, would not they have honoured them at their face value and suffered a loss exactly equivalent to their face value?

Mr. GAVIN SIMONDS: With great respect, no.

Lord MACMILLAN: I do not understand how, in your view, a Bank of issue can value its assets; they treat it as on the Asset side of their balance sheet, and it is all expressed in terms of Escudos, but you say in the hands of the Bank the Escudo has no value at all.

Mr. GAVIN SIMONDS: That may be, my Lord. I will come, if I may, at a later stage to that.

Lord MACMILLAN: I wanted to put that conception to you; it is really a conception of the two aspects of the Bank; it performs the function of a Bank of issue, as you express the effect of it, but, on the other hand, you have to remember that it is itself a member of the community, with assets and liabilities, and is bound itself to accept legal tender offered to it.

Mr. GAVIN SIMONDS: Yes, my Lord.

Lord MACMILLAN: That aspect of it is, I think, important.

Mr. GAVIN SIMONDS: Your Lordship appreciates that in the case put of the gentleman who came with his Marang notes to discharge a debt, all that the Bank has to do if it does not want to issue those Marang notes which it so obtains, is to print 100,000 new notes; at what cost? It is the same question over again; there is no loss of business; it is exactly the same point.

The LORD CHANCELLOR: You are not quite carrying me with you in your last observation. Will you tell me what you think of the last three lines on page 136 of the second Volume? "So soon as you increase your circulation by one pound, you have one pound more to pay to the holders and one pound less to give to the shareholders"; Is it right to say that, or wrong?

Mr. GAVIN SIMONDS: May I read the whole of it, my Lord?

The LORD CHANCELLOR: Yes, do.

Lord RUSSELL: This is the liquidation point?

The LORD CHANCELLOR: You said just the opposite, I thought, just now.

Mr. GAVIN SIMONDS: But, my Lord, that wholly ignores the differentia which I am putting to your Lordships, that, by the issue of notes you diminish the purchasing power of the note. I gave your Lordship the example of the pound sterling backing for the Escudos; this is fundamental.

Lord ATKIN: You are assuming inconvertibility?

Mr. GAVIN SIMONDS: Yes, of course, my Lord. I make it quite clear that all my argument is based upon inconvertibility.

Lord RUSSELL: Your short answer here is, that the moment you increase your circulation by one pound you *pro tanto* increase the value of your assets.

Mr. GAVIN SIMONDS: Yes, my Lord, you do. Lord RUSSELL: You increase the value of your assets in terms of Escudos.

Mr. GAVIN SIMONDS: Yes, my Lord, in terms of Escudos, and your liabilities are in Escudos. You can find an example of this, while I am on this, from the Bank's own accounts. We know that the Marang and the illicit issue amounted in December to 1,824 millions and we know from the evidence that the exchange value was then 96. Now we know from the balance sheet which has been put in that in 1929 the notes issued were 2,045 millions and the rate of exchange was 108, and the two things are

the same, 2,045 millions over 108 and 1,824 millions over 96 is the same.

Lord ATKIN: Do you say the ratio is the same with regard to the foreign exchange?

Mr. GAVIN SIMONDS: No, not quite in that way. I want to say what it is that determines the value of the Escudo note in relation to the foreign exchange. The proposition I have put before your Lordships that the issue of Escudos does not mean an increase of liability, is made manifest from these very figures. The theoretical proposition which I stated in its proper terms of 500,000 Escudos and £50,000 is substantiated by the only evidence your Lordships have before you.

Now, my Lords, I have reached the stage in my argument at which I have submitted that the only test here is the measure of the liability which the Bank have assumed by issuing these new notes, and I will not repeat that more than I need, if that is accepted.

Lord MACMILLAN: Is not this the liability, that it will accept these illicitly issued Escudo notes in full discharge of their face value for any debts that may be owing to the Bank?

Mr. GAVIN SIMONDS: Yes.

Lord ATKIN: If it was that merely, then if as a matter of fact anybody had agreed to buy bullion from the Bank, gold, not notes or paper but gold, the holder of these new notes issued, or the Marang notes if they had been endorsed, could come to the Bank and say: I perform my obligation by handing to you these notes; hand me over £5-worth of gold for this 500-Escudo note I hand you.

Mr. GAVIN SIMONDS: Yes; then the bank instead of having the gold would have the notes which it had received at a certain rate of exchange and if it wanted the bullion back instead of the notes, it could buy the bullion from somebody else, and the position is exactly the same; there is no distinction, my Lord, just as where there were notes in circulation which the Bank did not know were bad, the Marang notes, which went in and out, and the Bank went on with its business; exactly the same thing happened; instead of the Marang notes being bad they are good and you get exactly the same process. The Bank goes on with its business of discounting, bills, buying exchange, granting loans and so on, it does not make any difference except this, that there were 200,000 notes extant and the currency of Portugal has been inflated to the detriment of every member of the public who held Escudo notes and to the advantage of every member of the public who had wealth measured in terms of Escudos.

Mr. STUART BEVAN: There was no inflation for three years, it was 96 for three years.

Mr. GAVIN SIMONDS: Let me test it in this way, the Bank as I have said goes on with its business, issuing loans to the Government, exchanging good notes for bad, discounting bills and so on. Imagine somebody coming to the Bank owing 2,500 Escudos to the Bank to pay off his loan. It does not make any difference to the Bank how the notes which he produces for the payment off have originally been issued, one note may have been issued on Government account, another note may have been issued for the purpose of discounting a bill, a third note may have been issued in exchange for a bad note, and a fourth note may have been merely issued as a clean note in exchange for a dirty note, it does not matter, they are simply notes of the Bank which are in circulation, and looking at the totality of it the result, as I have said, is nothing more than this, that there are 200,000 more of them in circulation which the Bank has to honour, that is all; whichever way you look at it you always come back to that.

