



THE NEW AGE

INCORPORATING "CREDIT POWER."

A WEEKLY REVIEW OF POLITICS, LITERATURE AND ART

No. 2287] NEW SERIES Vol. LIX. No. 10. THURSDAY, JULY 9, 1936. [Registered at the G.P.O. as a Newspaper.] SEVENPENCE

CONTENTS.

	PAGE		PAGE
NOTES OF THE WEEK	69	ENTROPY AND SOCIAL DYNAMICS. VI. By James Golder	71
The League of Nations—the economic aspect of re-armament—Basle's delicate task of regulating armament-finance—the war-scare frame-up against pacifists—the dropping of sanctions intended to clear the way for the carving-up of the Abyssinian melon.		MUSIC AND MILITANCY. By Arthur Brenton	72
		Review of <i>The Green Shirt Song Book</i> .	
"THEY OUGHT TO TAKE COUNSEL TOGETHER." By John Hargrave	71	THE WATERLOW CASE. V.	73
On the basis of possible collaboration between the Social Credit Secretariat, Ltd., and the Social Credit Party of Great Britain.		Continuation of Mr. Gavin Simonds's concluding arguments in the House of Lords.	
		THE FILMS. By David Ockham	74
		CAPITAL IN PRICES. By John Grimm	75
		CORRESPONDENCE	75
		A. W. Coleman; John Grimm; Gladys F. Bing.	

NOTES OF THE WEEK.

The European Situation.

Mr. Neville Chamberlain warned the public last week that there might have to be a serious rise in taxation owing to the cost of the new defence measures imposed on this country by the situation in Europe.

This provides us with an excuse to air one of our favourite propositions: namely that preparations for war contribute to the preservation of peace. Reasons are:—

- (a) The preparations are chiefly equivalent to capital construction—an accumulation of machinery, material, and so on.
- (b) The expenditure entailed provides employment and wages at once.
- (c) The capital construction has no revenue-producing capacity: it cannot reduce costs in the future by dispensing with additional personal service and by destroying personal income: unlike other forms of capital construction, when completed it only dispenses with the labour hired to construct it, so that the volume of employment and income simply contracts to what it was before; there is no secondary consequential loss of labour as in the case of industrial capital development. (E.g., a battleship does not compete with sailors for jobs, on the contrary it occasions an extra demand for sailors' services.)

These peculiar merits of rearmament-policies apply to all countries, producing a condition of added economic security, and eliminating certain causes of political tension. For when you get a situation in which a community have no reason for quarrelling among themselves about their means of living, they have no reason for quarrelling with other communities. The risk of international war rises and falls on the same curve as does the risk of civil war. The nations who construct life-destruction machines are driven thereto by their construction of wage-destruction machines. So the logical cure for war is either to revert to hand-labour, or to prevent the machines from destroying incomes.

Taking Europe as typifying the world, and Basle as representing the repository of the ultimate power of veto on what shall be done to preserve peace, it will be seen that Basle's policy of permitting in all the European countries (a) *expansions of credit* to develop, (b) *non-competitive* capital construction is one which, if extended at some more or less uniform rate (which, of course, involves an excess of credit-distribution over tax-collection in respect of the development) could be a means of postponing an outbreak of war. The policy can be described as one of Regulated European Inflation, the regulating being the co-ordinating of the internal national inflations so that no serious alterations in the currency exchanges take place and disturb the balance of general exporting opportunities enjoyed by the several national industrial systems.

This serves to emphasise the delicacy of the task which Basle has to perform. For although, as we have pointed out, the financing of rearmament schemes does not directly contribute to international competition (e.g., no nation making arms for its own defence intends to export them!) it would do so indirectly if this financing were not evenly spread over the different countries. An uneven spread would have the same disturbing consequences to international trading opportunities as do revisions of fiscal tariffs and other direct devices for closing markets to "foreign competition." In fact, the bankers themselves have frequently complained of the tendency for Governments to resort to currency-manipulation in order to gain exporting-advantages over other Governments. Basle has to prevent this, either (ideally) by stopping the manipulation, or (practically) by controlling it.

But there is the ever-present snag of unregulated prices to be taken account of. The best-laid scheme for rationing the export-opportunities of the various national industrial systems can only be relied on to succeed for a short time. For no country can keep solvent on "fair" rations. What is fairness in this sense? Obviously it is a condition in which each nation ex-

ports wealth to exactly the same financial value—and no more—as that of the wealth it imports. In that event (imagining it attainable) the total production in each nation would have to be absorbed by the population—or a total price equal to total production would have to be forthcoming from that nation's people. No nation would get financial relief on its export-import account, and would have to rely on the home-consumption market to discharge all its costs.

Italy's conquest of Abyssinia has provided a new dumping-ground for European exports; and provided that the several exporting nations come to an amicable arrangement about their dumping-quotas, there is no reason why there should not be a one-way stream of export traffic into Abyssinia. If so, that will provide Europe with some temporary relief from her abiding dilemma. Basle, if ready to permit the provision of the necessary finance for this purpose, should be able to bring about an amicable quota-arrangement; for agreement is always possible when there is *new business* to be done, in which every party gets something *extra*, whereas it is nearly impossible when existing business is to be re-distributed. This consideration is at the bottom of the hasty decision of the League of Nations to abandon the sanctions-system against Italy. All the open talk of Italy's threats of war, and (*vide* Sir John Simons) of Britain's supposed inability to afford to risk the loss of "one battleship," is a mixture of eye-wash and buck-passing. It is a flood-lit frame-up intended to reproach and intimidate pacifist sanctioneers, whose frenzied complaints are creating the wrong atmosphere in which the industrialists of Europe can get on with a serious business deal. The truth is that sanctions were foreknown to be impracticable from the moment that Italy invaded Abyssinia. And it is for the same reason that the League of Nations, despite its demonstrated inability to punish aggression, is being cried up as an indispensable institution. Of course it is; for its real function is to stamp international agreements—to give legal certification to awards promulgated by the financial arbitrators at Basle. International Finance must have something to hide behind, something large enough to hide it, and something authoritative enough and representative enough to accept the responsibility for justifying Basle's purposes in the name of the "public interests" of Europe.

