

THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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CONTENTS.

	PAGE		PAGE
NOTES OF THE WEEK	77	DOUGLAS ON REPRESENTATION	81
Alberta's "prosperity certificates"—scheme described—parallel of the Waterlow case and the Marang notes—accumulation of "foreign exchange"—distinction between Aberhart's and Douglas's methods—political implications of Aberhart's policy—digression on "social dynamics" in relation to phrenology—Orage's prescription of a "rude physical shock" to society—the inevitability of progress towards Social Credit. Developments in New Zealand— <i>Daily Telegraph's</i> "Supplement" on that Dominion.—the <i>Midland Bank Review's</i> forecast of new basis for loans to Dominions—"equity shares." Oldham Corporation ordered to restore reserves by Mr. Justice Bennett—whose reserves?		Reprinted from <i>The Social Credit Review of East Africa</i> from an article by Douglas in <i>THE NEW AGE</i> , of April 20, 1921.	
		ENTROPY AND SOCIAL DYNAMICS. VII. By James Golder	82
		MOVEMENT NOTES	82
		THE WATERLOW CASE. VI.	83
		Continuation of Mr. Gavin Simonds's concluding arguments in the House of Lords.	
		THE FILMS. By David Ockham	83
		<i>Janosik. Living Dangerously.</i>	
		CORRESPONDENCE	84
		John Hargrave, Hilderic Cousens, J. A. Macnab ("British Union of Fascists and National Socialists"), John Grimm.	

NOTES OF THE WEEK.

Alberta's Monetary Experiment.

Mr. Aberhart has recently adopted a modified form of Silvio Gesell's proposal, which was to issue currency intended to stimulate consumption, and induce the holders to spend it by taxing them if they didn't. Mr. Aberhart's policy has taken the form of issuing Bonds which he intends shall be used in the same way as currency and bank-credit. Recipients who do not spend their Bonds will be obliged to buy stamps to maintain their validity at full token-purchasing-power. Such obligation will recur periodically, so that a holder who hoarded his Bond long enough would ultimately find that he had bought it; or, in other words, had been taxed on account of it to its full face value. The Bonds are not being distributed gratuitously; they are being paid as subventions towards salaries and wages, official and otherwise.

Threatened Resistance.

The latest news at the time of writing is that the Canadian Bankers' Association have decided to refuse recognition of the Bonds as valid deposits. This means, of course, that industrialists will be unable to accept them as valid payment for goods or services; and in fact the retailers' associations in Alberta are reported to have given notice to that effect. This creates for Mr. Aberhart the problem of deciding whether to break down their resistance, and if so how to do so. Theoretically he could pass legislation imposing penalties on persons—consumers, producers, and bankers alike—who refused to accept the Bonds in the way intended. But the public in Alberta would not stand for the punishment of persons for refusing to supply real wealth for worthless paper. The penalties would have to be levied in the first instance on those persons who were making that paper worthless, namely, the bankers. But what bankers? Not those operating in Alberta, for they could enter a defence of helplessness on the same grounds as could manufacturers and retailers, showing that they were between the Devil of internal Civil Law and the Deep Sea of external Financial Law. The culprits are outside

Alberta, and a long way outside—as far as Ottawa, not to speak of London, much less Basle. Mr. Aberhart's writ can only run in the Province, where its execution would be seen to be unjust. It cannot run outside the Province where its execution would be just.

Even the British Government, with the powers they wielded during the Great War, were unable to force producers to continue to do business unprofitably. When they started to regulate prices they had to be careful not to scale them down too drastically as a whole, nor too unevenly as between one article and another; otherwise producers would have ceased producing, or, alternatively, abandoned some types of production for others irrespective of the requirements of the Government and the people. And remember, this was at a time when British banking opinion and co-operation were on the side of the Government. For the Government had obvious reasons for not wanting to pay inflated prices for supplies, while the banks had equally obvious reasons for checking the processes of inflation generally. From this it will be realised how impotent must be the Premier of a small Province to carry out any plan which affronts the banking community and at the same time imposes risks and even certain loss on business enterprises.

Aberhart and Marang.

Readers who have been following Mr. Gavin Simonds's arguments in the Waterlow Appeal will be in an excellent position from which to analyse the situation now developing in Alberta. For Mr. Aberhart is proposing to do, in principle, what Marang temporarily succeeded in doing, that is, to introduce a new line of currency to run alongside the old line on terms of equal validity and exchangeability. The bankers look upon the Aberhart Bonds in the same way as the Bank of Portugal looked upon the Marang Notes when it discovered that these notes had been insinuated into circulation. The difference, in law, between the quality of Aberhart's proposed action and that of Marang's accomplished action is, of course, irrelevant to the fact that from the bankers' standpoint the consequences of

either man's action are identical. And their common identity raises a point of great interest. For if the Bank of Portugal actually did suffer "pecuniary loss" by recognising (by conversion) the Marang issue of notes to the whole face value of those notes (as the Lords decided) then the central bank of Canada has the option of invoking the Lords' judgment to justify its refusal to recognise the Aberhart Bonds. Its directors are able to quote the judgments of the Lord Chancellor, and Lords Justices Macmillan and Atkin, to prove that the issue of Aberhart Bonds would inflict on their bank a pecuniary loss, dollar for dollar, to the whole face value of the issue, and one which, following the penalty imposed on Messrs. Waterlow and Sons, would have to be made good by Alberta, dollar for dollar, in recognised Canadian money. We offer this suggestion to the Canadian Bankers' Association. They ought to jump at it, for it provides them with an authoritative legal—even Constitutional—ground for showing that their refusal to recognise the Aberhart Bonds is not a wanton piece of obstruction, but a legitimate defensive measure to protect the property of the Bank's shareholders.

