THE
NEW AGE
INCORPORATING "CREDIT POWER."
A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART
No. 2283] NEW SERIES Vol. LIX. No. 6. THURSDAY, JUNE 11, 1936. [Registered at the G.P.O. as a Newspaper.] SEVENPENCE

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NOTES OF THE WEEK.

Budgets and Leaks.

The findings of the Budget Leakage Tribunal, who reported on June 2, were considerately delayed until the Queen Mary had got across the Atlantic, and had settled that "matter of grave national importance": "Will she beat the record?" The British public were saved the strain of having to bestow their attention on two sensations at one and the same time. Further, the circulation managers of British newspapers have been enabled to collect a penny for each sensation instead of a penny for both. Mixed thrills, like mixed grills, tend to tax the digestion of the consumer and the revenues of the producer. As things have turned out, the public will be able to concentrate on the matter of Mr. Thomas's record, and clear it out of the way in good time to resume their undivided concentration on the Queen Mary's renewed attempt on the Atlantic record. What blessings we enjoy, to be sure, under a National Government!

Budgets Are Leaks.

Many of our readers, on seeing the Press placards and headlines on that "Black Tuesday" (as it will be recorded in Thomas's diary) may have been in the mood to recall the story of the grinning black potentate who assured the late Lord Reading: "We have no deficit, because we have no Budget!" He might now revise the assurance and say: "We have no leakage, because we have no Budget!" And a frivolous punster might, with mock gravity, call for a judicial inquiry into the question whether Budget deficits are caused by Budget leakages. Yet, on a close technical analysis this jesting could be shown to be not so far from the truth as is would appear. For the Budget is, itself, a leakage—or rather the vehicle of a leakage. Not of information, of course, but of purchasing power unnecessarily extracted from the citizen. A "combined, corrected statement of accounts reflecting the condition of our national affairs would disclose, not the need of the State to take money out of the people's incomes, but the ability of the State to pay out money in augmentation of those incomes. There exists a sufficient reserve of potential financial credit, rendered invisible by the bankers' system of presenting the nation's accounts, to cover the granting of a relief of all existing taxation, and even then to leave a marginal surplus sufficient to reimburse taxpayers the levies inposed on them in past years. Hence, as Douglas has put it: "All taxation is robbery." Such is the master-secret of the Budget; and we are pleased to be an agent of its leakage.

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Unfortunately, the public will reject the announcement in this form. They labour under the notion that the Chancellor of the Exchequer is simply a gentleman who does our shopping for us, buying on our behalf things that we could buy for ourselves so far as spending the money is concerned, but cannot buy individually because many of the things bought are not divisible among individuals nor can become their personal property.

Why This Inquiry?

Much more interesting than the verdict of the Tribunal is the question why it was appointed to inquire into the alleged leakage at all. Students of the real politics of Finance do not need to be told that the Government's policy in such matters is conditioned by the attitude of the Treasury—i.e., the Bank of England in its political uniform. We can allow full weight for the fact that certain underwriters lost money, and suspected that it was extracted from them by irregular methods. But against this we must remember that, as was disclosed in the evidence before the Tribunal, the amount of money lost was comparatively negligible, and the grounds for the suspicion circumstantial. Again, the gossip about the insurance deals and about the name of the Minister under suspicion first circulated in select circles who were well able, if they had wished, to prevent a leakage of their allegations of a leakage into the columns of the popular Press. And even if they did not wish to prevent it they were just as amenable to dissuasion emanating from the Treasury as was the Gov-

ernment itself. From the point of view of the public there were ample reasons why an open inquiry ought to have been held, but open inquiries have not always been held when they ought to have been held.

Former Scandals.

There have been occasions in our own recollection where names of Ministers have been involved in libellous, and therefore actionable, gossip which just as much called for open investigation as the gossip now in question. Yet in those cases these Ministers' reputations were protected by what seemed then to be mysterious influences, but which to-day can be identified with the policy of the Elders of High Finance. It is more than ever the concern of the public at this crisis in the affairs of Great Britain and the world that their representative Ministers should be men who have nothing to fear from any disclosure of their private affairs. As every advocate of Social Credit knows, it is difficult enough to persuade a public man with the cleanest conscience, and therefore the least fettered judgment, to pay serious attention to the analysis and demands embodied in the Movement's propaganda and agitation; so that nothing need be added to show the hopelessness of seeking to influence any public man who has, by some indiscretion or other, given hostages to the powers against whom the Movement is fighting. It would be fatal for the destinies of this country to be in the hands of Ministers holding office on ticket-of-leave conditions. We have our hands full dealing with those who can't see the light, let alone with those who daren't see it. It is a curious reflection that the law, which holds blackmail in such abhorrence that it will condone the crime of "Mr. X" in order to convict the discoverer of his crime, is itself the product of the blackmailing principle. What is blackmail? It is the coercion of a person under the threat of disclosing something that he fears to have disclosed. The essential element is the coercion, not the nature of the threat. The illegitimate use of a threat to visit unpleasant consequences of any kind on a person if he does not do what he's asked to do is a form of blackmail whatever the law might call it. In this sense it may be justly said that the Melbourne *Age* was blackmailed into reversing its attitude towards the visit of Sir Otto Niemeyer some years ago.