But it will be of no use for the public to grumble at this state of affairs. If they want peace preserved *within the frame-of-reference of existing technical principles of sound finance*, their only hope is to leave Basle to handle every matter affecting issues of peace or war without interference from any non-expert source. If bankers' science is sound, Basle's dictatorship is an inescapable necessity.

Nevertheless, Basle's powers will prove to be futile. The task which logic imposes on it is becoming too vast and complex for even the best brains to deal with. Perhaps the most significant sign that the situation is beyond its control is the growing confusion among militarists regarding who is to be the enemy to be fought in the next war. It is like your planning with your pal on Monday what you'll do to some third party on Tuesday, and then finding that your pal and the third party are whispering together against you. The trouble with the European situation is that every nation has

some reason or other for fighting every other at some time or other, but the reasons change with the times and nobody is able to trust anybody else with information as to his intentions—even if he knows what his intentions are, or will be. However, there is one fixed thing to hold on to, which is that the making of arms can be pursued without using them; and if we all make our living by arming against each other we shall not need to make it by fighting each other, and therefore need not solve the conundrum of who is to be fought.

Distribution.

When Major Douglas proved that the breakdown of the Production-Distribution system was due to inherent unsoundness, he showed that while one unit of money often finances two or more units of production, the same unit of money can finance the destruction of not more than one unit of cost—unless the receiver is "living on his capital," or failing to repay his loans.

While it is true that even this imperfect mechanism made possible wealth beyond the wildest dreams of our forefathers, it is probable that the only redeeming feature is that an incentive to produce is furnished.

In these days it has become almost orthodox to say that there is no longer a production problem.

But while many are willing to pay lip service to truism, most find it practically impossible to regard production and distribution as two quite distinct questions.

On the other hand, this is no reflection on anyone who, as a practical man, attempts to repair or recondition a defective machine so that it may conform to changed requirements. But a machine that never functioned properly, because it never could, is not in need of repair. It ought to be scrapped!

The present financial machine is ready for the scrap heap.

If, however, we are genuinely convinced that our problem is solely one of distribution, the best line of approach is to imagine ourselves responsible for the distribution of a known quantity of commodities to a known number of families.

Now, just as there would be represented an infinite variety of commodities, so also would there be a quite distinct variation in the individual tastes to be catered for.

Fortunately, we are not concerned with "Value," which is a purely personal consideration, and for which no man-made financial system can, or need, provide.

The value of a train journey from Glasgow to London depends on various factors, but its price is definitely known and measurable.

Now prices, in the long run, are determined by the amount of money available, but in a properly organised community the amount of money to be issued would depend only on the aggregate of prices to be recovered.

The next question is the division of the money to be issued. Obviously the claims of those responsible for the presence of the commodities must have priority.

The sum to be set aside for wages, salaries, and dividends will depend on the price level adopted. No difficulty is presented but wages and salaries, but profits and interest might be based on an average figure.

The balance would represent national dividends. Wages, salaries, and dividends would, of course, be receivable, but by private individuals only as in the Douglas Scheme for Scotland.

Matters of detail would arise in connection with the transition period, but no difficulties that could not be dealt with by a competent organiser would be met.

"ACCOUNTANT."

"They Ought to Take Counsel Together."

In the "Notes of the Week" for July 2, 1936, we read:—

"Both the Secretariat and the Social Credit Party are at one in insisting that (a) Results should be demanded by electors, (b) there is only a short time in which to get them."

In order to understand the position held by the S.C.P. it is necessary to supplement the wording of (a) as follows:—

Results should be demanded by electors, and as *only right methods can get right results*, electors must demand (i.) the establishment of the National Credit Office, (ii.) the issuance of the National Dividend, (iii.) the application of the Price Adjustment.

A demand for results that omits the Three Demands outlined above could lead to the same kind of situation that has developed in Alberta. It must be obvious to anyone that it is possible to "demand results"—i.e., the abolition of poverty—and to get Magor-Aberhart "Social Credit": that is, taxation-and-redistribution-of-incomes (which has nothing to do with Douglas Social Credit, is not a step in that direction, but is a step towards Magor's Newfoundland).

It is now perfectly clear that the electors of Alberta voted for results in August, 1935. They could not possibly have grasped the *methods* put forward by Aberhart under the title of "Social Credit" and published in his so-called "Social Credit Manual." The Albertan electors understood that if they voted for the Aberhart "Social-Credit"-Prophetic-Bible-Institute candidates they would get the *results* they wanted—i.e., £5 a month "basic dividend" and thereby the beginning of the abolition of poverty in Alberta. (That was all the ordinary voter knew about it; and there was nothing wrong, as a method, with the £5-a-month dividend on Alberta's real wealth. What was wrong was the gearing of this "basic dividend" to a taxation-and-redistribution-of-incomes scheme). The Albertan electors demanded right results, but at the same time, and all unknowingly, endorsed wrong technical methods.

Who allowed Aberhart to run off with the title "Social Credit" and to plaster it across his "basic-dividend"-by-means-of-taxation-and-redistribution-of-incomes scheme?