"Prosperity Certificates."

Since writing the foregoing paragraphs we see by the *Daily Telegraph* of July 9 (editorial article and also despatch from Sir Percival Phillips) that no mention is made of the Canadian Bankers' Association's attitude; so we must infer that the rumour of their refusal to recognise the "velocity dollar" or "prosperity certificate" (as the new tokens are designated) was incorrect. This helps us, because at the point where we broke off our comments we intended to question the strategical soundness, from the bankers' standpoint, of their dashing in to veto a scheme which might fail under its own demerits, and thereby unnecessarily attracting odium which would otherwise fall wholly on Mr. Aberhart. But the correction of the rumour does not necessitate our withdrawing our "Marang" analogy and our suggesting to the Canadian Bankers' Association the invocation of the Waterlow Judgment; it may only have postponed their applicability. Events will decide. At present the bankers need do nothing more than wait to see how the scheme works so far as retailers and manufacturers are concerned. On this point Sir Percival Phillips says that Aberhart's supporters are of the opinion that the first month will tell, for at the end of that month certificates are due for redemption by the Government, and everything turns on whether the amount will be "unduly large," in which case the Government would have to "acknowledge failure of the experiment."

Outline of Scheme.

The certificate is in the denomination of one dollar. The original holder has to buy a 2-cent stamp to stick on it if he keeps it longer than a week. And likewise every subsequent holder at weekly intervals. Thus at the end of twelve months the "whole certificate will have been paid for" in stamps. (This is Sir Percival Phillip's statement.) "Monthly redemptions are to be available for retailers and wholesalers dealing with manufacturers during the period between the 7th and 15th of every month."

The fund for redeeming certificates is to be accumulated by the following means:

1. Cabinet Ministers to accept certificates as part payment of salaries.
2. Municipalities to accept relief grants in certificates instead of money.

3. Wage earners to be asked to accept part of their wages in certificates.

The first use to which the certificates will be put is the construction of new roads in order to provide work and wages for the unemployed in Alberta, the number of whom was 10,000 at the end of last month. The cost of relief to them totalled £900,000 in 1935. Apparently the inducement to local bodies to accept and distribute certificates for relief purposes is to offer them a premium in terms of face value. Thus in one instance a small local body which has been drawing £380 in money has been offered £560 in certificates—a premium of nearly 50 per cent.

Supposing that certificates were substituted for money all over Alberta on these terms the Government would effect a temporary saving in money to an amount approximate to the £900,000 just mentioned. This money would, for the moment, be the backing for certificates amounting to £1,350,000 (i.e., 50 per cent premium added).

"Foreign Exchange."

In a strictly literal sense Mr. Aberhart could claim for this procedure that it was a fulfilment of Douglas's early recommendation that he (Aberhart) should accumulate "foreign exchange"—i.e., money acceptable outside Alberta in discharge of obligations, or, as Mr. Aberhart distinguishes it with his eye on Canada, "Montreal dollars." But this is not quite on the same footing as what Douglas had in mind, which was, as we suggested some months ago, that Aberhart should accumulate his "foreign exchange" by ceasing to pay interest or redemption charges to external bond-holders in terms of money and offering to pay it in tokens only having purchasing-validity inside Alberta. Virtually Aberhart was to pay in *kind* instead of *cash*; and the cash would be available as "foreign exchange." This, as we showed at the time mentioned, embodied the same principle as Douglas had laid down in his correspondence with Mr. Lloyd George on the problem of the American Debt in September, 1922—a correspondence which was published in *Credit Power* of that month by the present editor of THE NEW AGE, and has been re-published twice since in the latter journal.

There is a broad distinction between the two modes of "foreign exchange" accumulation here outlined. Under Aberhart's new plan the Government of Alberta for the one part accumulates the foreign exchange, and for the other part, get the substitute, whereas under the "American-Debt" type of plan the Government of Alberta together with the people of Alberta, for the one part, would accumulate the "foreign exchange," and outsiders, for the other part, would get the substitute. It will be noted that under the former plan the interests of the Alberta Government and the people are divided whereas under the latter the two interests would be united. For it is obviously a common interest shared by everyone in Alberta (more or less directly) to get external creditors to take payment in Albertan goods, thus giving Alberta what is called a "favourable trade balance"—a balance, moreover, which is indeed favourable under the existing financial principles, however absurd the adjective is when the physical implication of the "balance" is made the frame-of-survey.

"Social Dynamics."