The Case of Gladstone.

We discussed this aspect of political intrigue fully on the occasion of Captain Peter Wright's libel action arising out of the allegation he made in his book against the late William Ewart Gladstone. Among other comments we pointed out the difficulty which the law placed in the way of any citizen (or group of such) who had reason to suspect that irregularities were going on in high places, and who wanted to set in motion some sort of machinery of investigation without incurring the risk of penalties depending on the outcome of the investigation. We pointed out that no such machinery existed, and that the only course open was for the citizen to embody and make public his suspicions in a form that would put him in the position of defendant to an action for libel; and this risk was aggravated by the fact that it would be next to impossible for the defendant to gather beforehand sufficient evidence to establish the truth of his statements or insinuations. We emphasise the word "beforehand," because when actions are being tried one often hears judges utter the admonishment: "You must not bring actions (or cause them to be brought) before this Court without sufficient grounds, relying on eliciting during the hearing evidence from the other side favourable to your case." In blunt language: "You must not make statements against Mr. X and use this Court to fish for proofs." A variant of this admonishment was heard in an enticement case only a week or so ago where the judge stigmatised the plaintiff as a blackmailer because he (the plaintiff) was trying in his (the judge's) opinion, to import into the case matters not relevant to the enticement charge, but calculated to intimidate the defendant into settling out of Court. If this judge's attitude was justified in law, it only goes to emphasise the risk which anyone would incur who was forced to use the machinery of Court procedure to establish the truth of other allegations against highly placed personages, particularly when it was considered to be "against the public interest" for their reputations to be tarnished.

A "Public Investigator."

In the case of Gladstone the gossip against him which Captain Peter Wright put into the form of an allegation long after Gladstone's death was as definite and persistent during his lifetime as was the recent gossip about Thomas which precipitated the official inquiry just concluded. Whether the gossip about Gladstone was groundless or not is irrelevant to the present argument, which is that at that time no friend or enemy of Gladstone among the ordinary run of citizens had any chance of getting the matter cleared up. The initiative rested (or appeared to rest) with Gladstone himself, and if he chose (as he appears to have done) to ignore the gossip, there was nothing to be done, unless, of course, someone had the courage to libel him.

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All this is the substance of our comments on the Peter Wright action; and they were convergent on the suggestion that there ought to be some kind of Public Investigator parallel to the Public Prosecutor—an official (or tribunal) who would intervene whenever the reputations of responsible public men were called in question.

Fishing for Evidence.

Now the Tribunal which has just reported on the Budget leakage fulfilled this requirement. But it was an *ad hoc* body. It ought to be a permanent body which would be ready to go into any other question of public interest upon information received. Notice the unique powers and proceedings of the three trained juridical experts who composed the Tribunal. Whereas in a court of law there would have to be an identifiable prosecutor, here there was none. Nor was there an identifiable defendant. If there was a prosecutor it was *the People*, and if a defendant it was the Cabinet and a few permanent State officials. Again, the matter to be adjudicated upon was not an established fact, but merely the presumption of a fact; for all that was known before the inquiry opened was that there had been insurances against changes in taxation, and that certain circumstances attending those transactions were consistent with the theory that the insurers were betting on a certainty. The persons who knew the circumstances were the few underwriters concerned. These would not have been able to go into a court of law saying to the judge: "We suspect that there are grounds on which some person or persons unknown ought to be indicted with a breach of confidence, and we want you to discover what those grounds are, and, if there are any, who are the persons who ought to be indicted." For to do this would be precisely to start such a "fishing" inquiry as we have just shown to be considered by judges as an abuse of the processes of legal actions.

This word "fishing" expresses the fundamental differentiation between the court and the Tribunal. In place of being an abuse of procedure it became the governing principle of procedure. And no words of ours are necessary to remind readers how thoroughly Mr. Justice Porter and his learned colleagues applied the principle. They acted as if they had been in the position of the police who had obtained search warrants to enter houses to discover evidence of sedition, only in this case it was not houses that were to be ransacked but ledgers and pass-books. These three Compleat Anglers fished where they liked without fear of water-bailiffs, and exercised unfettered discretion in regard to what specimens in the catch they retained in their basket or threw back into the stream. This is a reminder, by the way, that pass-books are diaries of the depositors' transactions, and though they are sealed books as regards the depositors' neighbours they are open books to the bankers who hold a duplicate of the entries in their ledgers. The French citizen, for instance, is able to conceal his capacity and liability for taxation by doing his business with currency instead of cheques, and he thus places himself in the joyful position of being able to inform the State, instead of being informed by the State, what amount of tax he is justly liable to pay. A just tax, he says to himself, is one which I am able to pay without embarrassing myself—and in so saying he is repeating unconsciously, the Social-Credit definition of the "just price." He might almost borrow the words of the black potentate referred to earlier, and say of taxation: "I have no liability because I have no pass-book." This attitude of the Frenchman is frequently expressed in the humorous newspapers and magazines. A typical example is as follows:

> Old lady, to street mendicant: "I'm sorry, but I have come out short of cash. I must give you something next time."
>
> Street mendicant: "A thousand thanks, madame: but, I beg of you—no cheques! They are too compromising!"

