

THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

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NOTES OF THE WEEK.

Pethick-Lawrence on Bank-Loan Government-Finance.

The following quotation is taken from the Parliamentary Debates, House of Commons, Official Report (Vol. 321, No. 65, March 1st, 1937).

Column 70. Mr. Pethick-Lawrence (Member for East Edinburgh).

"The next point refers to a method which was largely adopted during the Great War for floating loans. It was found sometimes during the War that it was very difficult for the public to subscribe the money, and therefore the Government took what was financially a very grave and unfortunate step. It said to possible investors, 'It does not matter whether you have the money or not, the Bank will advance you the money on your existing assets, and later on, by arrangement between you and the bank, it may be this year, next year, or some years hence, you can repay the bank.' I have been arguing against the proposals of the Chancellor all through that they might be inflationary, and I still adhere to that opinion. There is one thing that I am clear about, and that is, that if he were to float his loans in the way that I am now describing, by pure bank credit, then the inflationary effect of his loans would be very much greater still. The effect of getting the banks, in effect, to subscribe the money and not to place the burden upon their clients until some time afterwards, is to float a loan purely on bank money, and that means that the total credit so created can be a very much larger amount even than the amount of the loan. Therefore I hope the Chancellor will on no account resort to the pernicious practice adopted during the War of making these vast inflationary loans based on bank credit. It had some of the most serious effects during the Great War, and, incidentally, brought immense riches to the banks and sent up prices and rates of interest far more than would otherwise have been the case. If it were really the intention of the Chancellor of the Exchequer to raise his loans in such a way as that, it would be far better, if the money was to be pure credit, that the nation should produce its own credit and get its own profit on it. That at any rate would be intelligible, but to allow banks to make vast profits out of loans guaran-

teed by the State would, incidentally, produce the worst evils of inflation, which, I hope, even the present Chancellor of the Exchequer will refrain from doing. That is all I have to say on Sub-section (2).

Mr. Pethick-Lawrence's remarks are interesting, but not particularly helpful. They are welcome for one reason, and that is because in making them he was impliedly exercising the right of a Member of Parliament to tender advice to the Government on the subject of high-financial policy, and was thereby implicitly affirming the principle that such policy properly belongs to the Government. After Roosevelt in the United States, Savage in New Zealand, and Aberhart in Alberta, with their public gestures of asserting control, Mr. Pethick-Lawrence's attitude is of relatively small importance, but at the same time there cannot be too much interest shown by the people's Parliamentary representatives on issues involving the use of what is, after all, the people's credit.

On the other hand the nature of the advice he tenders and the reasons he gives for tendering it are not such as the bankers would object to. In fact he is asking the Government to discourage the expansion of credit, and to do so for the reason that expansion must necessarily be inflation. Well, we may take it as certain that the Treasury and the Bank of England have been advising the Government to the same effect, and that, as a matter of fact the Government are going to charge against revenue as much as possible of the new expenditure, and to raise as much loan-money as possible out of pre-existing private savings. But there is a limit to the dimensions of these sources of supply; and the Government's contemplated expenditure will exceed that limit. The surplus must necessarily be put up by the bankers, which of course means that credit will be expanded. Assuming that inflation is the inevitable consequence (which it is not) it makes no difference whether the banks lend the new credit directly (e.g., through Ways and Means Advances) or indirectly (through their private clients, whether business concerns or private individuals).

The new credit gets into circulation, and prices rise to absorb it.

* * *

Mr. Pethick-Lawrence makes a sound logical point when he says that if credit is to be expanded to finance expenditure the nation should "produce its own credit and get its own profit on it." But he does not disclose how the principle involved should be applied. The right way to apply it would be for the Government to credit the community, in equal shares, with the new money which it "produced." In that case, of course, the question of "profit" would not arise; for since each citizen would have to pay his own profit through taxation nobody would demand a profit. The communal loan would be free of interest, and only the question of the principal would remain. As to this, the Government as the issuing-agency of the new credit could get it all back through taxation levied on the people who had got hold of it, and in amounts proportionate to their capacities. If so it would have to cancel it like the banks do, and presumably the community would tear up their loan-scrip. After all, they would not have parted with money in the first instance, so the cancellation would cost them nothing. What would hit them would be inflated prices.

Hargrave and Alberta.

Copies of four telegrams sent by Mr. John Hargrave, at Ottawa, to Edmonton, on February 23rd and 24th.

1. *Chairman,*
Social Credit Caucus,
Legislative Buildings,
Edmonton, Alberta.

Please inform members of Legislative Assembly am ready give advice for genuine Social Credit Government in Alberta. Aberhart Government has done nothing implement Social Credit in seventeen months. Social Creditors throughout world watching your proceedings in caucus and wish you success.

JOHN HARGRAVE.

Delivered 11.25 a.m. Edmonton time.

2. *Chairman,*
Social Credit Caucus,
Legislative Buildings,
Edmonton, Alberta.

Members of caucus sitting Edmonton can rest assured genuine Social Credit Government could successfully introduce and administer real Social Credit in Alberta. Get going.

JOHN HARGRAVE.

Delivered 2.30 p.m. Edmonton time.

3. *Chairman,*
Social Credit Caucus,
Legislative Buildings,
Edmonton, Alberta.