As readers are aware, Mr. Aberhart has not entirely neglected the latter plan. His earlier decision to scale

down the rate of interest on external loans, on a compulsory basis if necessary, would enable him to subserve the interests of the Albertan people at the expense of outsiders. And, indeed, the advantage of this method has been recognised in other quarters both in Canada and, most recently, in New Zealand. In regard to New Zealand it is true that the Labour Premier, Mr. Savage, has repudiated any intention to compel foreign creditors to accept less interest, but that is of little immediate importance in comparison with the fact that he has focussed attention on the incidence of foreign-interest burdens on the internal economy of that Dominion. He has, in fact, requested creditors to take less, and thereby thrown on them the onus of refusing. Now, refusal is easy enough—provided, as Mr. Keynes would say, all creditors everywhere keep in step. But once let any creditors anywhere accept a reduction, whether voluntarily or compulsorily (it doesn't matter in the slightest) then nothing could arrest the pressure from everywhere else for the same relief. The agitation would be taken out of the hands of reformers and conducted by manufacturers and traders. For where you have a world-situation in which would-be exporters are cutting prices by a millionth of a penny to secure a farthing's-worth of orders, the remission of a debt-burden to quite a small degree in quite a small place is going to give a nasty jolt to this precious equilibrium of independent opportunity unless balanced by equivalent remissions everywhere else. Motives of jealousy—and well-founded jealousy—would supervene to stir up the witches' cauldron international tensions. The Social-Credit reformer can well afford to stand aside and jeer at these dupes of Basle like Elijah did at the priests of Baal; for when all is said and done, the emancipation for which he looks must emerge from fierce strife engaged in by combatants immune from mass-suggestion. The masses have always taken sides in their masters' fights, and always will. That is an axiom of Social Dynamics, and will remain so unless some genius discovers how to release new forces of human energy which, like certain fungi, will hoist aside the paving-stones of established authority. The disengagement of irresistible impulse which can upheave, or penetrate, or engulf the ruling system of unseen tyranny. It would have to be something other than arguing and counter-arguing; canvassing and counter-canvassing; voting and counter-voting; manoeuvring and counter-manoevring; intimidating and counter-intimidating; it would have to be some force in a new plane, and to which there was *no counter in that plane*. This is a problem of what may be called the higher psychophysics. If its solution is ever arrived at it will probably be by accident. There was an explosion at Woolwich last week in which several men lost their lives. The newspapers published the inspired statement that these men's lives "had not been wasted"—from which presumably one is left to infer that by reason of the accident something has been discovered sufficiently valuable to us survivors to make the loss of life worth while. And so in the field of psycho-physical research: risks must be courted without being counted—risks to status or skin—before one can expect to discover any new dynamic element in the structure of society.

Phrenology and Psycho-Physics.

Our contributor Mr. Golder, whose mind is attracted to this field of research, made a pregnant allusion last week when he referred to the science of phrenology as an avenue of approach to social dynamics. For phrenology is the first coherent system of psycho-physical relationships. It can identify, locate, and measure the component faculties and propensities (forty-two of them) which, according to their balance of comparative development, govern the character of any individual. His natural aptitudes and impulses can be predicted with a degree of exactitude approaching that with which the behaviour of inanimate matter can be verified. It is an empirical science, being founded on millions of observations of the correspondence of cranial contours with personal characteristics. Professor Severn, who himself has delineated some hundreds of thousands of heads, once had a personal interview with Dr. Sigmund Freud, the pioneer psycho-analyst. He was invited to read Freud's head, and did so. When he had told Freud what he made of it Freud said to him: "I feel as if you had presented me with my visiting card and introduced me to myself." Cynics may say that this was a diplomatic compliment, but even if it was, phrenology rests on the foundation of experimental verification.

A more useful example was afforded in the case of Dr. Gall, the founder of the science. He was invited to go to an Austrian prison. When he arrived the Governor paraded all the male prisoners, and told Gall to pick out, without exchanging a word with any of them, which of them were there for sexual offences. Dr. Gall picked out 150, and was right in every case but one. Conversely, at another prison the Governor tried a trick on him. He paraded some female prisoners and got the matron to pose in the gang as one of the criminals. But it didn't succeed: when Gall got to her he instantly confessed his inability to account for her being there.

Phrenology and Social Credit.

Phrenology, like Social Credit, is derided or ignored by those who are able to accredit it, and largely for the same reason. And that is that the implications of the facts it establishes are distasteful to the "right people"! It wouldn't exactly do, would it, for the masses to be able to read the characters of the classes? A public man with a large amatative propensity would feel a trifle embarrassed if he knew that his followers could spot it. Nor would one with strongly-marked acquisitiveness, especially if he held an office where he was exposed to corruption by bribes. Apart from these matters the defect of phrenology in the eyes of the "right people" lies in its deterministic implications. Neither spiritual nor political leaders take kindly to the idea of allowing the masses to know that what are called their "wills" are conditioned by birth as well as by circumstance. Much less do they want them to realise that under the influence of oratory, printed matter and so forth they can be jockeyed into "willing" what their "wills" don't want—into undertaking to accept something, or to do something, which, when the time comes, they find they did not want to accept or to do. Both the inner determinism implied by Social phrenology and the outer determinism implied by Social Credit bring the two sciences under the same condemnation.

The bearing of phrenology on the problem of social dynamics is clear from the fact that phrenology concerns itself with the springs of human conduct, at least so far as they have been traced by anyone. This fact will appear in its true significance in this context if we use an analogy. The idea of transmuting metals is parallel to the idea of transmuting the material of

society. Now what has made the old metal-transmutation idea a logically intelligible theory is the discovery of the sub-atomic structure of matter. For once it is proved that all forms of matter are reducible to a single form of *something*, then it is seen that you *can* transmute *if* you can reduce. You know what you have to try to do. On the same general reasoning, if it is held possible to effect a change in social dynamics then investigation into the "sub-atomic" structure of the human will and character would seem to be the most helpful step. Psychology cannot help because it starts where phrenology leaves off. It deals with atoms where the necessity is to split the atoms.