The point to remember is this: *the electors of Alberta would have voted just as solidly for results implemented by right methods, as they did for results implemented by wrong methods.*

But if no methods had been included in Aberhart's programme the electorate would have felt that there was no proper foundation to the idea—that it was "all up in the air"—nothing concrete, no definite scheme, no plan. Aberhart was politically (that is, psychologically) right in putting forward a definite scheme.

But who left the field clear for an Aberhart to jump in with a scheme called "Social Credit" that was not Social Credit? How was it possible for an Aberhart to build up a so-called "Social Credit League" that soon became a politically effective "Social Credit" Party, and finally a so-called "Social Credit" Government with an overwhelming majority? Were there no Douglas Social Credit advocates in Alberta? What was the attitude of the Secretariat, Ltd. (London), towards the

Aberhart propaganda during the tenure of office of the U.F.A. administration?

The electors of Alberta would have voted solidly for Douglas Social Credit *methods* and *results* if the political situation in Alberta from 1921 to 1935 had been handled adroitly.

Our counteraction took the form of guarding against the possibility of the formation of a bogus "Social Credit" Party in Great Britain.

Regarding the point (b), that there is only a short time in which to get results. Of course we agree, although it is impossible to say just how long. In our view, however, there is certainly not enough time (and nowhere near the personnel or the money required) to "make democracy work" along the lines of an electoral campaign as formulated and attempted by the Secretariat.

We come now to the closing words of the "Notes of the Week" for July 2, 1936:—

"... For these reasons it would seem that the leaders of both organisations should be working together in close consultation."

—and as stated under the Contents heading:—

"... Problem of minority strategy faces the Secretariat and the Social Credit Party alike. They ought to take counsel together."

I should like to take this opportunity of stating that, as founder and leader of the Social Credit Party (The Green Shirts), I am, and have always been, willing to work in close consultation with Major C. H. Douglas, and that the Social Credit Party would welcome the opportunity to take counsel with the Secretariat regarding the problem of "minority strategy."

Owing to the fact that Major Douglas has, or appears to have, withdrawn his approval and recognition of our organisation, we can hardly do more than state our willingness for such consultative co-operation.

JOHN HARGRAVE.

Entropy and Social Dynamics

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

VI.

Entropy then, to bring it back to earth, howsoever definable in speech or language, is an arithmetical criterion, a reliable (one might almost say an infallible) criterion, applicable to every form of energy known to the *mind* as being available to the *hand* of human-kind. It will be recalled on reference to Article II. how mankind have classified the various forms of energy by the forms of their manifestation, viz., from the solids, through the liquids, thence through the vapours and gases to the ultimate sublimation—denominated "ether." At both ends of this survey of the gamut of matter and energy he finds the same two manifestations, viz., magnitude and motion inseparable, *but in different proportions!* At the coarse end, one might say, motion is at the *minimum* of its intensity, whereas at the opposite end, motion is at the *maximum* of its intensity. This vision; backwards, if you think of time as being *behind* you, or downwards, if you think of time as *beneath* you, reveals at once the quarry from whence you come, and the ladder by which you rose.

Now the conglomeration of animated matter which Carlyle sarcastically described on one occasion as "that vertical unfeathered biped," and on another occasion

as "mostly fools," is either the product of volitional natural processes or else "a fortuitous concourse of atoms." He can't be both. He is either the one or the other; and as we have tried to show, he is in fact (as an individual) the end for which all nature strives; and the forces of which he is the ultimate product and final illustration still exist to sustain him in advancing and developing in parallel with creative will—towards a further objective.

Now it is one of the complaints of the engineering type of mind as expressed by Douglas, that those who claim possession of the instruments, which are alleged to measure social effort (i.e., social dynamics), and determine its limits and its direction, use figures in their calculation which are not true reflections of the facts, and, moreover, by "attaching concrete money values to abstract qualities," while ignoring proof, they are hindering the removal of material difficulties and limitations as well as preventing mankind from advancing to take up the new work or new load involved in the satisfaction of the creative impulse to produce and maintain the best possible rather than the largest possible.

Doubtless the reason for this (and there is a reason for everything) is the difficulty of finding and fixing standards reliable standards, i.e., standards which will stand; from which to make and take measurements and determine absolute values. That is a difficulty with which the engineer and chemist can have every sort of sympathy, for the reason that they know the worry and the strain of dealing with "standards" which are in a state of constant variation! But that is a difficulty which has been overcome; and in spite of the paradox of speech involved in the above statement, a reliable standard of absolute value has actually been found. Instead of being found, however, where idealism might naturally expect to find it, in high places, it was found to be in low places. In fact, it is the absolute zero of temperature, and this is the figure which must be employed in all calculations involving thermodynamic conversions, transformations, distributions and exchanges if an accurate report of these occurrences is required.

To be very precise, on the Fahrenheit scale, the figure is 461 deg. below freezing point. If, therefore, any man wants to know his absolute calorific value in the eyes of his mother nature or his father—theoretically termed God—he need only add the above figure to that of his blood temperature, then multiply by his net weight. It is true man liveth not by heat alone, but it is also true, he liveth not at all without it. That is the first index of a man's natural value. The second is his entropy value. The first is a measure of his heat content. The second is a function of his heat gradient, or gradients, for here again his body shares with every other vehicle of energy that characteristic of perpetual variation of which we have said so much. In its simplest form a man's heat gradient is the difference between his maximum and minimum absolute temperature. But that is not all. Occupying space and possessing mass, he has internal resistances, and, since there can be no resistance without something to be resisted, he has what is termed thermal inertia.