In reply to messages received please inform members of caucus. I cannot co-operate with Aberhart regime because it is not committed to principles Social Credit and is wholly incompetent.

JOHN HARGRAVE.

Delivered 4.30 p.m. Edmonton time.

4. *Chairman,*
Social Credit Caucus,
Legislative Buildings,
Edmonton, Alberta.

Any changes in plan dated January 8th signed by Government Committee and myself will compel me publish full text. No progress possible under present Cabinet set up. Commission for West sanctioned by Aberhart merely repetition Newfoundland fiasco. Stick to your guns even if this means forcing resignations.

JOHN HARGRAVE.

Should have been delivered about 4.30 p.m. Edmonton time.

Arms and the Dividend.

ENQUIRY.

Sir,—In the attached Budget, consumption and production of consumers are equal. Therefore, any creation of money for the next period cannot be based on an unsold surplus of consumable goods. All consumable goods have been purchased.

According to the Budget, the net enrichment is entirely due to stocks of non-consumable goods. Although it is hardly valid to assume that the non-consumable goods are all munitions, the principle seems to be unaffected if we do so.

If we assume this, and further assume, for simplicity, that these all take the form of shells, it means that the creation of money for the next accountancy period is really money to buy—or pay for—these shells.

Is it justifiable to distribute purchasing power in respect of value of shells? If the answer is that this money is to cancel out the cost of the shells, where does that appear on the other side of the Budget? Further, does not the fact remain that the money will be distributed and that there will be no consumers goods to meet them?

"BUDGET."

The "Budget" referred to is the exemplary "Real Credit Budget" constructed by Mr. A. L. Gibson, F.C.A., to illustrate his printed "Re-statement" of "The Social Credit Proposals." In that Budget he assigned a value of £2,000 to Production and Imports and one of £1,500 to Consumption and Exports. On this ratio of 4 : 3 he showed how the rate of discount under Social Credit would be one quarter, or 25 per cent.

Notice what this 25 per cent. really signifies. Assume that the discount is calculated four times a year, and that 25 per cent. is the result of the calculation in March. Obviously it is based on what has happened during the March quarter. What has happened is that the rate of Production exceeded the rate of Consumption in the ratio of 4 : 3. It is true that, according to Mr. Gibson's "Budget," the excess of Production has not resulted in a surplus of unbought consumables on March 31, but, as our correspondent points out, in a surplus (or store) of non-consumable goods.

But the justification for the discount to be applied during the June quarter does not rest on the existence of a consumable surplus; it rests on the assumption that the community are able to show *at least as good* results in the June quarter as in the March quarter, and, as a matter of fact, better results, for the very reason that surplus production in any quarter tends to speed up the production in the next and following quarters. The object of the discount is to ensure that the expanded powers of production shall eventuate in a larger output of consumables, and not (as under the present system) in a larger accumulation of the means of production irrespective of whether they can be employed to full capacity. The object of production is consumption: the object of making machines is to quicken the making of commodities, not to quicken the making of further machines. In a monetary economy the right objective must be reached by financing the consumer, so that he shall effectively demand commodities from machines which would otherwise make further (and redundant) machines, which, in turn, would be unloaded on to investors. The discount, in short, brings the rate of consumption into correct relationship with the rate of production.

Another point about the discount seems to need emphasising. It is not intended, nor is it calculated and applied, to turn one quarter's excess production wholly

into commodities during the next quarter. For example, taking the figures already quoted, although Production is £2,000 and Consumption £1,500 in, say, the March quarter, the discount calculated therefrom will not effect the distribution to consumer of all the wealth represented by this £500 in the June quarter. It cannot do so; for a substantial proportion of that wealth will belong to the machine-and-tool category and will only be absorbed in consumption over a period measured in years; which means that only a fraction of it can be marketed in consumable form in the June quarter. Call it one-tenth, or £50 worth: then in that case the actual amount of discount allowed to consumers in respect of the consumables in question would be £12 10s. (25 per cent. of £50) not £500 as is frequently assumed by new students.

Of course additional discount would be allowed on commodities made and marketed *within the June quarter*; but here again the quantity of them would be only a part of the total new production of the period, and their cost-value only a part of the total cost-value of the production.

Our correspondent raises the ingenious and interesting point that production might take the form of shells (typifying armaments generally) and he suggests that it would be unsound to take the cost of these into account when calculating the consumers' discount; whereas the principle on which the discount is calculated would require this to be done, for the cost of the shells would belong to the Production term of the ratio. How can these shells, says he in effect, be regarded as an item of "national enrichment" (*pace* Mr. Gibson) when they are an inert and useless dump of products in an economic sense? How can they figure as an addition to the nation's real wealth? How can they be regarded as a basis for expanded consumption? And so on.

As will be seen in a moment this question is not stated definitely enough to receive a short final answer. Assuming the Social-Credit Analysis to be accepted, the relevant conclusion in the present context is that consumers' earned incomes are insufficient to meet production charges as and when demanded for goods offered for sale to them. The general insufficiency is measured by the ratio just described, and is expressed as a discount, which, as seen, is to be applied only to things offered to consumers, and, moreover, only allowed when the things are actually purchased. Unless the goods appear on offer there is no discount. Conversely, whenever and wherever goods appear on offer and are bought there is a discount—and the discount is necessary to enable the consumers to buy them all.