A. R. Orage on Social Dynamics.

We will now cut this speculative matter short. It has been worth opening up if only to induce readers to ask themselves what the term "social dynamics" means. It is blood-brother to the term "social justice," which John Hargrave laughingly said the other day has been found by his speakers to go down well with audiences though neither of them have an earthly idea what it is. Society is composed, and could be resolved into, groups of types of people on phrenological standards of differentiation. And from the data available it would be possible to project an average diagram showing the shape of the head of the masses collectively. But when all this was done, the dynamics of society would be nothing other than the dynamics of a single individual whose head happened to conform in measurements with the composite "society" head. And these dynamics would be nothing more than the resultant of the mutual attractions and repulsions exerted by the propensities of the individual. To use other words, society is cast in a mould, just like the unit of society, the individual. Now the character of the individual is not fixed, it can be affected within narrow limits by environmental changes. But for him to act markedly "out of character," as the saying is, he must be jerked out by an external jolt—by some unexpected drastic change in his surroundings. And the more that change is physical in its nature, or involves immediate physical consequences to him, the more effectively it will change him. The same with society. Theoretically, it can do all sorts of things "out of character," but the practical possibility that it will, depends upon the practical possibility of its being subjected to an environmental shock. We incline to adopt the late A. R. Orage's dictum that "nothing but a rude physical shock" will wake up the people of this country. What he meant by "waking up" was the release of a new force disturbing the previous balance of forces which can be described as social dynamics. Orage more than anyone else investigated and pondered on this problem. It caused him to leave Cursitor Street and go to Fontainebleau. And in the end, after exploring all the systems for counter-influencing society against the influences proceeding from the Money Monopoly—rational, super-rational, mystical, magical, and what not, he fell back on the good old tested remedy of a punch on the jaw.

"The Mills of God—"

There are two ways of administering a physical shock. One was Sampson's, the other was Gideon's. Sampson was strong, and fought his enemies. Gideon was artful, and tricked his enemies to fight between themselves. This takes us back to the point where we remarked that the masses have always taken sides in their masters' quarrels. Well, imperceptibly the quarrels of master

against master are being superseded by quarrels of masters against bankers. The new alignment is not yet visible to the careless, but it will become so. When it does, then the masses will take sides as usual; and if they do not side against the bankers we shall know that the time has come for us to enter a monastery. In Alberta Mr. Aberhart, and in New Zealand Mr. Savage, are each raising issues which involve bankers' prerogatives, and which, whether successful or not, will change the centre-of-gravity of political strife. What they seek to do is creating attractions and repulsions of which the resultant is obscure, but the forward-swinging pendulum of experimental challenge to finance will not swing back to where it was. One issue may be closed, but only to open another, and each arc described by the swing of trial and error will move forward under the axis of progressive knowledge. Defeat will be the seed of wisdom. Nothing will happen twice in the same way or with the same consequences. If Social Credit is a scientific truth the bankers' resistance to it is a political error. So when Aberhart or Savage makes mistakes in trying to overcome the bankers' resistance, let us reflect with good heart that the bankers are making the master-mistake, and are ever creating opportunities for new trials of strength.

The "City" and New Zealand.

As a straw in the wind we noticed last week that one of the big London newspapers (we think *The Daily Telegraph*) was announcing a "New Zealand" number or supplement. Of course the usual stuff will be in it and the usual policy of cementing the friendly relations between this country and that Dominion will be seen through the lines. But when all is said and done what will be the realistic consequence of this gesture? More trade for New Zealand? Then at whose expense?

The Midland Bank on Dominion Loans.

A line on this is given in the *Midland Bank Review*. The editorial writer, after commiserating with Australia on her hard luck in the past in having to pay fixed interest charges on a fallen market for her exportable produce, foreshadows the ingenious (or ingenious) device being adopted—presumably with the good will of the Bank of England—of providing Dominion finance in general on the basis of equity shares instead of bonds. The advantage to the Dominions, he points out, would be that holders would have to share the risks of falling markets with the issuers. He illustrates it by reference to the Malay States, where the provided finance has been mostly on the equity-share basis (and used for rubber production) and states that the fall in the price of rubber between 1929 and 1935 was accompanied by a fall in interest-payments by the Malay States to British stockholders from £7,000,000 to £500,000. Well, we can see the attraction for the borrowing Dominions in the equity-business, but not for the lenders who are to participate in the benefits. Of course, we do not forget that prices may rise instead of falling, so there is theoretically a two-way chance for the private investor. Going deeper, we also see that the bankers have got to do something tangible to arrest the political activities being created by Social-Credit educational efforts in the Dominions. So it is quite possible that the British banks intend to invest money there on a sliding-scale basis of interest. Another factor to notice is that the growth of Fixed and Flexible Investment Trusts—the chief of which fashion their policy in consultation with the bankers—gives the bankers an indirect control

the disposal of privately-invested money. This would be obviously the case with Flexible Investment Trusts.

Well, we must wait and see what happens. What the master-bankers want more than anything else is to re-establish the doctrine of the inviolacy of contractual obligations. And it is clear that the above move would lessen the incentive of Governments to resort to deliberate default and deprive them of all excuse for compulsory variations in interest payments.