The allusion here was to *l'Affaire Stavisky* where there was a popular agitation for search warrants in respect of the financial transactions of highly-placed French politicians.

Bank Leakage of Information.

Another illustration of the hostages given by users of the cheque-system was afforded a year or two ago in London when a depositor, call him Mr. A, paid a cheque to a well-known bookmaker. An official in the bank noticed the name of the payee, and communicated with Mr. A's employers, telling them that their servant was engaging in betting transactions. The employers thereupon discharged Mr. A, who naturally considered that he had a good case against the bank for breach of confidence. When his action was heard the court found against him, holding that the bank official was acting within the limits of his duty. This startling disclosure that in law a bank may interpret its solemn bond of secrecy how it likes was commented on in these columns at the time of its occurrence, and can be looked up there if necessary.

Wide Powers of Tribunal.

To revert, now, to the procedure of the Tribunal, their request to Mr. Thomas that he produce his pass-book for examination was a request for information, or clues thereto, relating not only to the "leakage" issue but to everything else that may have been the subject of cheque transactions entered into by Mr. Thomas. It is true that the Tribunal did not make public any information thus obtained by them, and it may be taken for granted that they only took notice of such of it as helped them to decide the issue submitted to them. That, by the way, retrospectively justifies those who decided to put the inquiry into the hands of trained lawyers rather than (as was suggested) a political or quasi-political committee; for lawyers are trained to observe confidences and ignore irrelevancies. It was necessary, in the course of an inquiry into leakages of Budget secrets to prevent leakages of evidential matters sifted by the Tribunal, and not only so, but to maintain general confidence that these matters would neither be publicly revealed nor privately exploited by anyone who got to know them. Had it been otherwise Mr. Thomas, or any other witness at the inquiry, would have been morally justified in refusing to allow his private affairs to be peeped into. Only men with the training and traditions of the judicial system could be depended upon to dismiss from their minds everything they found out except that which it was their duty to know and their function to act upon.

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As it was, the ruthless thoroughness with which these three juridical anglers went about their work jolted the imagination of the public no less than it embarrassed the parties concerned. In fact, they dispensed with lines and flies, and dragged the stream with nets. This came as such a shock that if the body exercising its powers in this way had not been above suspicion it would have set up vibrations of sympathy with those who went through the ordeal, and this sympathy might easily have become transmuted into suspicions of malevolent wire-pulling in political quarters. All statesmen have rivals even if they have no enemies: and when any of them is attacked there always exists the antecedent possibility that the motives inspiring the attack do not wholly reflect an impersonal concern for the so-called "public interest." As things have turned out Mr. Thomas and his friends who have come under the condemnation of the Tribunal would be the first to testify that they have had a scrupulously fair deal, even though they may believe that the fall of the cards has given a distorted picture of what actually happened.

Mr. Gavin Simonds.

We must put in a word about the composition of the Tribunal. It concerns Mr. Gavin Simonds. We have remarked with amusement that in the biographical details published in the newspapers when the personnel was announced, and subsequently, the triumphant success of this brilliant lawyer's advocacy during the hearing of the Waterlow Appeal in the House of Lords was not thought worth while mentioning. We do not say that it was not mentioned, but we do say that we did not see it in the biographies which we read, and if it did appear in others, we still remain amused because the Waterlow case set the crown on his reputation and it should not only have been included in every biography without exception, but should have topped the bill in block letters. We publish elsewhere the opening section of his arguments on the last day of the hearing. We do so partly that our readers may taste his quality but chiefly that they may realise how, when once the trained legal mind is afforded the opportunity, or accepts the responsibility, for elucidating even the most novel and complicated problems, that mind is competent to analyse and co-ordinate every phase of it—inherent or implicatory—without at any moment being out of touch with

the fundamental proposition which it is endeavouring to sustain. In the Waterlow Appeal, Mr. Gavin Simonds' fundamental proposition was, it will be remembered, that when a Bank of Issue distributes notes it distributes pieces of printed stationery having no value to the Bank except that representing the cost of printing. The key-note of his challenge to the Bank of Portugal was this: "We accept your contention that in issuing your own notes in exchange for Marang's illicit notes you incurred a liability: but we deny the legitimacy of your construing this liability as a pecuniary loss, and of quantifying that loss at the figure of the face value of the issued notes." In a phrase he was accepting the fact of the liability but rejecting its nature as put forward by the other side. We hope that readers, when perusing the extracts we give, will try to realise the extent to which his advocacy, by reason of its quality and of the circumstances in which it was conducted, must have sown an intellectual ferment in legal circles in every quarter of the civilised world. The reason why they should do this is because at the present time so many advocates of Social Credit have fallen into the illusion that no influences are operating to undermine the powers and pretensions of the Money Monopoly than those which they themselves are able to exert. At any rate they are behaving as if that was their belief—going about with eyes starting out of their heads and crying: "We must all take action—the same action—and quick action—or all is lost." What about the ferments sown by the Movement during the last seventeen years, and now working independently of the Movement and outside the Movement? Or have they ceased to work? No; the orthodox equilibrium of outlooks—official, commercial, military, and legal—is being changed; and changed mostly through the agency of persons and groups outside the view of any Social-Creditor, also irrespective of whether these persons hold views sympathetic to the Social-Credit objective or not. It is a false and defeatist impulse which prompts anyone to picture the task before us as one in which nothing is working for our ends which is not visibly doing so. The truth is that, to borrow the words from the Scriptures, we are "compassed about with a cloud of witnesses"—witnesses, mark you, not "supporters," yet people who, by their sentiments and actions, seen or unseen, purposeful or purposeless, are daily confirming and illustrating the Social Credit diagnosis of the universal deadlock (of which the bread-and-cheese problem is one expression).