Now in the above question we are not told how the shells are financed. We are left with the choice between three assumptions: (a) the banks advance new credits for their production and leave the money outstanding as floating debt; (b) they advance new credits, but retire them by issuing a shell-loan taken up by investors; (c) they advance new credits, but retire them by taxation. Let us consider the last, since that is what the rules of sound orthodox finance demand.

Now if the cost of the shells is recovered in taxes, obviously the community buy them. In principle the same thing happens as if the shells were put on sale in retail shops and sold to consumers. The only difference is that the consumers are compelled to buy them. This being so the consumers need to have a discount in respect of the price, and for exactly the same reason as they need it to pay the price of anything else that they buy for their use and enjoyment. The fact that the

shells are useless to them is irrelevant. So are fireworks in an economic sense. We can regard the consumers as buying a "sense of security." But it does not matter. What we are concerned with is the excess of shell-price over incomes available to pay the price. If the full price is paid without discount, then there is a greater shortage of income against the prices of other things.

It is always helpful, when elucidating cause-and-effect problems, to apply the causative factors to extreme circumstances. In this case we can inquire what would happen supposing a community were to make nothing else but consumables plus shells. For example; say that in the March quarter Production was £2,000, of which £1,500 represented commodities bought and consumed, and £500 shells accumulated. Assume that industry had worked to full capacity. Now, since production in the March quarter had not added to that capacity (i.e., had only made shells, which do not contribute to increased output) the total Production in the June quarter will not be greater than in the March quarter. Assume it to be the same; in which case we can assume that the financial cost will be the same.

Now, on March 31, the ratio £2,000: £1,500 fixes the 25 per cent. discount, which is to apply to the June quarter. It may be assumed that the discount is applied for the first time on this date. What is the significance of the discount? This:—that *because* there has been a surplus of Production not disposed of by March 31, the community will need the assistance of this discount. The reason arises from the Social-Credit analysis, which shows that any unsold surplus at the end of one accounting period cannot be sold in the next or any later period unless its financial value is equated by the distribution of extra credit (additional to earnings) in the next and/or later periods. Applying this to the March quarter, the discount reflects the fact that the community's total earnings were fully absorbed in the purchase of the £1,500 worth of commodities, and that they have no money on March 31 to set against the £500 worth of shells. In order for them to buy all the shells in the June quarter (and keep intact their earnings in that quarter in order to buy what they make in that quarter) then they would have to receive £500 extra in money or be let off £500 from the total price-values debited against them in that quarter.

It will be seen, incidentally, that the rate of discount, namely 25 per cent., is correctly calculated, because if it had been operating in the March quarter, and if all the Production in that quarter, namely £2,000 worth, had been made ready for consumption, the 25 per cent. discount would have amounted to the sum of £500. Of course the discount could not operate *during* the March quarter because it could not be calculated until the end of that quarter. The Labour Party Committee's Report on the "Douglas New-Age Scheme," 1922, fixed on this point as proof of the unsoundness of the scheme, asserting that it was impossible to calculate and apply a discount to future prices because it was impossible to foretell what future production was going to be in quantity and character. They appear to have ignored the fact that a rate of discount which is correct in retrospect cannot be incorrect (in the sense of unsafe) in prospect—for industry's capacity to produce does not diminish from period to period; on the contrary it increases, and, what is more, the discount is based on the ascertained fact of the increase as proved by the excess of Production over Consumption.

Note again, that the rate of discount is not permanently fixed, but is periodically readjusted, and at in-

tervals short enough to nullify any hypothetical margin of error in applying a retrospective calculation to prospective price values. In fact, nothing but a great natural catastrophe could render, let us say, a rate of discount calculated on March 31, inapplicable to prices chargeable during the June quarter.

Now compare the two quarters. In the March quarter the community earned and spent £1,500; and ended up with £500 worth of shells, but no money. In the June quarter they again earn £1,500. But they now get the £1,500 worth of commodities for £1,125—thus saving £375 (25 per cent.). It is now possible for them to buy all the shells brought forward from the March quarter at the price of £500 less 25 per cent. (Remember that it has been shown that these shells are virtually articles of consumption in the sense that consumers in effect buy them outright as they would any other kinds of fireworks! So the price of the shells would be discounted.)

The £500 worth of shells made in the June quarter would not be sold within that quarter. On this two remarks may be made (a) that it is permissible to suppose that they are not ready for sale on June 30, or that there is no hurry on industry's part to sell them so soon; and (b) that their not being saleable proves that the 25 per cent. discount erred on the right side from the point of view of the cautious Labour Party Committee who feared so much that the people would get too much money!

It should be noticed that the function of the discount is not *primarily* to cause more goods to be made for consumption, but to ensure that all the goods that can be made for consumption shall be purchasable by consumers. That is to say, the essential function of the discount is technical. Expanded consumption is a question of politics, and will follow as a matter of course, because when consumers can buy all that may be offered them, when industry's collective profit increases in proportion to quantitative output, industry will bend its energies primarily to feeding the consumption market, and in the most efficient way, that is by discontinuing its practice (as followed to-day under the compulsion of bankers' rules and conditions) of manufacturing redundant capital and thus creating non-productive overhead charges. In this connection it is obvious that while the bankers rule the game it makes no difference whether the industry makes idle machines or useless shells. From the pragmatic point of view taken by our correspondent there is no more justification in regarding such machines as a basis for a discount than in so regarding shells. Both are evidence of wasted energy. But, as shown, the basis of the discount is something other. One might almost say that this evidence is itself the basis of the discount, for evidence that we are wasting energy is evidence that we have energy to waste. And if we realise that we are wasting it because of an inherent shortage of purchasing-power in the hands of the community, then obviously the waste tells us that we can, and ought to, adopt the discount.