Now, my Lords, I would in regard to that part of the case venture to call your Lordships' attention

again to Lord Justice Scrutton's judgment. Your Lordships I am sure will be indulgent when I say this, that I had intended in my opening speech to refer back to it. I do submit it is a masterly analysis of the facts from this angle, but I forgot to do it, and it was not until my learned friend, Mr. Stuart Bevan, recalled your Lordships' attention to it that I was reminded of what I had failed to do. Lord Justice Scrutton deals with this part of the case at page 134 under D, he says: "This raises a very novel and, in my opinion, a very difficult question as to the measure and amount of damages. The Bank bases its claim substantially on the fact, that, having presented to it 209,718 Marang notes, it replaced them by genuine notes, the face value of which, turned into sterling at the rate of exchange from London to Lisbon is £1,092,281, and it claims that amount plus the cost of reprinting notes to replace genuine notes paid out which is £6,541. How it can get both face value and cost of reprinting, I cannot understand. The Defendants say that as the Bank can replace its lost notes at merely the cost of printing them, it cannot charge more than the cost of printing."

Lord RUSSELL: I do not know that I understand that sentence at F, it says "lost notes," what does the learned Lord Justice mean?

Mr. GAVIN SIMONDS: I think it is only a compendious way of referring to the good for bad notes. What he means is the cost of issuing good notes for bad.

Lord RUSSELL: This is the 209,000?

Mr. GAVIN SIMONDS: Yes, my Lord. That is how I read it. I think that is what it does mean: "The notes of the Bank of Portugal the only Bank of Issue in Portugal, are at present inconvertible, that is to say, the Bank is under no obligation to replace them when presented by anything else than its own notes. The Judge finds, and I agree with him, that the prospect of the notes ever becoming convertible with gold is so remote that it may be disregarded." My Lord does not take into consideration, I venture to suggest it is a negligible consideration, that there may at some time or other be some other currency introduced. I do not think I need read the next lines with which your Lordships are very familiar, but I can go to between C and D on page 135: "There is no evidence that the second liberty to increase circulation occasioned any further liability to deposit a gold backing. There is 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 200,000 Marang notes being replaced by genuine notes, occasioned any loss to anybody. The Bank paid out 200,000 genuine notes for nothing; but was authorised to, and did replace them in its till at an expenditure of the cost of printing them."

Lord RUSSELL: Now is that the right way to put it: "Replacing them in the till"; I am troubled about that. It really is that the liability incurred by the replacement of notes is not assessable in damages.

Mr. GAVIN SIMONDS: What that means is this, I think he has first dealt with the liability by implication rather than expressly, he disregards the gold liability and treats any other liability as not worth consideration; that is how I read it. I think with respect, that is what the learned Lord Justice means: he disposes of the question of gold liability as your Lordship sees on page 134 G, and then he says: Well, what is the cost? That is the cost of printing.

(To be continued.)

#### 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,—I submit that an examination of Mr. Coleman's own interpretation of Social Credit must be postponed in favour of immediate consideration of his first paragraph in his letter of June 25. It reads: "Mr. Franklin is making something of a mountain out of a molehill over this question of whether the prime cost of capital assets enters into prices, because it matters very little whether it does or not (my italics)."

A Social Creditor to whom I showed this exclaimed: "But Mr. Coleman is denying the importance of the foundation of our case. That is Douglas's case." Most assuredly he was right.

I think I have never met a Social Creditor, with even a smattering of technical understanding of his case, who does not put forward the argument with an air of triumphant finality. Mr. Coleman himself has recently been brought to a realisation of the fallacy of this stock argument, though he has himself used it in the past, and so he now desires to minimise its importance. But it is the very core of Douglas's case. I would undertake instantly to produce one hundred passages from his works and those of his disciples proving this. But, in order to save your space, I must content myself with one or two quotations from the fountain-head, though, of course, you yourself, Mr. Editor, have consistently upheld this view.

In the debate with Mr. Hawtrey, Douglas postulated £50 being saved and invested in new capital goods. He then said: "Eventually that £50 has to be recovered from the public." Later he took another example where a shoe factory is bought out of £1,000 saved. He then said: "Now the people who use that house for making boots and shoes charged, in one form or another, that £1,000 into the price of the shoes, because they said they had paid £1,000 for it." He emphasises that consumers had not either the £50 or the £1,000. In that he was right; his mistake was in supposing that they had to have it. It is quite untrue that investors must recover the value of their investment from consumers. If the point is really a molehill, then Douglas has made it into a mountain.

Moreover, it was upon this misconception that the price factor formula was constructed. In "Credit-Power and Democracy" (page 56) we read that if "only maintenance, depreciation, and obsolescence of intermediate products were charged against ultimate products . . . prices would be less than costs by the ratio that capital would bear to consumption." If this does not mean that fixed capital values must be deducted from charges for consumable goods in order to arrive at the just price, then I should like to know what it does mean. To Mr. Hawtrey, Douglas said that his free incomes "would represent the increase of capital production." Put shortly, the idea is to monetise the nation's capital assets on the mistaken assumption that they appear in prices against consumers.

Mr. Keynes in his latest book is exactly right when he says that Douglas reaches his erroneous conclusions "with clarity and consistency and by easy logic, but on hypotheses inappropriate to the fact." His main hypothesis, I submit, is this one we have been considering. Nine-tenths of Douglas Social Credit proceeds quite logically and consistently upon that first false premise.—Yours, etc.,

J. A. FRANKLIN.

Palace Court, Westover Road, Bournemouth.  
June 25, 1936.

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