Social Credit and Litigation.

We said at the time of the Waterlow case that when M. Marang committed his swindle he did more for the Social Credit Movement than the combined efforts of its advocates up to that time. When we first heard the news that the Bank of Portugal were bringing an action we saw the possibilities which it opened up, and besides publishing comments in THE NEW AGE we took all the steps we could behind the scenes to prompt Waterlow's legal advisers to take the line of defence which they subsequently did; and later when Mr. Justice Wright found for the Bank in the lower court, we again used what influence we could to encourage those advisers to carry the case to appeal in the higher courts. We do not say that they needed our prompting: we do not know: but we have reason to know that the directors read what we had to say on this case in THE NEW AGE on all occasions when it was the subject of our comments. What we had feared would happen was that the Bank of England would privately persuade Messrs. Waterlow and Sons not to defend the action and would underwrite the damage. It would have been a cheap bargain even at the £1,000,000 which the Bank of Portugal first assessed as the extent of the damage, as we thought at the time, thus to procure the prevention of leakages from Central-Bank Budgets. We are still puzzled to know why the leakage was permitted. Mr. Montagu Norman must have foreseen it. The only satisfactory answer that occurs to us is that the late Sir Thomas Waterlow and his fellow-directors were prouder of their name than of their reserves, and were not going to accept the odium of negligence which would have attached to them if they had settled out of court. And now, having indulged in these reflections and written up this bit of history, we hope that readers of the report published elsewhere will derive from it a feeling of gratitude that men with minds like that of Mr. Gavin Simonds exist in our midst, and at the service of the public when given the chance; and perhaps some feeling of satisfaction that people with the ingenuity and daring of M. Marang are at large and may be preparing new jobs for them to exercise their talents on!

Crime the Fuel of Reform.

This last remark is not so flippant in content as it is in form. It is derived from the reflection that the healthy processes of judicial investigation cannot take place until things happen which provide occasions for them; which means that there must be breaches of the law, or alleged breaches, in which some prosecutor and some defendant are concerned. Had it not been for M. Marang's enterprise Mr. Gavin Simonds would not have acquired a knowledge of currency mysteries or communicated it to the five Lords Justices in the House of Lords and to thousands of law students outside. Had it not been for Lord Kylsant's action we should not have been privileged to hear the ethics of accounting-practices explored by counsel and judges. Had it not been for Mr. Hatry's illicit creation of securities we should have missed the knowledge of how the banks can indirectly invoke the law to punish a fraud on themselves, and yet avoid disclosing the extent of the fraud. Had it not been for Mr. Leopold Harris's glut-destruction operations we should have heard nothing of the power of the insurance combine to procure King's Evidence in order to punish anyone who defrauds them.

Sub-Constitutional Law.

It is true that the motives of these men were not to test their rights under the law, or anybody's else's, yet the consequence of their acts was to precipitate inquiries which had that effect. In none of the cases enumerated did any one of them claim a constitutional right to commit an unlawful act, or a sub-constitutional right to commit an unconstitutional act. By sub-constitutional we mean to indicate the sort of constitution which the people of this country would have enjoyed if the Money Power had not moulded it into a weapon of offence against the liberty of the subject. The way in which common-law rights, which would be the foundation of this hypothetical sub-constitution, are being submerged under cunning statutes slipped past the vacant eyes of an absent-minded legislature, is becoming a matter of general knowledge, in legal as well as lay circles. In this environment of increasing enlightenment the problem before the Social Credit Movement of what principle of effective action should be followed receives some measure of elucidation. There is a growing, though unvocal, need for someone to invoke the

sub-constitutional law against the constitutional law on behalf of the people. John Hampden did something parallel to this when he refused on impersonal grounds to pay taxes. So did the Nonconformists in the early part of the century when they refused to pay that portion of the rates which they calculated would finance the teaching of Church dogmas in elementary schools. In both cases, speaking ideally, Conscience came before the Constitution, which is another way of saying that the dictates of Conscience ought to coincide with the dictates of the Constitution. In our own term, coming to the present time, the sub-constitution of which we speak is in its conception a fulfilment of the conscience of humanity. By the word conscience we mean, not the complex cultivated feelings, religious or otherwise, which often pass under that name, but the simple elemental conscientiousness which spontaneously emerges from health and sanity in any walk of life. Any constitution, like our present one, which automatically imposes physical restriction and mental disturbance on the people tends to destroy health and sanity, and is a flat negation of the sub-constitution which tends to fulfil both.