Taking a wide survey of the situation, why are we piling up shells? Fundamentally, to blow our way into other people's markets or to blow them out of our own. Every nation is trying to avoid bankruptcy by inflicting it on others. That is the logical import of their mutual competition, whether it is their intention or not. Figuratively speaking, what they ought to do should be to join their military forces and use up their shells in the "Bombardment of Basle." Then at least we could all see in those shells the basis and guarantee of the discount that we are waiting for.

Phrenology and Social Dynamics.

By John Grimm.

II. MORE PRELIMINARY GOSSIP.

I assume that the items of gossip of last week were themselves sufficient to indicate the closeness of the connection between phrenology and sociology. Phrenology enables one to take an inventory of the characteristics of the individual. It therefore enables one to do the same thing with the characteristics of all individuals put together—that is, of society. Experiments have been done along this line by physiognomists, who have sometimes published what may be called a composite or collective portrait, one so described because it has been built up through the process of drawing (or photographing) a number of portraits of individuals and then superimposing one on another, and, as it were, using the pack like a lantern slide and projecting the (now composite) image on a screen, or, if you like, on a sheet of bromide paper. The result is a figure more or less sharp in outline in its various parts according to the degree to which the physiognomical features of the individuals concerned coincide with each other or diverge from each other. This figure, from one point of view, can be regarded as representing the *average or typical individual* of the selected group, and from another, as representing the group itself.

It has often been remarked that there is no such a person as the "average man." The remark is true in the sense that every individual differs from the "average." And it is important because in respect of any individual it is impossible to predict what he will or may do by reference to the "average" index of the group to which he may belong. But it is equally true, and important to remember, that you can predict what a group, as such, will or may do by reference to the "average" index. And the larger the number of people in the group the more accurately can their action be predicted.

Crowd Psychology.

Your expert publicity man knows this quite well. Incidentally he makes money out of his knowledge—which is the best proof you can have of its pragmatic reliability. Whether he works in politics to sell a policy, in commerce to sell fish, or in morals to dethrone a King, he can calculate results from a *crowd* (and the larger the crowd the easier for him) whereas he cannot calculate through what *particular individuals* the results will accrue. He does not need to calculate in terms of individual personality, for, like the banker, he deals in numbers, not persons. What he wants is orders. He spends so much money on spinning his yarn, and he gets it back (with a margin) out of the unknowns who fall for the yarn. *He knows that the size of his audience is a measure of its docility.* When he broadcasts the injunction: "Eat More Fish" he knows that society will eat more fish; but he cannot know this of any individual person. Any such person may, indeed, not only disregard the injunction, but resist it to the extent of eating less fish than he did before.

This does not invalidate the phrenological proposition that the conduct of the individual is predetermined as regards potentialities. It does not follow that because, to the mass advertiser, the reaction of an individual is incalculable, it is not calculable at all. For the advertiser does not come into contact with any one of his "prospects," as he calls them: and his inability to calculate

arises precisely from this fact—that is to say, the fact that he is not in a position to apply phrenological science. To size up a person's potentialities phrenologically you must be able to see him. The mass advertiser does not see anybody; the nearest he comes to seeing is his visualising (in an intuitive sense) the characteristics of a crowd. Nevertheless he succeeds in his object precisely because the crowd responds to an external stimulus in close conformity with the shape of its "composite" headpiece. That is to say, the crowd, by its invariable responsiveness to the stimulus illustrates the truth of phrenological science. And just as truly does the occasional irresponsiveness of this or that individual to the same stimulus illustrate the same thing. For instance, there are individuals of a mental type who could be counted on to resist an injunction to "eat more fish," and precisely because they were told to do so; and if they could be segregated and examined phrenologically their heads would probably exhibit the visible signs of well-developed "Caution" (No, I'm not going to be hurried along to the fishmonger's at this speed: I'll think it over), or well developed "Combative Energy"—sometimes defined as "Defensive Energy"—(Who the devil's this fellow, telling me what to eat?).

The True Social Creditor.