Each and all these factors play their part in determining the characteristic of every individual, and it is just possible that a study of thermodynamics combined with, say, phrenology, may produce a branch of scientific investigation which will help us to save the best features of the present financial system, while ultimately reducing human loss and waste to vanishing point. But since it is dynamics, and not statics with which we are dealing, and since there are signs of the ill-effects of neglect and delay in the apprehension of truth in relation to time, the latter is of the essence of the obligation to do more than talking, thinking and writing about it.

(To be continued.)

Music and Militancy.

Lovers of Wagner's opera, *Die Meistersinger*, will remember how, in the third Act, Hans Sachs scandalised Beckmesser, the pedantic musical purist, by affirming of the Preislied which Walther was about to sing that whether that song was any good or no good it was the people who would give the true and final judgment, and not the experts of the Master Singers' Guild. "What! The damned people teach us our art!"—"What!—as the old Tory once protested: "a butcher with opinions!"—"What! the dogs to tell us if we're trying the right medicine!"

The dynamic potentialities of music cannot be contained within any given set of rules, yet they will not be fulfilled by abandoning the rules. There is a margin of allowable licence, and this margin is measured by the tolerance of the listener, not by the intentions of the composer, in regard to what is right or wrong with new experiments in composition. While the producer of melody or harmony may have a pretty good notion of how it will go, it is the consumer who tells him whether it has got across.

Of course it can be pointed out that a lot of music that gets across is not music. But in the absence of an agreed definition of what music is, the point is meaningless. If, however, we arbitrarily choose to define a music any manipulation of notes designed to produce a particular effect on the emotions of the listener, and assign value according to effect, then for all practical purposes what the expert would call the worst music may turn out to be the best.

When a bridal procession is entering a church the audience would tolerate even such a composition as "Sweet Rosie O'Grady, My Beautiful Rose" if that were the only feasible alternative to Chopin's *Marche Funèbre*. The adaptation of sound and rhythm to the mood of the listeners is infinitely more important, while that mood prevails, than the structure of the composition according to purely artistic standards (whatever these are).

Let this suffice as a preface to the announcement that the Social Credit Party of Great Britain have just published *The Green Shirt Song Book*.* It contains the words and melodies (Old Notation only: why not Tonic Solfa as well?) of eleven songs. The authors and composers are doubtless prepared to be told by fastidious purists that the words aren't poetry, nor the sounds music. But neither were the words and sounds of that undistinguished song: "Keep the Home Fires Burning." The Green Shirt Songs are designed to implement a purpose, not to fulfil one. The purpose is to apply a stimulus to political pressure against the tyranny of the existing Money Monopoly. These songs are intended to sow ferments in the minds of the masses. Will they do it? To answer that question from an analytical perusal of the song book in the seclusion of the study is impossible. There must have been a time when someone first announced that red-currant jelly went well with saddle of mutton, or, again, that clotted Cornish cream went well with fried bacon. Both these antecedently improbable propositions became impeccable axioms. Why? Because the dogs tried the medicine and liked it. Who could have guessed through contemplation that the fatty element in cream would take away the oleaginous property of bacon fat; and who could have sensed in anticipation the potency of differentiated temperatures—the cold cream going hand in hand with the hot bacon down the gullet of the gastronome? Oh blessed trial which hath no error! And to-day, when the "Daily Something" publishes recipes, it always puts in brackets after each formula the reassuring word: *Tested*. It has been tried on the dog.

The proof of the pudding lies in the request for a second helping. A friend of the writer's went to him: at a meeting, and afterwards the organisers said to him:

"Thank you ever so much for your excellent address. Little

*Price 6d. Obtainable from Headquarters, 44, Little Britain, E.C.1.

The Waterlow Case.

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

V.

Lord RUSSELL: The cost as to which you admit liability is not the cost of printing notes to replace Marang notes but the cost of printing notes to replace them all.

Mr. GAVIN SIMONDS: Good for good and good for bad. I would humbly agree that is no valid criticism of what the learned Judge says there, and it does not destroy the value of what I am saying; he has disregarded the gold liability, putting that out of the way and says the cost was the cost of reprinting. Then on the next two pages he deals with it from the aspect of conversion, and I need not read those two pages again, but I want to come to page 137 where he says: "Now in the present case the unauthorised notes were valueless"—I think that means valueless before they got into circulation—"The Plaintiffs recognise this, because though the Defendants converted all the notes when they delivered them to Marang, the Plaintiffs make no claim for the face value of the notes seized at The Hague or in Portugal before they were issued, because they had suffered no loss by the conversion. The Plaintiffs' Counsel admitted to me that if an unissued note had been burnt under circumstances giving the Bank a right of action against the incendiary, the damages would be not the face value of the note, but the cost of reprinting it. Further, consider the case of the genuine notes called in, as I have found justifiably by the Bank, and replaced by genuine notes. The Bank made no claim in respect of these except the cost of printing notes to replace them, £6,541. Plaintiffs' Counsel explained this by saying that they suffered no loss because their issue of genuine notes relieved them of an equivalent liability on the notes called in. But this explanation does not fit in with the facts; they had to lessen their stock of genuine notes in order to replace the notes called in and as the latter became valueless and could not be issued again, they lost genuine notes of a certain value as a result of what I have found to be a reasonable consequence of Defendants' breach of contract, and conversion." May I just go on because I think this is the most important part: "But they do not claim the face value of the genuine notes they paid out or called in, and they state in their claim cost of printing notes" which by reason of Defendants' wrongful acts and omissions became valueless to the Plaintiffs, and the Plaintiffs are unable to issue or use the same." What the learned Lord Justice is meaning there is surely this, the Bank made an issue of notes of a new type and as a result of that both the Marang notes and the genuine old notes became valueless; that is what they say: "Which by reason of the Defendants' wrongful acts and omission became valueless." Now you disregard the liability and take the value aspect as my learned friend Mr. Le Quesne said, and not as the liability aspect, there is no difference between the Marang notes and the genuine notes, they both became valueless, and in respect of both of them the Bank issued notes which are said to be of market value. It is really a *reductio ad absurdum*, and in my respectful submission a very powerful one of the Plaintiffs' claim based upon what is called the value aspect of the note. I want, if I may respectfully say so, to give full weight to this analysis of the learned Judge, and it is in my submission a very powerful *reductio ad absurdum* of this claim. Leaving out of consideration just the liability which I have indicated as possibly endorsed upon the note, leaving the liability aspect out of the question, there is no reason why the Bank giving new notes should