Oldham Corporation's Reserves.

Last Thursday the Oldham Municipality were ordered by Mr. Justice Bennett to replace three sums of £3,000 which they had previously drawn out of their reserves to apply to relief works. According to a brief report in the evening papers the judge ruled that when once money is placed to reserve it must not be subsequently used for any other purpose than that connected with the maintenance of the undertakings (e.g., gas, tramways, and so on) to which they relate. At the moment of writing reports in the morning papers of Friday, July 10, are not available, and readers who are interested in municipal finance should consult them (preferably *The Times*) for an exact version of the judgment.

Its clear effect is to land the ratepayers with the £9,000 charge. Social-Credit advocates in Oldham have here an opportunity of doing some fruitful work by calling attention to the operation of loan-finance in local areas. For the whole trouble originates in the dependence of local Councils on privately-subscribed money for capital development. Perhaps one should say externally-subscribed, because the Councils get money from the Exchequer as well as from investors. However, the distinction does not matter, because municipalities are obliged to treat all money subscribed for capital development as if it were privately subscribed, and to regard the capital undertakings themselves as externally-owned private property. Thus Oldham's capital is not Oldham's property. The Oldham Council are Trustees who are responsible, not to the ratepayers in Oldham, but to a body of mortgagees.

An interesting feature of the situation lies in its relation to the controversy which has been going on in this journal about whether original capital goes into prices. In this instance the fact was established that the £9,000 was drawn from reserves and spent on something else. Therefore it could not have been spent on maintaining the capital enterprises to which it had been allocated in the accounts of the municipality. Nevertheless, it had been collected from the ratepayers. Hence arises the question: If it is true that investors in capital enterprises do not expect their money back, and require only that their capital shall be maintained, on what accounting-principle did the Oldham Council come to possess an unspent fund of £9,000 convertible to the purpose of relief works? For obviously no Council can spend the same money twice over: they cannot pay money to maintain their gas undertakings and pay it again for something else. Hence it would appear that the Oldham Council had either neglected to maintain their capital (thus "saving" the £9,000) or, if not, had spent money on maintenance other than the £9,000. Ruling out the former alternative the conclusion would seem to be that the ratepayers had been charged full maintenance costs plus the £9,000.

Why? Who claims the £9,000? In whose interest must this money, superfluous to the requirements of capital maintenance, be prevented from going into relief works? Seeing that investors are not demanding their money back, and do not intend to, what principle is to be upheld, or what purpose served, by suspending this "fund" between earth and heaven? Until this is made clear the ratepayers of Oldham, out of whom it has been squeezed, have the reversionary right to say what shall be done with it.

This is an issue to which Ratepayers' Associations ought to devote attention. But these dull bodies wouldn't make anything of the subject—it lies outside the narrow scope of their preoccupations. For this reason there is a lot to be said for Social-Credit groups, with energies otherwise disengaged, turning them to municipal affairs from time to time when crises arise which excite local interest.

Douglas on Representation.

[Reprinted from an article by Major Douglas, first published in *THE NEW AGE* (1921), and republished in the current number of *The Social Credit Review of East Africa*.]

"If Macaulay's New Zealander, after musing on the more material remains of our social system as exemplified in the Houses of Parliament and the Secretariats of Whitehall, should be driven to investigate the concepts of national organisation symbolised by them, it is fairly certain that nothing will astonish him more than the evidences he will find on every kind of the persistent and touching faith of this queer old people in what they call 'representation.' He will find that this curious superstition (dating back to the earliest days of their history when priests made a corner in deals with God and the dispensing of personal salvation became a close Trust) persisted on even through the First World War, when millions of persons who disliked war and held it in contempt as a moral and material anachronism allowed their representatives not merely to lead them into a war which had been inevitable, but almost without a protest, to throw away any poor consolation which might be derived from a real 'war to end war.' He would note that at irregular and inappropriate intervals queer ceremonies called elections took place at which persons for the most part personally unknown to the electors were 'returned' for the ostensible purpose of carrying out 'reforms' which most of the electors neither understood nor cared about one fig. And he would further observe that these elected ones, once safely through the ceremony, at once became very superior persons, full of dignity and importance, and for the most part concerned with very intricate relations between the State and Borioboola-Gha. It seemed clear that these same electors never derived any benefit from these negotiations, or in fact and on the whole from more than the very minutest fraction of the activities of their representatives, while further it was quite plain that a small number of very opulent gentry of international sympathies, who were not elected and represented no one but themselves, did in fact sway the whole deliberations of the elected assembly. Still this touching faith that some day they would elect the right men and all would be well seemed to sustain the people through a series of disappointments which would have daunted a less stubborn race. The New Zealander, who we must suppose to be an intelligent man, would, we think, conclude that this was a matter outside logic and reason, and only comparable to collective hypnotism. And he would be right."

Entropy and Social Dynamics.

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

I am grateful to your contributor Mr. John Grimm for his letter of the 9th inst, and for the definitions given.

Until this week I consulted no dictionaries, nor do I think much advantage will be gained by an assembly of the various definitions of the word entropy.

I will add, however, just this one. It is from Murray's New English Dictionary, thus:—Entropy is "the name given to one of the quantitative elements which determine the thermodynamic condition of a portion of matter."

Clausius (1865), the German physicist, seems to have been the first to propose the use of the term. This gentleman's word for energy was "work-contents," and he seems to have devised the other word as a corresponding designation—entropy being the "transformation-contents."