Now, let me bring this into relation to Social Credit. To begin with let me submit my own description of the essential characteristic of an authentic Social Creditor. It is this. Such a person is one whose emotions are sympathetically stirred by his intellectual conviction of the truth of the Social Credit Analysis. I see that the journal *Farming First* has reprinted an article on Captain Rushworth which appeared some months ago in *THE NEW AGE*. In that article it was related how Captain Rushworth came to be a declared Social Creditor. Readers will remember that he had retired to the seclusion of the Bay of Islands at the end of the Great War. He sought refuge from the phenomena marking modern civilisation, and he did so because there was no explanation of them that satisfied his reasoning faculties. He was intellectually baffled, and, therefore, emotionally dispirited. Here was a potential Social Creditor *par excellence* in my definition. Well; by some accident—that is Act of God—an old friend journeyed out to look him up and talk over old times, and in his pocket was a copy of *THE NEW AGE*. The friend did not remember having it until he was departing. At the last moment he discovered it and handed it over to Captain Rushworth with the remark: "I think this will be in your line." Evidently something in that copy gave the Captain a hint that there was an alleged explanation on lines that were unfamiliar to him—lines which tempted his intellectual curiosity. The rest of the story need not be told in detail. He bought the Social Credit text-books, and after long and careful study took the Analysis to his brain and the Proposals to his heart. In that order. Intellectual conviction first—emotional reaction afterwards. The baffling mystery was a mystery no longer. The new knowledge vitalised new hope and released new energy. It was likewise with another fine member of the Social Credit Order, Mr. W. H. Rhys in Australia. (There are many others, but I choose these two because they are at the other end of the world and cannot call round and reproach me for giving them publicity which is distasteful to them.) Both these men possessed minds which hated a mystery as nature hates a vacuum.

Speaking of the word "mystery" reminds me that

I must complete what I said last week about what are called the moral, ethical and religious faculties. I described "Veneration" and "Spirituality," but left out the third item in the trinity, namely "Sublimity." To readers of *THE NEW AGE* another word will give a clearer insight into the functioning of this faculty. I must coin the word: it is Inflationism. A man who has this faculty over-developed (and unchecked by compensating faculties) admires bigness for its own sake. (Miss Barnard, in her text book already mentioned, remarks that this brain centre "is large in the American head." Would you have believed it?!) It is through the faculty of Sublimity that a person is impressed by thunderstorms, mountain scenery, tempestuous seas, the stary firmament, elaborate ritual and ceremony, heroic conduct, the majesty of death. When the faculty is relatively over-large you get your exaggerator, boaster, and grandiloquent talker. Coupled with "Veneration" you get appreciation of the works of nature (or God). Coupled with large intellectual powers you get comprehensiveness of views of subjects, and a liking for big ideas. Milton and Dante possessed strong "Sublimity."

The "Holy" Faculties.

Bearing in mind what was said last week about the factors "Veneration" and "Spirituality" in the makeup of the clergy, it will be seen that "Sublimity" belongs to them also. The three could be called the trinity of holy propensities. But note that in excess they can be a holy terror to society. Before leaving this part of the subject I would like to point out of "Spirituality" that Dr. Gall, who discovered its location, called it: "Organisation qui dispose aux visions." Later, Dr. Spurzheim called it "Supernaturalness," and later still, "Marvellousness." The name "Spirituality" came into use through some influence which it would be interesting to discover. As a definition it is the worst word of the lot. It invests the faculty with an ethical and theological significance which it does not possess. Obviously the clergy would like it to be supposed that nature had bestowed on man an *ad hoc* propensity for appreciating the particular kind of "Marvellousness" or "Supernaturalness" that they preach. Nothing of the sort. Everyone with this faculty is a potential customer for any sort of mystery-monger who deals in marvels and supernature. Here I come round to the "mystery" which I spoke of as something which Captain Rushworth found intolerable. And the point I want to emphasise is this, that a person whose "holy propensities" were not effectively disciplined by the presence of others would not have hated this mystery; rather would he have adored it. He would have been psychologically resistant (to use the hackneyed and unscientific term) to the very idea of its being cleared up. Have you ever noticed the complacent way in which the clergy speak of the "Mystery of Evil"—suggestive of the insinuation that this mystery is something to be dwelt on for our spiritual edification, something that is being reserved to be revealed to us in some after-life, and which it would be impious to probe in this life? If you have, you will realise how beautifully in tune this acquiescent and patient outlook is with that enjoined upon us by the bankers concerning the "Mystery of Economic Evils"—the unfathomable causation of trade depressions and so forth! Pie in the Sky By-and-By. An immense pie (says Sublimity)—a pie *de luxe* (says Spirituality)—a pie compounded from the beginning of Time (says Veneration). But pie on account here and now is a plea

from the "selfish" propensities and falls under the just condemnation of the "holy" propensities! As just stated, Captain Rushworth was not of the mental type which preaches or tolerates this unbalanced system of philosophy. Photographs of him that were published when he was in England (and the drawing which appeared in THE NEW AGE of September 3, 1936) show it plainly. He possesses a pronounced frontal development, indicating active and dominant intellectual-perceptives, intellectual-reflectives and self-perfectives. These have, so to speak, marshalled his "holy" propensities back into their proper and useful place in the employment-queue. They serve, but *do not take charge* of, his mental processes. This is visibly indicated by the absence of the high-domed rotundity which characterises the headpieces of moral pundits. There is a gentle gradient in the slope from his forehead to the crown of his head. In heads where Veneration is pronounced the crown is elevated—for this faculty is situated at the very centre of the crown (pointing to the sky, appropriately enough).

"What a Big Nose You Have, Grandma!"