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Mr. Gavin Simonds, in the act of attacking the orthodox banking concept of the intrinsic value of virgin currency was laying part of the foundations on which sub-constitutionalism now potentially rests and soon will actually rest. He was thus educating the legal mind (in however a small way) in a direction in which it will be more competent to adjudicate on issues, when they arise, involving constitutional law. For example, when counsel for the Bank of Portugal sought to prove damage by pointing out that by issuing extra notes it was inflating the currency, he replied that inflation does not hurt banks of issue, that what it did was to injure people who held the currency and benefit people who held property convertible into that currency. He narrowed his point even down to the proposition that the Bank of Portugal enhanced the value of its own convertible assets by inflating the currency. His general conclusion was that inflation simply redistributed losses and gains among the community, leaving the bank of issue unscathed. Of course, it takes time for the implications of this analysis to register themselves in the consciousness of jurists; but time has elapsed since he spoke, and one is entitled to hope that the ferment has been working. The test will come when an occasion arises for adjudication on matters to which this knowledge is relevant.

Future Use for Tribunal.

This brings us back to the Tribunal and its powers. It will have been noticed that although it has pronounced judgment no steps have as yet been taken by the law officers of the Crown with regard to the imposition of penalties. It will be interesting to see what happens. Either the offences are indictable or they are not. If indictable, and no indictment follows, the law will be made to look one-sided. If not indictable, then this will show that the Tribunal has condemned an act which the law does not recognise as a crime, and has done so on evidence which would be ruled out by a court of law as superfluous and irrelevant. In that case the conclusion to be drawn is that the object in appointing the Tribunal was simply to ascertain the truth of the allegation with the idea of finding out how the leakage could occur and afterwards taking measures to prevent its recurrence.

Now this is just the sort of Tribunal we want to see established on a permanent basis. For if it can inquire into matters, which it did, in which no defendant was charged, and no complainant appeared, with the single object of exposing an abuse and correcting it, the same Tribunal could very well inquire into other suspected abuses in which thousands of Social Creditors are interested. To make our meaning clear, let us put the matter this way. The Tribunal has found that "Thomas told." Now watch out. If the matter ends there so far as the law is concerned—and we hope that it will—the public will doubtless commend this on the ground that, if Thomas told, the disclosure was sufficient punishment, and on the further grounds that after all (a) the offence didn't amount to murder and (b) the offence would not be repeated.

Testing Law Without Breaking It.

With these things as a precedent there would be a logical opportunity for resolute critics of the financial system to cause the invocation of this Tribunal's powers in respect of larger issues, without, as now, committing an indictable offence at their own personal risk to win attention to these issues through the agency of court procedure. At this time when Conscience is at war with the Constitution, such a Tribunal would serve as a safety-valve against illegal acts committed for impersonal reasons. It would, in theory, enable the law to be tested without being broken. Or, in the case where one did break the law for reasons into which a court of law was prohibited from entering, it would be consonant with public opinion that a Tribunal should exist which would go into those reasons when they appeared to involve the interests of the public.

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We are not so foolish as to suppose that because the Tribunal's powers and procedure set a precedent which suits our purpose it will be allowed to subserve our purpose. We recognise that it was allowed a free hand only because it was pursuing a task approved by the Money Monopolists. Nevertheless, it is important to point out the logical implications of the precedent, because at any time something may happen which places Social-Credit advocates in a position to call for another inquiry into matters in which the public, as well as themselves, will be interested. What is sauce for the goose is sauce for the gander, and the Tribunal's judicial invasion of the privacy of Mr. Thomas affords strong ground for its judicial invasion of the privacy of other people, not excluding bankers. This must be remembered by every defender of the liberties of the people, particularly by those who, like our readers, know that the harm done by what Ministers are able to communicate is nothing to the harm done by what Financiers do not communicate.

New Encroachments on Liberty.

Two bankster ramps are being attempted as a result of the Tribunal's findings. No. 1 is the proposal that the Cabinet shall, in future, not be told what changes in taxation are decided until an hour or so before the Chancellor of the Exchequer reveals them in the House of Commons. No. 2 is the proposal that underwriters shall not accept insurance against Budget risks without requiring the insurer to disclose his identity and the nature of the interests that he seeks to protect.

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The mere fact that the first proposal should be seriously discussed confirms our oft-repeated declaration that the Cabinet have no control over financial policy. We once jocularly suggested that on Budget days the Chan-

cellor of the Exchequer himself did not know what changes were to take place in taxes until he arrived at the House. It now appears that our jest may prove to have been a prophecy. For why should the Chancellor be told if his colleagues in the Cabinet are not? He cannot consult them about the changes if they don't know what they are! We need a Social-Credit Member of Parliament who could register a demand for procedure to reflect reality and could propose that in future the annual announcements of taxation should be published as a Treasury Minute and communicated to the London Press at midnight.

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As to the second proposal, it would widen still more the facilities which the Money Combine have for scrutinising the private affairs of the citizen. The information elicited by underwriters would serve to enable Somerset House to counter-check information elicited by Tax Inspectors. Why should anyone interested in the tax on tea, for example, be forced to say so and to afford clues to the extent of his interest? The Socialists' proposal is less objectionable from this point of view, but less practicable. They want to stop all insurances of a "gambling" nature, forgetting that thousands of such insurances are necessary means of covering legitimate business risks.