we greatly enjoyed it." He jokingly said to them: "Friends, I shall believe what you say when I get a repeat order!" Well, the songs in the book under review are a selection of those which have secured repeat orders. They have been tested in camp and on the road; and the effects on singers and listeners noted. Number one in the collection: "The People's Army," is considered to be the most effective under the following chief tests: Does it inspire the "Army"?—and does it impress the people whose cause the Army is fighting? Well, if it is first favourite under these tests there is no need to examine its structure. Handsome is as handsome does; and so with this song.

At the same time, unlike many political songs, it has musical merits of its own. It can be appreciated by listeners who do not know the words or even "what it is all about." Needless to say it is in march-time rhythm, giving the impression, which it should, of concerted movement in a single direction. It is pitched in a minor key throughout, but the melody, conjoined with the rhythm, saves it from sounding like the wail of the wounded licking their wounds. It stands in cheerful contrast to *The Red Flag*, although this Communist song is pitched in a major key throughout. That is chiefly because the rhythm of the latter song suggests as little of dynamic movement as does the shuffling of bearers carrying a coffin. It might be called *The Red Handkerchief*.

The extreme opposite to this is *The Marseillaise*, which is in march time and is predominantly major in key, the bright effect of that key being emphasised by the short minor interlude towards the end of the melody. That song did its work in its time, and among the people of its place and time; but it strikes too high a note of exuberance to be regarded as a standard for judging a song intended to capture the imagination of the people to-day, particularly British people.

"The People's Army" appears to have one defect, namely that its melody does not lend itself to mass singing so easily as do the other melodies referred to. It is frequently punctuated by silent half-beats which constitute, as it were, gaps between stepping-stones down which one may splash out of the rhythm. Added to this difficulty no two stepping-stones are the same height—consecutive notes are either ascending or descending the scale, mostly at uneven intervals. The melody has to be sung at a smart pace to hold the rhythm, yet at a slow pace to hold the notes. At least this is so in the case of a large crowd of unrehearsed vocalists. So it is really a marching song for singers on the march. "The Red Flag" and "The Marseillaise" stand in contrast to this: either could be slowed down to a "community-singing" tempo without suffering distortion in form or declension in its characteristic quality.

However, as already stated, the proof lies in the trial; and since "The People's Army" is the song which those who sing songs have found the best to sing—why then, how about it? "If music be the food of love, sing on," said the poet; and if this particular music feels to the Greenshirt marchers like the tot of rum at zero hour—very well, good luck!—here's wishing!—or, as an old gentleman of the writer's acquaintance (who saw the Duke of Wellington's funeral cortege pass by, and who had his hat knocked off and kicked to pieces because he forgot to raise it when the trap dropped at a public hanging at Newgate) is accustomed to exclaim as he lifts his glass: "Well; here's another God-bless-us!"

ARTHUR BRENTON.

THE BRITISH PHRENOLOGICAL SOCIETY, INCORPORATED.

Patron (1936), Lord Runciman.

Golden Jubilee Exhibition illustrating Phrenology through the ages—Essex Hall, Essex Street, W.C.2, from Friday, July 10, to Tuesday, July 14, inclusive. Open at 12 noon each day. Admission free. Particulars of Golden Jubilee Congress, obtainable at the Hall or from office, 65, Chancery Lane, W.C.2.

not claim just as much loss in respect of their own old notes which were rendered valueless as in respect of the Marang notes which were valueless. That is what the learned Lord Justice is saying.

Lord ATKIN: It seems to me to be perfect nonsense, that is all I can say about it. Speaking with as much respect as I can for somebody whose opinion I have the greatest respect for, he is dealing with liability only in respect of the notes they issued in respect of the good notes; everybody agrees that he is discharging whatever liability there was upon the good notes; it is in respect of the Marang notes there was no liability on the Bank, and if he is discharging in respect of good notes any liability, that leaves no loss.

Mr. GAVIN SIMONDS: The learned Lord Justice is assuming what I venture to submit is a correct assumption, that regarding this from the point of view of liability, the Bank has proved no damage; that is not the aspect which has been pressed either in the Court of Appeal or in this House.

Lord ATKIN: In this passage the argument seems to be nonsense on this point; the argument is: "Plaintiffs' Counsel explained this by saying that they suffered no loss because their issue of genuine notes relieved them of an equivalent liability on the notes called in." Then he says: "But this explanation does not fit in with the facts."

Mr. GAVIN SIMONDS: Because they are claiming upon the value aspect; that is the expression inappropriately used, what is called the value aspect of the notes. Your Lordship may say that is perfect nonsense, but it is my respectful submission that it is an absolutely just analysis of this claim.

The LORD CHANCELLOR: Is not the position this, I want to follow your argument here: with regard to the good notes what the Bank is doing is this, they are saying: we have always been liable on these notes, they are simply continuing to be liable, but with regard to the Marang notes they say we were not liable upon these, but owing to your negligence we took a reasonable course in making ourselves liable upon them; that is the whole difficulty, creating a liability on the Marang notes and not recreating a new liability for the old ones.