To sum up, the true Social Creditor—the person who understands the Analysis and takes pleasure in contemplating the consequences of the adoption of the Proposals—is likely to correspond in the balance of his faculties with the example I have chosen for illustration. What I mean is that the resultant of the interplay of his faculties would come within a more or less definable range of wave-lengths, so to speak. I do *not* mean that all true Social Creditors look alike. In fact one of the curious features about people who are attracted to the subject is that they cannot be classified as a body. When I say "cannot" I mean that the visual comparative inspection ordinarily open to the observer won't give results. You can "place" extreme left-wingers like rank-and-file Communists and other idealists. (The directing heads need not of course be idealists in the same sense—they may be power maniacs.) But Social Creditors do not run to type. And in fact, if I saw a company of people who did, I should presume that they were not Social Creditors, much as they might show or even feel, interest in the subject. Social Creditors are individualists in precept and practice. They are all different; and that creates the antecedent probability that they will look different. Yet I have no doubt that if they (I mean the authentic types as I have defined them) were phrenologically examined there would be found some recognisable common factor to account for their convergence on the subject. In the meantime the prize for suggesting a common factor goes to a lady who, on attending a "New Age" Dinner for the first time several years ago, remarked to her husband apropos of the company: "Isn't it funny? They've all got long noses!" She may have meant prominent noses. This delineation goes to the credit of physiognomy, and if it was true (and according to my experience it fits more cases than any other) I suggest that expert physiognomists see what they can make of it. Facial features correspond to cranial contours; and Professor Severn once made the extremely practical remark that many artists who draw or paint human figures—mythical and allegorical—are ignorant of this fact, and will join together a face and a head which are mutually incompatible in nature and therefore irreconcilable with art as a mirror of nature. Beholders feel that the figure is unconvincing, but do not know why. So let young artists take notice. They should no more neglect craniometry than they do anatomy.

So much for the Social Creditor as such. Next comes the Social Creditor as a contributor of effort, whether in winning intellectual converts, or in arousing public sympathy, or in organising these activities. Here it is easier to classify, for it is no longer necessary to ascertain why he is what he is, but simply to ascertain what he is fit for. Take the function of leadership. Assuming that the desirability and feasibility of a given objective is agreed on (without which the question of leadership does not arise) the chief consideration is the credentials and capabilities of the leader. Naturally he must be trusted (a) to mean to reach the objective, (b) to know how to deal with obstacles in the way. Then the question comes: Who possesses the qualifications most appropriate to the specific problems that can be reasonably expected to arise? Phrenology can return answers to all the questions involved. It is an impartial and dependable arbiter of fitness for leadership. It can measure up and balance the forty odd components of the brain, assigning to each its measure of appropriateness and inappropriateness in relation to any given set of circumstances. It pronounces on fitness for function when the circumstances in which it is to be exercised are known.

"You have 'Cautiousness' well developed" remarked Professor Severn to a client.

"Well," replied the client; "I need it in my business."

"Would it be rude to ask what your business may be," said the Professor.

"I don't mind telling you in your professional capacity," responded the client; "I am a burglar."

No doubt the client was leg-pulling, but the story graphically illustrates the fitness-for-function principle. For conceiving the case of a man who wanted to go in for burglary, and who consulted a phrenologist, the presence or absence of "Caution" (or more strictly, its relative degree of development) would go far to deciding the answer.

Here is a more complex case. It is Miss Barnard's inventory of the factors which make the Compleat Clergyman—although she does not put it in that way. If a candidate for the Ministry came to her to ascertain his fitness she would look for the following indications: "Moral and intellectual faculties dominating propensities." (Most important if celibacy is in question.) Then the specific indications: "Veneration, Hope, Spirituality, Ideality, Benevolence, Intuition, Friendship, Language." Space demands postponement. On a later occasion I want to relate phrenology to the controversy about the picture of Major Douglas painted by Augustus John and exhibited in the Royal Academy.

The King's Problem.

[We here commence reprinting our pre-Abdication "Notes," dated December 10, 1936. That number of THE NEW AGE was sold out in a week. Readers whose orders for it could not be executed may have extra copies of this and following numbers free of charge upon application.—ED.]

The next question is—What has the King done? If it be true, as is alleged, that the King has proposed to his Ministers legislation which they are not prepared to introduce, the answer of Ministers should be not to call for abdication, but to refuse to act upon the King's request, which thereupon becomes inoperative. If the King refuses to take the advice of his Ministers they are, of course, free to resign.

They have no right whatever to put pressure upon him to accept their advice by soliciting beforehand

assurances from the leader of the Opposition that he will not form an alternative Administration in the event of their resignation, and thus confronting the King with an ultimatum.

[Mr. Winston Churchill in *The News of the World*, December 6, 1936.]

Whatever else may be said of the political turmoil which broke out on December 3 there is one healthy thing about it. It centres round an elemental issue—namely, whether a man in the position of the King must renounce that privilege of free choice in marriage which is enjoyed by the humblest of his subjects, not to speak of beasts, birds and fishes. Never mind the answer for the moment: it is the question itself which makes a clean business of the controversy. Look at it. What a contrast against the last two "great crises," the one about whether the Cabinet authorised the Hoare-Laval Plan, and the other about whether Thomas told tales out of school. These affairs could be thrashed out within the orbit of legalism. But this affair spills over into the illimitable region of humanism in all its relationships. It makes a row after the Irishman's own heart: everybody can join in. Yes, and everybody is competent to join in on one or other of the innumerable aspects of the conundrum. The situation was perfectly epitomised a few days ago by a working man who interrupted the chatter of his mates about the subject with the following laconic remark, delivered with a twinkle in his eye: "Well, when I got married not a word was spoke!" Quite so. Yet the procreation of candidates for the Dole ought to precipitate as much controversy as that of aspirants to the Throne—that is, if you are going to mix private match-making with public tax-taking. The song says: "Love Is Everywhere"; but not everywhere, apparently, may it laugh at legal locksmiths. Wherever a humble male citizen goes in search of a mate he meets no such obstruction as a constitutional girdle of chastity. But a poor King!