Its introduction into England brought about much misunderstanding and controversy. One might almost say the battle was resolved and peace restored by the appearance of the Molière diagram with its entropy value lines showing the theoretical available energy for wide ranges of heat gradient, sometimes called heat drop. This corresponds in hydraulics to the height or "head" of the water column.

What the definitions and the diagrams bring out is the fact not quite accurately stated by your correspondent, but which corrected, should be "when entropy is at zero, available energy is at a maximum," and that is really all with which we are concerned in this endeavour, except, perhaps, a study of the limits.

If what I am trying to say be demanded of me on a half sheet of note paper, it might boil down to this:—

(1) That the laws of thermodynamics by virtue of which natural materials and forces have yielded to be yoked into human service are superior to those of possessions, primogeniture, and entail. (2) That failure to recognise and embody these laws in our legal code is wasting human substance in a riot of disintegration, disequilibrium, and dread. (3) That entropy is a reconciling ratio, a practical criterion of the truth that makes men free to pursue whatever canon they are able to envisage, without *contradicting* universal LAW, and without working ill to their neighbour, or his canon. That might require a little more than the half sheet, but I do not think it will go into fewer words without loss of meaning.

There is nothing original about it. It is all contained really in what I call the resurrection chapter of "Economic Democracy," viz. Chapter 8, and is condensed into a single paragraph, which is the third on page 113 of my copy.

Mr. Grimm's implied question in the words: "How, and to what extent, entropy in the plane of physics is paralleled in the plane of psycho-physics," could probably be answered in a very few minutes with a blackboard, chalk, and a few models. Without these the answer in words will be confusing. I will, however, risk it. Energy, being radio-activity around nuclei, is not confined to any particular plane. By definition, it is atomic or molecular motion. It is radial, rotational, centrifugal, and centripetal, and, so far as human sense organs are concerned, so rapid are these variations they can be pictured as simultaneous in action and spherical or ovoid in form. Entropy is a condition

common in all planes. It is neither pressure, temperature, nor volume. For each of these conditions we have measuring instruments. For entropy we have none. It is a ratio, and only as a ratio does it emerge as a measure.

It is *convenient* to picture it as a line in the same way as in Mercator's projections of the earth's surface, the equators and meridians are pictured as lines. But such things have their only existence in the eye of the human mind. A not unreasonable natural analogy of an entropy line, if the mind must have a picture, is that of a spider suspended on a single hair-like web attached at the top end to the ceiling and at the bottom end to the floor. The importance to the spider of that almost invisible line is a picture of the importance to the human race of the entropy line, of which the individual is a *part*, but only in the same sense as a link is part of a chain, or a rung is part of a ladder. So vital is that part, the whole is not a whole without it. Theoretical estimations and empirical ascertainment of intellectual inertia may some day be possible, since only the absurd is not possible, and power computations based on these laws have proved anything but absurd. They have actually moved mountains, and, in the case of the Queen Mary, launched cities.

Mr. Grimm's last sentence reminds me of what I once saw at the theatre. In a fishing scene two comedians sat on the edge of the stage with feet, rods and lines suspended over the orchestral pit. The one on my left caught lots of funny fish. The one on my right caught none, and eventually gave up in disgust, declaring, "I don't believe my worm's trying."

It is pleasant to have escaped that suspicion, and whether I may be regarded as the man waving the rod, or the worm "swinging the lead," I will be satisfied if only one fish of reasonable dimensions is landed.

Movement Notes

Barclay Smith, editor of *The New Era* (Sydney, Australia), has offered to place his paper at Douglas's disposal. (*Social Credit*, July 10, 1936.)

The New Times (Melbourne, Australia) has told its readers to take up the study of "Social Dynamics," and its practice, as recommended by Douglas. (Issue, May 29, 1936.)

Douglas has announced that affiliation to the Social Credit Secretariat, Ltd., will not be "granted" to any political "Party" standing for Social Credit while he is chairman of the company. (*Social Credit*, July 10, 1936.)

The New Era of May 22, 1936, gives space for news about the activities of the Douglas Social Credit Party of Queensland—also of the lobbying carried on by the Social Credit Party of Great Britain (The Green Shirts).

The Social Credit Review of East Africa (edited by Count Serra) reprints an article by Douglas in *THE NEW AGE* fifteen years ago (in April, 1921), in which the elements of the science of Social Dynamics were originally formulated. (Issue dated June 19, 1936.)

Douglas and Hawtrey are to cross swords for a second time (the first was the Birmingham debate) at the Bonar Law College, Berkhamstead, Herts, during the week-end, July 24-27. (Particulars in *Social Credit* of July 10.) The subject of the discussions is announced as "The Douglas Social Credit Scheme." Hawtrey will speak on 'The Case Against Social Credit.' Douglas will reply."

The Annual Report of the Social Credit Party of Great Britain and Northern Ireland is now out, and can be obtained from headquarters, 44, Little Britain, E.C.

* The immediately relevant passage in the article is quoted elsewhere in this number of *THE NEW AGE*.

The Waterlow Case.

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

VI.

Lord MACMILLAN: I do not quite see that; if you take my spurious half-crown and give me a good half-crown for it, you have lost half-a-crown, that is the private citizen transaction; on the other hand, if you go to the Bank with my lead half-crown, and they take that and give you a genuine half-crown in currency, do you say the Bank has not lost half-a-crown?