Mr. GAVIN SIMONDS: Then we come back always to the question, what is the liability.

Lord MACMILLAN: That is the whole point.

The LORD CHANCELLOR: Yes, that is the whole point.

Mr. GAVIN SIMONDS: What I am submitting is this, that if you include in the liability anything more than I have suggested should be written out, you are coming back to your old Reason No. 16.

Lord RUSSELL: I find it difficult to follow the Lord Justice in this passage at C, where he says it does not fit in with the facts. It must be so, must it not? In regard to any genuine notes they have simply substituted one liability for another or the same liability on the new notes as there existed on the old.

Mr. GAVIN SIMONDS: Yes.

Lord RUSSELL: Why does the learned Judge say that does not fit in with the facts?

Mr. GAVIN SIMONDS: Because the argument apparently had been that there was a market value of some kind suggested that had been lost. If I may follow what the Lord Chancellor was good enough to say to me, I venture to submit your Lordship's analysis is quite correct. If you get away from the liability, then there is no distinction between the Marang bit of paper and the genuine bit of paper, both of them are rendered valueless; if in respect of both of them there has been issued a genuine note, and if you are going to claim market value in respect of one, you are entitled to claim market value in respect of the other, which is absurd; it is the *reductio ad absurdum*

of the claim, except so far as it is based upon a measure of liability, and as your Lordships have observed, we always come back to the same question; the Bank seeking to establish pecuniary loss can only assert that it has incurred a liability. My Lords, in terms of measure of pecuniary loss what is the liability? I have written it out. We always come back to the same point.

Lord MACMILLAN: I am afraid this would not be acceptable to you, but I would like your comment on it: the Bank undertook to honour the Marang bits of paper and they got a legal tender to the full amount of their face value, did they?

Mr. GAVIN SIMONDS: Yes, I think so.

Lord MACMILLAN: It is not put as a trap question, of course, for a moment.

Mr. GAVIN SIMONDS: Your Lordships will all appreciate that this is a somewhat difficult subject.

Lord MACMILLAN: It is extremely difficult to get one's feet on it, I know well.

Mr. GAVIN SIMONDS: I sometimes answer your Lordship's questions in a way that I would not if I had a little time to brood over them.

Lord MACMILLAN: They want consideration.

Mr. GAVIN SIMONDS: It may be I shall be thinking over them at a later stage when it is too late to find a better argument.

Lord ATKIN: A good many of them were put about seven days ago.

Lord MACMILLAN: The real trouble, speaking for myself, is this, that they really so to speak minted these notes, they impressed upon them a value which they did not possess, but by honouring them they created them legal tender, and once a thing is legal tender it is available for all purposes in all hands, the Bank's hands as well as any other.

Mr. GAVIN SIMONDS: Your Lordship suggests an interesting analogy to me. Leaving out the question of loss and liability for this purpose, supposing as it often happened in the history of this country, it was desirable to call in the coinage; what would be the cost, what would be the measure of the loss of the Mint calling in a clipped or sweated or spurious coinage and giving in its place a coinage of certain value. It would be the difference between the commodity value, if the metal was gold, of the gold, and the cost of minting, and the commodity value of that metal which the Mint got back, nothing else; and so here the single question is this; what is the loss which they have incurred by exchanging good and bad and the loss that they incurred regarding the question of legal tender altogether; it is the difference in the commodity value of the bit of paper plus the obligation which is imposed upon the Bank of issue, that and nothing else. I would, with great deference to Lord Macmillan, suggest that the answer which occurs to me must completely dispose of the point which my Lord put to me. Suppose that these had been not false Marang notes, but false coins introduced into this country and supposing that the Government decided that they would recall those coins or that coinage, the half-crowns, or whatever it may be in Portugal, what would the cost be; it would be the difference of the commodity value of the metal plus the cost of coining on the one hand as against the value of the metal they got back on the other, that and nothing else.

(To be continued.)

The Films.

"Fury."

As the result of a regrettable error on my part, "Fury" was last week stated to have been shown at the Regal. This should have been the Empire, where the film has met with such an enthusiastic reception that its run has been extended for another week.

DAVID OCKHAM.

Capital In Prices.

Notwithstanding the fact that the industrial accountant does not charge fixed capital into prices when the capital is being maintained, the Social-Credit advocate is, nevertheless, entitled to make statements to that effect in an argument in which the factor of maintenance is disregarded. Indeed, there are circumstances wherein, if he allowed the factor of maintenance to be assumed to be operating, he would be fogging his case.

For example, suppose for the purpose of argument he postulates the construction of, say, ten machines (fixed capital) and someone says to him: "Now, in conducting your analysis of what happens you must assume that these machines are kept in a state of full efficiency—that if one of them (or all) is worn out in any period it must be replaced in that period," then he is obliged to assume the operation of every factor which makes that replacement possible. Yet his very purpose in postulating the original construction might be to prove that some of these factors would not operate. This shows that it is not legitimate for the Social Credit advocate to be obliged to relate the earlier steps in his argument directly with selected every-day experiences, even when these experiences are truthfully and accurately described. In this case one might adduce the famous dictum: "What the soldier said isn't evidence," and remark, concerning the cost-income problem: "What the industrial accountant does isn't relevant evidence, or, if relevant, isn't final."