What is the reason? There are plenty of answers. But all of them involve considerations affecting the Monarchy as an institution with functions, political and social, to perform. The constitutional check on a King's freedom of choice in marriage which Ministers and Bishops are seeking to apply rests on the proposition, expressed or implied, that the nature of his public functions is so delicate that they can only be performed with the co-operation of a wife approved by the Keepers of the Conscience of the Constitution. It is this presumption of delicacy that is at the centre of the trouble. What is this delicacy? Well, it is of the nature of instability. Instability is the characteristic of our political, our economic, and, most vital, our financial systems. In this general situation of interlocked instabilities naturally the most trivial mistakes, as they would appear in themselves, might well start a general collapse. THE NEW AGE published a cartoon once, depicting the central-Banker patching up his hotch-potch installation of financial machinery, and whispering in agitation to certain onlookers: "Hush! Don't breathe on the works!" That fits the present situation. Not a breath must touch the "works"—no, not even the breath of the Voice that breathed o'er Eden. "Every woman," runs a familiar advertisement, "sees her home through her engagement ring." And apparently every statesman and prelate in this country sees, or fears that he sees, the collapse of civilisation through a wedding-ring.

Well, if it is true, why is it true? It is because the real keepers of the King's Conscience are the keepers of the Constitutional Conscience; and are trying to reconcile the two in furtherance of their own purposes. They are the Money Monopolists. To them the Monarch is an implement of financial dictatorship. And the instabilities which impose renunciation upon him are the products of their own machinations.

THE NEW AGE of September 1, 1932, was obliged to omit at the last moment several passages from its "Notes" because their publication would have transgressed a general injunction by Lord Hewart given out at the hearing of an action which incidentally touched on the private affairs of society people close to the King. The injunction amounted to a warning to all newspapers and printers that any comments on that action would be followed by severe penalties on those who made them. The comments which THE NEW AGE had proposed to publish were not directed to a discussion of the action, but to a review of the general situation, in which the politico-social prerogatives and functions of the Monarchy were analysed in the frame-of-reference of High Finance. But since they were inspired by the circumstances of the action, and derived part of their relevance and cogency therefrom, it was held by legal experts that they would fall under the above judicial condemnation just the same.

Some of those comments, however, can be safely published to-day, and perhaps with added force in connection with the present issue between the King and the Cabinet. For example, one point made was the anomaly that the King of England and the Prince of Wales (this was in 1932) should be forced to speak words in public which in effect bestowed the Royal Warrant on that which in effect bestowed the Royal Warrant on that cosmopolitan enterprise visibly embodied in the Bank for International Settlements. The instance was taken of the occasion when the Prince of Wales was made to give advice to British manufacturers to degrade the quality of the things they made. "You should not make goods to last too long," was the burden of the message put into the Prince's mouth. The advice logical enough provided that one assumes the infallibility and immutability of the prevailing laws of sound finance and unsound economics). If Britain is fated to seek prosperity by exporting goods at or under the "world-price," her industries must of course degrade quality to the worst standard that importers are prepared to tolerate. And if this prosperity depends, as it would, on repeat orders, naturally British manufacturers would commit suicide by making things that lasted for ever.

But these "ifs" constitute the whole point. The assumption on which rests the idea of a country's living on its export balances has been exploded by the Social Credit Analysis of 1919 coupled with the silent testimony of subsequent phenomena all over the world.

Another instance taken in the "Notes" referred to was a newspaper report which said that the King was "rejoicing" at the outcome of the Ottawa Conference, which had not long been held. That amounted to identifying King George with the futile formulae for regulating the trade of the Empire agreed to by the Conference. It would have been right and proper for him to be reported as rejoicing at the willingness of the Dominions and Mother Country to reason together, but that is a different matter altogether from rejoicing over the outcome of the reasoning. For the conclusions arrived at proceeded from false fundamental premises, and were therefore themselves false and infeasible. Events since have proved the infeasibility.

(To be continued.)

Law Notes.

Restitution.

Mr. Justice Swift sentenced an ex-Police-Chief called Trigg for theft at the Birmingham Assizes last week. During the trial Trigg's counsel said that the only savings that Trigg had were life assurances which he (Trigg) had realised and was anxious to offer as restitution. Mr. Justice Swift replied that he would be no party to encouraging the idea that that money should be used to make restitution. It belonged to the wife. He added:

"I am very tired after seventeen years sitting here of stories of people whose relatives have made restitution. They have stood in the dock, and their counsel think it is to be counted to them for virtue that, instead of robbing some public authority, they have robbed their wife, or their daughter, or their sister—very often a sister—who has made the restitution. It counts nothing with me—nothing."

Circumstances alter cases. In this case the restitution was due to the Police Authorities who had been defrauded. So it was quite proper that the money should not be paid at the expense of the wife, who needed it, and all the more badly because of the loss of her husband for the term of the sentence (three years).