The Pecksniff Press on Mr. Thomas

A man once told me that you never really knew how black a nigger looked until you put him up against a white-washed wall. Conversely, it may be said, if you want to advertise the whiteness of your wall, and don't happen to have a nigger handy, all you have to do is to blacken a white man's face. Sweet are the uses of advertisement, as well as adversity.

According to the anonymous editors of the newspapers list below, the Rt. Hon. J. H. Thomas stands convicted of—

"A smear upon the integrity of our public life."—*Daily Herald.*

. . . . . .

"A grave offence against the honour of British public life."—*Daily Express.*

. . . . . .

having dragged "in the dust the reputation of a Cabinet Minister."—*News Chronicle.*

. . . . . .

combining "sport and politics in an association a little too blatant.—*Manchester Guardian.*

. . . . . .

"having called in question the honour of a high position of responsibility and trust under the Crown."—*Morning Post.*

. . . . . .

"A grave charge" having "exposed himself to legitimate censure."—*The Times.*

. . . . . .

having done something for which "there is no precedent in this country."—*Daily Mail.*

J. G.

Forthcoming Meetings.

London Social Credit Club,
Blewcoat Room, Caxton Street, S.W.

June 12th, 7-45 p.m.—"Mass Production in a Social Credit State," by Mr. R. J. Scrutton, Editor of "Prosperity."

June 19th, 7-45 p.m.—"Social Credit," by Mr. Evans, Chairman of Erdington Social Credit Group, Birmingham.

June 26th, 7-45 p.m.—"The Simplicity of Social Credit," by Miss Prewett.

Entropy and Social Dynamics.

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

II.

In the parables, miracles, metaphors and similes of the Gospel stories, legal and conventional law is exhibited at its maximum intensity of force, and there can be no mistaking its direction. Every phase of law is represented. Broadly, they are divisible into two pairs of poles (electrical engineering terms). On the one hand the Roman; civil and military. On the other, the Hebrew; ecclesiastical and commercial. All these forces gathered round, and converged upon, the Centre Figures representative of the complete wholeness of individuality (i.e., each human unit an end in itself) and more than suggestive of the essential uniqueness of personality as well as specific theories regarding its permanence. That aspect of the matter will be traversed later on, but in the meanwhile we may consider how all power is given unto men.

No man, however big, and no group of men, however small, can exhibit or exercise power of any sort or kind over other men except it be first of all imparted to him or them.

The methods of impartation are as various as the forms of power imparted. Mechanical power is imparted through the medium of solid matter like wood, stone and metals. Hydraulic power, through the medium of water. Pneumatic power through the medium of air. Magnetic power through the medium of the ferrous metals. Electric power through the medium of the non-ferrous metals. Heat power through the medium of elastic fluids such as water, and blood, fire, vapour, and smoke. Light and sound power, through the medium of ether, that most highly attenuated of gossamer-like substances. Last, but not least, *Credit power* through the medium of money, which may be metal, fortuitously discovered; or paper, fortuitously specialised; or words, fortuitously standardised; winks or nods of promises to pay or not to pay, fortuitously represented, misrepresented, or interpreted by fortuitous law!

Now why is credit power the *last* of all these different aspects or manifestations of power? Because, in priority, it is the latest to appear in the cyclic order of botanical and biological evolution. Let Sir Arthur Keith, President of the Royal College of Surgeons, be called as witness, and no doubt he will confirm two very important things. Firstly, that the human cerebrum is the last in the somatic order of priority to reach maturity; and, secondly, that it is the organ of ultimate direction and control.

Every other cell or combination thereof within the body, exists and functions to sustain the purity, permanence and the perfection of cerebral equilibrium as the solitary objective of its activity. The stomach does not exist *for* the stomach, nor the heart *for* the heart. Both exist and co-operate for the head, because enshrined beneath its canopy almost at its very centre of gravity exists the filament for maintaining the light theologically described as that which "lighteth every man that cometh into the world."

As the head is the ultimate objective of the body which is itself the ultimate product of the cosmic kneading and kneading processes of energy building to form; so the delicate filaments comprising the inner brain become the vehicle of the very energy itself. Thus the end for which the body strives is but the beginning of another cycle of evolution on a plane where the values now represent something entirely different in kind. In short, the energy, having built up the form for its perfect habitation (a vehicle) goes on in full creative force as before, since in a universe of ceaseless motion nothing can stay put.

The created thing has thus become the creator of things, and an examination of the creations of mankind reveal them to be mechanical extensions and projections of his bodily functions, backed by nothing more tangible than his own will.

Now it is just at this crucial point we see the difference in kind between the muscular and the mental power of a man. "That which is born of the flesh *is* flesh; that which is born of the spirit is spirit, and the spirit functions in the will, a form of energy akin to electricity. The realm of will power is the realm of spirit power; not spiritualism, still less hoodoo-ism, but power as was stated last week of the same intrinsic nature as all other forms known to men.