Mr. GAVIN SIMONDS: The Bank has lost the difference between the cost—I did not say that, my Lord.

Lord RUSSELL: Assuming the half-crown had any value at all, their loss is the difference between the half-crown and the lead.

Mr. GAVIN SIMONDS: Yes. My Lord Macmillan has suggested a rather interesting analogy which is very much in my respectful submission in my favour. Leave out the question of liability, you can disregard any question of legal tender or anything of that kind; what is the cost, it is the difference between the commodity value of the metal which the Mint has to incur, plus the cost of minting it, that is what it costs and what it gets back is the spurious metal or the insufficient metal in exchange.

Lord ATKIN: Why are you putting a Mint in the same position as a Bank; it is not a commercial trading concern; the Mint would not issue new coins for bad coins at all, would it; I thought it would be the coins would be exchanged through the Bank and the Bank would have to provide itself with the proper coinage and have to pay for it.

Mr. GAVIN SIMONDS: The Mint is in a very closely analogous position to the Bank of issue, in that it supplies the currency of the country. I can only make my humble submission, and if your Lordship thinks it has nothing to do with it and is nonsense, I cannot help it.

Lord RUSSELL: It is assisting me. Mr. GAVIN SIMONDS: I am very much obliged, my Lord. If I may say so, one cannot always give the same measure of assistance to different minds.

Lord ATKIN: How is the Mint put in the same position as a Bank issuing its own notes and incurring the obligation upon them?

Mr. GAVIN SIMONDS: For the moment, for the purpose of testing this matter, I am disregarding altogether the question of obligation. I thought that was a fair way of testing it, having regard to the question Lord Macmillan put to me. I am testing it in this way: assume a Mint supplying the currency of a country in coins; let me put the money tokens instead of the paper. Now it decides to call in a certain coin, because there is amongst the coinage of the country a spurious coin having the same appearance. It may be it decides, as in this country has so often happened, to call in a coin because it has been sweated and clipped. The question is, what does it cost to do that? Now, my Lords, what it costs is this: the difference between the commodity value of the metal which it purchases and the cost of minting that which it gives and what it receives as the clipped or sweated coin of a short commodity value, and its loss is the difference between the two, and that is the damage it would suffer if it was entitled to recover that damage from a third party. I have ventured to press that upon your Lordships, for what my Lord was good enough to put to me suggested the answer to me, and I do submit it is a very powerful one; and so here: disregard for a moment the question of liability and the only difference is the commodity value of two bits of paper. Now what is the li-

bility? I come back again to the same point. The liability is just that which I have written out, a liability which, if it is to be measured in terms of pecuniary loss, really cannot be quantified. The only thing it cannot be is the face value of the notes. How can it be the face value of the notes? That is really what Lord Justice Scrutton is saying. I did not think in my opening speech I had perhaps done full justice to his Lordship's analysis of the facts.

Now, my Lords, in the course of my learned friend's speech on this part of the case he used over and over again an argument which in my submission did not really differentiate between the case of notes burnt and notes as in this case, he says, issued for nothing. By saying that he did not differentiate, I mean this, he said the Bank had a 500-Escudo note; it might have taken it to a citizen of London, or wherever you will, and got a £5 note for it; it did not; therefore it lost £5. Exactly the same argument could be adduced if the note, instead of being issued to AB, was burnt, the same argument; he would say, I have lost a note; here is a note; I might have issued it, I might have got £5 for it, therefore I have lost £5; the notes might have been put in a parcel being sent to a London broker and if they were burnt they would have said the notes were on their way, I have agreed to sell them for so much, I have not sold them, therefore I have lost that amount. That argument surely will not do.

The LORD CHANCELLOR: Would they become liable on that for those notes?

Mr. GAVIN SIMONDS: Surely. The LORD CHANCELLOR: The notes that are burnt by the hypothesis.

Mr. GAVIN SIMONDS: That is again the same question: what is the liability? It is no argument to say I might have issued these for £5 and therefore I have lost £5, unless by that fact you have incurred a liability for £5. What possible suggestion is there for that here? I have written out, I venture to think quite accurately, the measure of the obligation. How can you say there is an obligation of £5?

(To be continued.)

The Films

"Janosik." Academy.

This Czechoslovakian picture is in marked contrast to "Reka"—also shown at the Academy—which was charming but slow moving. "Janosik" deals with the career of an eighteenth-century national hero, best described as a Central European Robin Hood. Added historic interest is lent to the production by the exterior scenes having been photographed in the locality of Janosik's campaign for liberating the peasants from the tyrannous misrule of the landed nobles.

"Living Dangerously." Directed by Herbert Brenon.

Regal. This picture is a characteristic example of both the good and the bad in English production. Technically it is admirable; story and dialogue are good; the trial scene before the General Medical Council is by way of being a refreshing novelty; and the actors are excellent, notably Laurence Anderson, whose Counsel for the Defence proves again how very much a first-class actor can make of a relatively small part. On the other hand, the film has the typical English vice of containing nothing but mediocre actresses, and the drama would have been greatly strengthened if the women had been on the same level as the men. DAVID OCKHAM.

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.

USURY.