The application of this to the present case will be understood by the posing of the question: What happens, supposing a community, having constructed the ten machines referred to, decide not to maintain them, but to use them up solely in the process of turning out consumable goods? Let the community be designated A B, A the citizens who own the machines, and B the citizens who do not. Now, A will expect to receive from A B money representing the cost of the machines. And the industrial accountant will enter up such cost because the machines are actually disappearing. Call the cost £200, and to make the case clear let the whole sum become chargeable to A B in a given period. Well, A B must get the money. Under Financial Law they must earn it. Before they can earn it the banker must provide it. If he provides it he will lend it. If he lends it he will have to do so on the "security" of "consumption"—for the machines will be changing entirely into consumable goods which are going to disappear into citizens' homes, leaving industry bare of all wealth.

What happens depends upon who is the Boss—he or the citizens. If he, they would not get the loan for the purpose they had in view. But if they, he would have to provide it; and he would have to account it as a sort of "loan" which was to be cancelled, so far as the citizens were concerned, in and by the process of spending it on consumption-goods. If he wanted to debit someone who would be responsible for returning the loan the citizens could accommodate him by improvising a National Disposals Board which would correspond to the pay-desk of a shop, and would hand him over the £200 takings as and when taken from the citizens. He would get "his" money back; the citizens would get their goods out. The fact that he had financed the "consumption of capital," as he would call it, might vex his spirit, but if he raised objections he would be told to mind his own business, which was to subserve, not control, the policy chosen by the citizens.

Here it should be borne in mind that the policy of any community in constructing capital is to consume it; and as a matter of fact they do consume it. The very word "maintenance" implies this, for to maintain capital is to replace consumed capital. Old capital is being used up and new capital is being constructed. In the above analysis, the ten machines are assumed to be entirely used up in a given accounting-period. If we now introduce the factor of maintenance and suppose these machines to be replaced at the rate at which they are used up, the consequence will be that the cost of the first set will go into

prices, but against that cost the citizens will earn incomes from the construction of a second set.

But will the incomes earned by making the second set be as much as those which constituted the cost of the first set? No. For the first set were (by assumption) *hand-made* machines, the whole cost of which went into the pockets of citizens. The second set are *machine-made* machines, and will be made with less human labour, receiving less income, than the first. So in order that the second-set income shall be sufficient to pay the cost of the first set (now charged in prices) the size of the second set must be greater than the first. More than ten machines will have to be made. In other words, strict maintenance is not enough; there must be over-maintenance—an addition to original capital.

JOHN GRIMM.

LETTERS TO THE EDITOR.

CAPITAL COSTS IN PRICES.

Sir,—Without putting Mr. Franklin to the trouble of producing 100 passages in proof of his contention, may I take the first one he selects.

When Major Douglas said: "Eventually that £50 has to be recovered from the public," what did he mean?

I understand him to mean that £50 has to be recovered from the public in the form of depreciation charges over the period of the life of the capital asset. Mr. Franklin says, No; he means that a *further* £50, over and above these depreciation charges, must be recovered from the public. Mr. Franklin admits that the public has not got this second £50, but he maintains that it *has* got the first £50 because, over industry as a whole, depreciation charges against consumers are balanced by payments to consumers in respect of the replacements as capital assets wear out.

That, Sir, I submit, is the point at issue between the orthodox economist and the Social Creditor. Do the replacement payments balance the depreciation charges?

The reply to that question, at the present time, is—No, they do not. But if, instead, we ask: *Can* the replacement payments balance the depreciation charges? the reply is—Yes, they can—under certain conditions.

In an article published in your issue of May 28 I investigated these conditions, and showed that if every business, i.e., industry as a whole, is to balance these payments, and so maintain itself in a state of self-liquidation, then there must be continual expansion of capital assets plus continual expansion of debt to the banking system—both on an ever-rising scale. These are the minimum conditions for equilibrium.

If the rate of expansion of industry and debt is less than this required rate, as at the present time, industry will be less than self-liquidating, and will fail to distribute sufficient incomes to buy its final products. To provide sufficient purchasing power, and thus maintain equilibrium, it must expand at the necessary rate.

Since Mr. Franklin quotes Mr. Keynes's latest book, may I refer him to page 105: "Each time we secure to-day's equilibrium by increased investment we are aggravating the difficulty of securing equilibrium to-morrow."

If Mr. Franklin will study the article referred to, I think he will see that this necessity for accelerated expansion of capital assets and debt in order to secure equilibrium arises from the allocation of sums to reserves out of gross profits (which have appeared in prices), no matter for what purpose such allocation may be made. Allocation for depreciation must in any case be made—for bare solvency, but we know as a matter of fact that all businesses allocate sums for other purposes whenever they get the opportunity. In doing so, they are *still further* "aggravating the difficulty," and making a higher rate of expansion necessary in order to secure equilibrium.

If Mr. Franklin's Social Creditor friend imagines that the inherent shortage of purchasing power (which becomes visible whenever the rate of expansion slackens) depends simply upon the sums allocated *over and above those for depreciation*, then I submit that he is gravely underrating

the strength of his own case. It depends on the *total* of the allocations.

The allocations for depreciation alone are quite sufficiently alarming without bothering about the others; that is why I said that the others didn't much matter. If these others were relatively large, I admit that it would matter—the necessary rate of expansion would be much higher—but I do not think they are at the present time.

And now, after this explanation, I think we are in a position to explain the difference between Mr. Franklin and certain Social Crediters, including myself, who from time to time have said that when a sum of money is invested in new capital equipment it leaves behind a cost of that amount within the industrial system. Mr. Franklin objects to this because this sum is not necessarily charged into prices *over and above* the depreciation charges. That is true; it does not leave behind a cost in that sense. But what it *does* leave behind is a liability against the consumer for permanent maintenance—a liability which can only be discharged if capital assets and debts are expanded on a rising scale. If that is not a cost, what is?