Take a look at the black rocks, or what appears to be black dirt, in the barges standing by the Battersea Power Station on the Thames. Watch it travelling up the bucket conveyors, along the belts, and disappearing into one end of the station. Watch similar conveyors bringing back the residue ashes and clinker. Will anyone say that which is born of the coal is ash? Cut out all the other circuits for the moment and go round to the switchboard where that which is now being transmitted through the gleaming copper wires, though intrinsically related to the dirty coal, is something which is entirely different in kind. You cannot weigh electricity as you do coal, because it has no specific gravity. You *can*, however, transmit it from Battersea to the B.B.C., where again a transformation of *kind* takes place, and the human voice is heard at "the ends of the earth." In a very short time the human eyes will be there also.

Having thus traversed the gamut of power now demonstrably available to men on earth and tried to explain why credit power, functioning through the medium of money, is the last great evolutionary gain of man, it will be profitable to consider in the next article why, though last, it is not least. Indeed, we might discern the supreme wisdom of the saying, "The last shall be first, and the first last."

(To be continued.)

The Films.

"The Eternal Mask." Directed by Werner Hochbaum. Academy.

Psycho-analysis has already figured on the screen, but Pabst's "Secrets of the Soul" was heavier-handed, and had not so good or so human a story as this admirable Swiss production, the first film of the Progress Company of Berne to be seen in England. Here is a producer who has the courage to put on the screen such realities as pain, disease, and mental disorder, and the skill—without any concession to the box office—to hold the audience from first to last. Technically, the production deserves the highest praise; it utilises every resource of the camera to make the thoughts, delusions, and hallucinations of the principal character credible and convincing, to transcend the normal limitations of time and space, and to fuse the real with the imaginary. That is to say, that we have here the cinema doing—and doing brilliantly—what only the cinema can do, which is alone enough to make this an outstanding film, since one of the greatest tragedies of the screen is its consistent disregard of its possibilities. "The Eternal Mask" should not be missed by anyone who takes an intelligent interest in the films.

DAVID OCKHAM.

The Waterlow Case.

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

Mr. GAVIN SIMONDS: My Lords when your Lordships adjourned last evening I had just begun to address your Lordships in reply, and I was dealing first, and I will with your Lordships' approval continue to deal with what may be called the convertibility point. I was endeavouring to remind your Lordships that I had devoted a considerable part of my speech in opening upon this part of the case to differentiating between the position of the Bank of issue and the position of the third party, because, rightly or wrongly, it did seem to us that Reason 16 to which we have so often referred, was really the basis of the contention of the Bank, and that upon which the Judgment of Lord Justice Greer and Mr. Justice Wright in particular rested. Although a slightly different complexion has been now put upon the argument, we venture still to submit that at bottom it is that false premise in Reason 16 upon which the conclusion of the Bank is founded, and therefore, if I may, I would just venture to reiterate very briefly what I then said in regard to the differentia between the Bank of Issue in regard to these notes and a third party holding these notes.

My Lords, the first point I think I then made and I would make again is this, that after all the note if it expresses anything expresses the obligation of the Bank of Issue. It is a statement which is surely incontrovertible that an obligation of A to A is a thing of nothing worth. Secondly, I ventured to point out this, the vital distinction there is from the point of view of replacement. The third party can obtain another note if he loses one only by paying for it at its face value. The Bank of Issue can replace the note that it has lost at a cost of a printer's bill. Then again I ventured to ask your Lordships to examine it from the point of view of an imaginary balance sheet of the third party and of the Bank of Issue. The third party using a banknote substitutes one asset for another, and upon his assets side there will simply appear in lieu of a 500-Escudos note an asset which he has acquired for his 500-Escudos note. On the other hand, in the case of a Bank of Issue issuing a note, the note then issued is a thing of paper commodity worth and will not appear as an asset except at its value amongst its printed stationery, but, on the other hand, when it has disposed of it, or acquired something with it, it will then bring into existence a liability of the Bank so that you have at that point a most vital distinction. Another point which is very material to the new complexion assumed by my learned friend's argument, the suggestion that there is the same purchasing value, from that, with respect, I utterly dissent. The third party can purchase anything he wishes up to the face value of the note. But there are at all points restrictions upon the Bank of issue, whose powers to issue are limited in a very particular way by the terms of its Charter, and who, apart from that, may at any moment be compelled to issue to the Government, upon such terms as the Government may think fit, its notes for Government service, so that it is in fact not the Bank but the Government who gets what is called the market value of the note. Who could suggest that an individual could be compelled to issue his Bonds or his promises to pay, or whatever you like to the Government, upon the footing that he would be repaid at such time as the Government thought fit, and would in the meantime be paid one per cent. interest, of which five-eighths would go to amortisation?

The LORD CHANCELLOR: It would assist me personally if just at this moment you would give

us categorically one, two, three and, if necessary, four, what are the restrictions on the power of the Bank.

Mr. GAVIN SIMONDS: Your Lordship will find them conveniently stated at pages 534 to 536; there you have both the positive and the negative, what the Bank may do, what its permissible operations are and, further, in Article 28, what it is expressly forbidden to do.

The LORD CHANCELLOR: Article 28 is the one I wanted.