Sir,—The banks practise usury—that is, they advance money at interest fully secured, i.e., without risk: a moral question, canvassed by mediaeval moralists. Advancing money at interest while sharing the risk is not usury. A parallel distinction can be made about profits, as is shown by the use of the term "profiteering," which alleges that a reasonable profit is equivalent to a salary paid for services, but that above a certain level what is called profit is an immoral exaction.

Turning from morals to economics, we find Mrs. Bing advancing a sound objection to the "interest on a banker's ink-loan" and to "interest on private investment" on the ground that they force up prices beyond the height of credit or capital advanced, thus "piling on to prices just that sum it never contributes to the cost of them." But when she says that "Mr. Franklin can show that profits, depreciations and the rest all go back to the till to be distributed or re-invested," she should have added that every banker and investor can equally show that all interest received goes back to the till to be distributed or re-invested. Some may be hoarded, but some profits, not to mention wages and salaries, may equally be hoarded; indeed this hoarding is accounted by Gesell as the cause of financial and economic troubles.

And, if goods are made by employing credit, they must be sold at a price equal to the amount of that credit plus the interest plus an extra. This extra must at least be an insurance against loss and commonly includes profit, whether reasonable or not, and this profit or margin is just as much in excess over costs as the interest. Then the apparent interest includes the "cost of providing that service," to repeat part of Mrs. Bing's quotation from Mr. Savage, who proposes on his own showing to charge to the people the wages of his bank clerks just as the banks charge the wages of their clerks, though he may call his charge a tax while they call theirs interest. Though if, as Mrs. Bing says, he is gradually to thrust all investors into their places as co-operators in the production and dividend-sharing of a State-investment system, he will have to charge more than the bare expenses of his financing or else there won't be any dividends to share.

HILDERIC COUSENS.

NO MORE USURY.

Sir,—We are in full agreement with Mrs. Bing's demand: "No more usury, no more rent for wads of paper or cheque-book."

JOHN HARGRAVE,

Social Credit Party of Great Britain
(The Green Shirts).

FASCISTS AND MINORITY STRATEGY.

Sir,—In your July 2 "Notes of the Week" you regard as a symptom of "militant minority movements" Sir Oswald Mosley's recent enquiry of his legal advisers as to the legality of allowing members of His Majesty's Forces to join the Fascist Movement.

The reason why this step was taken was because in a recent lawsuit involving Sir Oswald, the Court appeared to accept the statement of a K.C. that members of the Forces were not denied membership of the old political parties. Hitherto all applications for membership of our organisation from members of the Forces had been turned down, but if they were indeed allowed to join other parties, Sir Oswald wished to see if there was any reason why the Fascist Movement should continue to deprive itself of an advantage possessed by everybody else.

It is therefore a little difficult to see in what respect Sir Oswald's enquiry savours of "impatience with conventional parliamentary procedure, and a disposition either to override it or to enforce its acceleration," except in the minds of those who have lost all sense of proportion in the fight to defend the poverty system of the past, which your journal condemns.

J. A. MACNAB,

For the British Union
of Fascists and National Socialists.

CAPITAL IN PRICES.

Sir,—Is it very reassuring to be told that when wages are invested in wage-destruction machines wage-earners will only be charged for maintaining the wage-destruction efficiency of the machines?

Ought we not to be assured that the wages we receive for maintaining the wage-destruction machines are equal to the wages destroyed by them?

JOHN GRIMM.

NOTE.

A letter from Mr. J. A. Franklin (with editorial footnote) has to be held over until next week. It is to be hoped that Mr. Franklin will attend the Ashridge conference, noted elsewhere, to hear what Major Douglas may say on the capital-in-prices theory.

COUNTERFEIT CURRENCY IN ITALY

"The French journalist, Pierre Scize, who has recently returned from a journey in Italy, points out in the Paris newspaper 'Voilà' (25-IV.36) the widespread diffusion of counterfeit money:—

"The small five lire silver coin, bearing the king's effigy, and the large twenty lire piece are counterfeited in such quantities that the unsuspecting visitor may be sure of gathering some twenty lire's worth every day, on an average. In any case, he is soon warned by the general distrust. He will soon learn a certain movement, which has become instinctive in that country; it consists in bending down and rigging on the pavements and the flagstones any small change coins. Shops abound with people bending down and tinkling coins. Tram conductors have been provided with small marble slabs on which to test the coins tendered for the fare. Street pedlars never pocket a coin without first having bitten it. Is this to be attributed to the existence of picturesqueness and local colour? Of course. And also to the activities of a police whose zeal, capabilities, number and efficiency are ever being praised."—*Free Italy*, Paris; May 31, 1936.

A TRIBUTE.

"Of course, it isn't necessary to assure you that THE NEW AGE is as welcome and, in my estimation, as valuable and perhaps more necessary now than it ever was. There are so many careerists available to 'shout the odds' for a lost or obscure cause when it attracts publicity and other signs of probable success; bankster careerists can have a bit on for and against both horses, and it requires a New AGE rider to see that the right jockey is up and that neither horse nor rider are interfered with or otherwise 'doped.'"—(Extract from letter received from an overseas reader).

PUBLIC MEETINGS.

London Social Credit Club.

On the following Fridays, at 7.45 p.m. at Blewcoat Room,
Caxton Street, S.W.

July 17.—"Social Credit and Debt," by the Rev. Kenneth Saunders.

July 24, 7.45 p.m., "Social Credit and Semi-Starvation," by Mr. Brame Hillyard.

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