In the end, it is a matter of the strict definition of a cost. Suppose we grant Mr. Franklin his point, and agree to drop the word "cost" in this connection, and substitute for it the words: "a liability against the consumer which can only be discharged so long as capital assets and bank-debt are expanded on a crescendo scale"; accepting the somewhat unwieldy phrase in the sacred name of clarity?

A. W. COLEMAN.

ENTROPY AND SOCIAL DYNAMICS.

Sir,—Mr. Golder's articles have not as yet made his idea sufficiently intelligible to enable the average reader to uphold or to criticise it, or even to examine him on it. However, the scope of the subject and the range of evidential material are so wide that one would be unreasonable to expect to see the end of his reasoning at this early stage in its development. It would be like asking for the A + B Theorem to be cleared up in half an hour on half a sheet of notepaper to everybody's satisfaction.

I think it would be of assistance if Mr. Golder were to assemble as many definitions of *Entropy* as are to be found in dictionaries, and to explain or amend them if and where necessary. The word is derived from the Greek particle: *en*, meaning *in*, and *trōpē*, meaning *transformation*. Annandale's *Concise English Dictionary* gives the following definition of it:

"A measure of the unavailability of thermal energy for conversion into mechanical work."

In the same dictionary (supplementary pages) the definition is amplified in the following terms:

"The entropy of a chemical or physical system is a quantity which increases by an amount Q/T , when Q units of heat are added, under certain conditions, at absolute temperature T . In a system left to itself the entropy tends to increase, and the energy of the system to become less available for conversion into mechanical energy."

These definitions square with the accepted statement: "When entropy is at zero, energy is at its maximum."

There are doubtless further short definitions which Mr. Golder can quote from other dictionaries. Being short, they will probably be imperfect, but taken together they should help the reader to understand how, and to what extent, entropy in the plane of physics is paralleled in the plane of psycho-physics. This, I take it, is what Mr. Golder is endeavouring to show; for what he calls "Social Dynamics" embraces phenomena in both planes, and extends to cover theoretical estimations and (one would wish) empirical ascertainment of hindrance-limits to transformations of *animate* energy (intellectual and emotional, and possibly "spiritual").

Emerson once spoke words to this effect: "It is permissible for you to write above the heads of your readers—to leave them some margin of unexpressed meaning on which to exercise their intelligence—but when you do so,

be sure that you understand, yourself, that which you leave them to arrive at." I think that readers of *THE NEW AGE*, however much or little they have made of Mr. Golder's articles, will agree with me that he exhibits signs of having a clear grasp of what he is trying to communicate.

JOHN GRIMM.

NO MORE USURY.

Sir,—Why not release Mr. Franklin from his torments, and, at the same time, the Douglasites from their technical tangles, by admitting that the present finance-industrial system is not self-liquidating for ONE reason—the one which Douglas and the orthodox economists all desire to preserve?

The flaw in the price system is the cost incurred in paying rent for loaned paper—*whoever loans it*. The interest on a banker's ink-loan is a cost in excess of the credit he eventually destroys contra a flood of goods created by means of it. The goods are purchased with the next issue of ink, but there is a lag never made up, and that lag is the £5 (or so) on prices demanded in excess of the £100 lent to create them.

Interest on private investment creates the same hiatus in the flow of money. Interest on invested savings—always inextricably commingled with bankers' ink-loans—demands the same impossible levy from industry's product. It piles on to prices just that sum it never contributes to the cost of them.

Mr. Franklin and his colleagues can show the Douglasites that profits, depreciations, and the rest, all go back to the till to be distributed or re-invested, but no man can trace the whence or whither of the 5 per cent. which loads prices as rent for the loan of what Douglas calls "the proceeds of abstinence," or, in the bank's case, creations.

But why trouble to trace it? Surely the weight of it is now enough to remind us of it!

Mr. Franklin will serve the common cause if he ignores the weakness which Douglas shares with the Labour Party Executive, namely, that interest on investments are sacred rights of the individual which must be protected; in the Labour Party's case with a State Totalisator (Investment Board) which can't function, and in Douglas's case with a dividend-first-price device which can.

If Mr. Franklin seeks to serve humanity with an equitable and honest financial system he will point unremittently to the *cause* of the flaw; the usury which links the poor little investor with the great investing capitalist and his friend the mighty money-making banker; he will advocate a State-money system as a means to a socialised land and credit system, gradually thrusting all investors into their places as co-operators in the production and dividend-sharing of a State-investment system wherein, as Mr. Savage of New Zealand said "the credit of the country will be used for the benefit of the people at the cost of providing that service."

In short: No more usury, no more rent for wads of paper or cheque-books.

GLADYS F. BING.

PUBLIC MEETINGS. London Social Credit Club.

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

July 10.—"Social Credit," by Sidney Hillyard, Esq., of California.
July 19.—"Social Credit and Debt," by the Rev. Kenneth Saunders.

FOR SALE.

THE NEW AGE. Vols. II. to XXX., inclusive, bound, cloth boards; Vols. XXXI. to LV. unbound, with a few numbers of Vol. LVI. Also bound volume of Caricatures by TOMTIT, New Age, MCMXIII. What offers?
J. NELSON, 423, Beverley Road, HULL.

"NETHERWOOD," The Ridge, Hastings.
4 acres of lawns and woodland. 500 ft. up. Swimming pool, gymnasium, tennis court and dance hall. Home produce for all diets. Cent. H. H. & C. all bedrooms.
From 7/6 a day inclusive.
Write for illustrated brochure.

Published by the Proprietor (ARTHUR BENTON), 70, High Holborn, London, W.C., England (Telephone: Chancery 2470), and printed for him by THE NEW AGE PRESS, LIMITED, Temple-avenue and Tudor-street, London, E.C.4. (Telephone: Central 3701).