Mr. GAVIN SIMONDS: Considerable importance, of course, attaches to this, because your Lordships will see in what a number of ways the Marang conspirators might issue notes which were not open to the Bank of issue, for instance, the conspirators were able to buy the Bank's own shares, they were able to issue notes in a number of ways which were not open to the Bank at all, and so they were able to get out a great number of notes which no doubt the Bank could never have got out at all. That is No. 1. Another differentia is this, probably it is not quite accurately stated as a restriction, that there is the obligation upon the Bank to issue notes for Government service; and overriding both those considerations, as I pointed out, is the fact that it is the Bank of issue who are managing the currency, and therefore its issue of notes will be dictated by a number of considerations which cannot affect the individual at all. If it were not so, why was it that in 1925, having a potential circulation of 195,000,000, the issue was only 60,000,000, a point I made in opening but which has not been touched. Far overriding everything in this matter is the consideration that this is a Bank of issue; it is the manager of the currency and therefore there is that restriction upon its issue, that it does not issue the notes except so far as it thinks right in the interests of the people of Portugal, which brings one, of course, to the point, which I will ultimately develop, that an inflation does not hurt the Bank of issue and never has hurt any Bank of issue, but effects a redistribution of wealth by altering the value of the Escudos. Those are one, two and three, which I have given to your Lordship on that head. The fourth ground that I am indicating as the most important of all this, is that the Bank of issue issuing 100,000,000 Escudos, increases the currency of Portugal, and increasing the currency of Portugal, affects the value of every unit of currency. To discuss the question, what damage a Bank of issue has suffered by issuing notes for nothing without considering that question is, in my humble submission, to ignore a vital point in the case. It is a proposition which stands utterly self-condemned for a Bank of issue to say: We have issued 100,000 Escudos notes, and therefore have lost the value of 100,000 Escudos. Let me test it, I shall have to develop it a little later. I want to make it quite clear, if I may, in broad outline, because it goes to the very root of the assertion here, that their damage is the face value of the note. It is as true as that night follows day, or that water finds its own level, that if you increase the number of notes, you depreciate the value of each note; obviously, you do, and the corollary of that, and the necessary corollary of that, is that the value of every real asset in terms of Escudos goes up; it must do; if the purchasing power is less, the value in Escudos is greater; those two things are complementary, it is an inexpugnable proposition; I speak with great deference in the presence of one of your Lordships who has dealt so fully with this subject; it is a thing about which there can be no doubt.

Lord ATKIN: I should have thought there was every doubt; it is a question of degree and circumstances. If you issue a fresh note in respect of notes you are taking from the man which have already been in circulation, I do not suppose it would affect it at all; I am sorry, but the inexpugnable proposition will have to be made good, if it really is essential to your case; it depends upon amount.

Mr. GAVIN SIMONDS: With great respect, *cæteris paribus*, I am well aware that for economical factors which intervene, that is no doubt the case. I do not venture to submit that; I did not understand it this way; I ventured that opinion, on which indeed, I think, there will be, if necessary, found some corroboration in the evidence; I should have thought it was a proposition that I was entitled to put forward, that, of course, *cæteris paribus*, the increase of the amount of currency decreases the purchasing power of each unit, and, if that is so, it does follow, the value in terms of this currency of every unit increases.

The LORD CHANCELLOR: I am very anxious to hear you after Mr. Bevan's argument, and you will assist me if you first turn to page 82 of Mr. Justice Wright's Judgment, and look at the last three lines on page 82 and the first six lines on page 83, and tell me whether the learned Judge in those nine lines is saying something which is unsound, or something which is irrelevant. Will you tell me whether, in your view, what he says is wrong, or whether it is irrelevant, or how you deal with it?

Mr. GAVIN SIMONDS: May I read it aloud in order that I may follow it?

The LORD CHANCELLOR: Certainly.

Mr. GAVIN SIMONDS: The learned Judge says: "But putting that aside I do not feel able to accept Mr. Birkett's contention. In Portugal these notes are currency. They are the currency of Portugal. They can purchase commodities in Portugal, including gold, which after all is only a commodity like any other, though it is raised in financial affairs to a special pre-eminence as a convenient medium for fixing values, they can buy foreign exchange, that is sterling exchange or dollar exchange, they can buy any exchange in any currency which is convertible and they do that because they have behind them the credit, that is the liability, of the Bank of Portugal." That depends in what sense the learned Judge is saying that: In the hands of an individual it is true a 500-Escudos note could up to its value be used for the purchase of anything the holder of it thinks fit. I quite agree. It does not begin to touch the question upon which I am endeavouring to address your Lordships, what is the damage which the Bank suffers if it issues a note.

The LORD CHANCELLOR: You say that is irrelevant to that consideration?

Mr. GAVIN SIMONDS: Quite irrelevant.

The LORD CHANCELLOR: Very well, I understand.

[*If there appears to be a desire on the part of readers to see how the arguments proceed we can continue this report. Those interested please write.*—ED.]

Published by the Proprietor (ARTHUR BRENTON), 70, High Holborn, London, W.C., England (Telephone: Chancery 8470), and printed for him by THE ARDEN PRESS, LIMITED, Temple-avenue and Tudor-street, London, E.C.4, England (Telephone: Central 3701).