It should be noted, however, that the report does not make it clear whether the judge could legally forbid restitution. All it may mean is that he was warning people generally that he would not allow relatives of prisoners to buy reductions of sentences in that way.

However, even if that is all it means it is worth recording. For in the present phase of the politico-economic crisis a great deal more is going to depend on how the consciences of our judges work than on what the statutes compel them to do. Lord Hewart's book, *The New Despotism*, was, and is, an expression of his conscience; and what he said amounted to a declaration that a large part of the Law was illegal. When private conscience and public duty are in conflict among administrators of the Law, the authority of the Law is undermined from within as well as being discredited without.

Blackmail.

There is a Press report that the authorities are troubled about blackmailers and are taking steps to encourage victims of blackmail to prosecute more readily. Instructions are being circulated in the administrative quarters concerned to tighten up the secrecy surrounding the names of prosecutors. We wonder what the Bishops will say about this. (There is a sense in which Edward VIII. was a victim of blackmail.) For the fear of being blackmailed is undoubtedly a strong deterrent from crime. Should it be weakened? That is for them to answer. What we have to say concerns, not the greater secrecy, but the loopholes that may still be left in it. Let us put a case. A person, A, is defrauding the Revenue. A person, B, finds this out, and blackmails A. If A now prosecutes, can he rely on the Revenue Authorities being kept ignorant of his identity? If not, can he rely on immunity from legal process on their part to recover the money? Yes, and, by the way, reverting to Mr. Justice Swift's remarks, can A successfully claim that the money belongs to his wife? Nice points these—what?!

We had a good deal to say about blackmail at the time of the libel action brought by Captain Peter Wright on issues arising out of his attack on the late W. E. Gladstone. We showed that the laws regarding libel on the one hand and blackmail on the other so worked as to protect public men from attacks from below (even when deserved), but left them exposed to attacks from above. We suggested that in effect blackmail was the bankers' prerogative, and that the little blackmailer was what the trade-unionist calls a blackleg. Obviously the publishing of secrets from below destroys their value above as instruments of intimidation. No reader of this journal will deny that there could arise circumstances in which the threat to expose a public figure might be in the public interest. Many agents of the Secret Service

are men who have made a slip, and who are compelled to work for that authority under threat of exposure. Suppose a person threatened one of these agents that he would expose him if he did not throw up the job? That would be blackmail—but it would also be counter-blackmail. The question of whether it was right or wrong would now depend solely on whether the job assigned to the agent was against the public interest or not.

LETTERS TO THE EDITOR.

HITLER ON CREDIT.

Sir,—I am surprised to find Mr. Mills putting the cart before the horse in his letter to you on March 11. He says: "a period of peace is required for the rest (i.e., Social Credit) to follow. Such things as the National Dividend, if practicable, cannot be forthcoming in a night." He should know, however, that the National Dividend and "the rest" *must precede peace*—are, indeed, the indispensable conditions of peace; and the world will wait in vain for a period of peace to come first.

Furthermore, on what ground does he base his contention that "the National Dividend, if practicable, cannot be forthcoming in a night"? There can be no half measures about the National Dividend and the principle thereof. The absolute and complete nature of the break between the present economics of war, and the social credit economics of peace, makes any question of a gradual change from one to the other inconceivable and impossible. The new order will have to come "like a thief in the night" or not at all.

Mr. Mills himself actually shows how, in Germany, a policy of public works had to be followed by one of re-armament, to enable the Government to fulfil its promise of a market for the increase of food the farmers were encouraged to produce!

In face of this, how can Mr. Mills contend that a "production" standard is the "first and most important step in monetary reform," or that any hope of peace lies in pursuit of such a policy?

B. C. BEST.

THE CHURCH AND THE HARVEST.

Sir,—My reply to M. B., Oxon., is that, in my view, when the ritual of "the Church as God" is so divorced from the facts of the situation brought about by "the Church as Mammon" (the title he selects for the policy of sound finance), then that ritual becomes not only meaningless but absurd. The occasion for such ritual should be used openly to protest against and condemn a policy that makes a mockery of thanks for a bounty which is wantonly destroyed. Such a policy would do more "to carry on truth during the dark ages" than the present hypocritical pretence that merely gives countenance to a lie.

And what can we make of the character of a ritual that, in any case, can only relate to the more fortunate of the Church's members? Could an unfortunate from the distressed areas, whose wife and children, let alone himself, were ill-clad and undernourished, wholeheartedly enter into such a service? For him it would be merely an impertinence. No amount of "charitable" works on the part of the Church can mitigate or qualify such a conclusion, since "charity" to-day is one of the important bulwarks of the economics of destruction; and though driven to resort to it as an interim make-shift policy, a Church with regard for truth and real charity would make this plain until it became no longer possible to ignore its voice.

B. C. BEST.

Forthcoming Meetings.

LONDON SOCIAL CREDIT CLUB.

Blewcoat Room, Caxton Street, S.W.1.

March 19th, 3 p.m.—Question and Answer Night.

MANCHESTER SOCIAL CREDIT ASSOCIATION.

Public meeting on Monday, March 22, at 8 p.m., at the Athenaeum, Princess Street, Manchester. Address by H. Drummond, Esq., of Liverpool. Chairman: W. P. Ashworth, Esq.